UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission File Number 1-10323

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware	74-2099724
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1600 Smith Street, Dept. HQSEO, Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Class B Common Stock, par value $.01 per share	New York Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the 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 X No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the registrant was approximately $984 million as of June 30, 2003.

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As of January 20, 2004, 66,042,002 shares of Class B common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for Annual Meeting of Stockholders to be held on March 12, 2004: PART III

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PART I

ITEM 1. BUSINESS.

Continental Airlines, Inc., a Delaware corporation, is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. We are the fifth largest United States airline (as measured by the number of scheduled miles flown by revenue passengers, known as revenue passenger miles, in 2003) and, together with ExpressJet Airlines, Inc. (operating as Continental Express and referred to in this Form 10-K as "ExpressJet"), from which we purchase seat capacity, and our wholly owned subsidiary, Continental Micronesia, Inc. ("CMI"), each a Delaware corporation, we served 228 airports worldwide at December 31, 2003. As of December 31, 2003, we flew to 127 domestic and 101 international destinations and offered additional connecting service through alliances with domestic and foreign carriers. We directly served 16 European cities, seven South American cities, Tel Aviv, Hong Kong and Tokyo as of December 31, 2003. In addition, we provide service to more destinations in Mexi co and Central America than any other U.S. airline, serving 31 cities. Through our Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

General information about us, including our Corporate Governance Guidelines and the charters for the committees of our board of directors, can be found at *www.continental.com/ company/investor*. Our board of directors has adopted a code of ethics entitled "Principles of Conduct", which applies to all of our employees, officers and directors. Our board has also adopted a separate "Directors' Code of Ethics" for our directors. Copies of these codes can also be found at *www.continental.com/company/investor*. Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the SEC. Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of them.

This Form 10-K contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of those risks and uncertainties, please see the cautionary statements contained in Item 1. "Business - Risk Factor Relating to Terrorist Attacks and International Hostilities", "Business - Risk Factors Relating to the Company" and "Business - Risk Factors Relating to the Airline Industry." We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

See Item 1. "Business - Risk Factor Relating to Terrorist Attacks and International Hostilities", "Business - Risk Factors Relating to the Company" and "Business - Risk Factors Relating to the Airline Industry" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" for a discussion of trends and factors affecting us and our industry. Also see Item 8. "Financial Statements and Supplementary Data, Note 18 - Segment Reporting" for financial information about each of our business segments.

As used in this Form 10-K, the terms "Continental", "we", "us", "our" and similar terms refer to Continental Airlines, Inc. and its subsidiaries, unless the context indicates otherwise.

Recent Developments

On January 16, 2004, we announced that our Chairman and Chief Executive Officer, Gordon Bethune, has elected to retire effective December 31, 2004 as chairman and chief executive officer and from our board. Larry Kellner, our president and chief operating officer, will succeed Mr. Bethune as chairman and chief executive officer, effective January 1, 2005. We also announced that we will decrease the size of our board of directors from 14 members to 10 members, and that current directors David Bonderman, Pat Foley, Richard Pogue and William Price will not stand for re-election. Our remaining 10 directors, including Mr. Bethune and Mr. Kellner, have been nominated for election at our March 12, 2004 annual meeting.

Domestic Operations

We operate our domestic route system primarily through our hubs in the New York metropolitan area at Newark Liberty International Airport ("Liberty International"), in Houston, Texas at George Bush Intercontinental Airport ("Bush Intercontinental") and in Cleveland, Ohio at Hopkins International Airport ("Hopkins International"). Our hub system allows us to transport passengers between a large number of destinations with substantially more frequent service than if each route were served directly. The hub system also allows us to add service to a new destination from a large number of cities using only one or a limited number of aircraft. As of December 31, 2003, we operated 67% of the average daily jet departures from Liberty International, 85% of the average daily jet departures from Bush Intercontinental and 66% of the average daily jet departures from Hopkins International (in each case including regional jets flown for us by ExpressJet). Each of our domestic hubs is located in a large busi ness and population center, contributing to a high volume of "origin and destination" traffic.

International Operations

We directly serve destinations throughout Europe, Canada, Mexico, Central and South America and the Caribbean, as well as Tel Aviv, Hong Kong and Tokyo. We also provide service to numerous other destinations through codesharing arrangements with other carriers and have extensive operations in the western Pacific conducted by CMI. As measured by 2003 available seat miles, approximately 39% of our mainline operations, including CMI, were dedicated to international traffic.

The following international destinations served through our domestic hubs include regional jet service flown for us by ExpressJet:

Liberty International is a significant international gateway. From Liberty International at December 31, 2003, we served 16 European cities, five Canadian cities, six Mexican cities, six Central American cities, four South American cities, 17 Caribbean destinations, Tel Aviv, Hong Kong and Tokyo.

Bush Intercontinental is the focus of our operations in Mexico and Central America. As of December 31, 2003, we flew from Bush Intercontinental to 23 cities in Mexico, all seven countries in Central America, six cities in South America, four cities in Canada, three cities in Europe, three Caribbean destinations and Tokyo.

From Hopkins International, we flew to Montreal, Toronto, Cancun, Mexico and San Juan, Puerto Rico as of December 31, 2003.

From its hub operations based on the island of Guam, as of December 31, 2003, CMI provided service to seven cities in Japan, more than any other United States carrier, as well as other Pacific rim destinations, including Taiwan, the Philippines, Hong Kong, Australia and Indonesia. CMI is the principal air carrier in the Micronesian Islands, where it pioneered scheduled air service in 1968. CMI's route system is linked to the United States market through Hong Kong, Tokyo and Honolulu, each of which CMI serves non-stop from Guam. CMI and Continental also maintain a codesharing agreement and coordinate schedules on certain flights from the United States to Honolulu, and from Honolulu to Guam, to facilitate travel from the United States into CMI's route system.

See Item 8. "Financial Statements and Supplementary Data, Note 18 - Segment Reporting", for financial information by geographical area.

Alliances

We have entered into alliance agreements, which are also referred to as codeshare agreements or cooperative marketing agreements, with other carriers. These relationships may include (a) codesharing (one carrier placing its name and flight number, or "code," on flights operated by the other carrier), (b) reciprocal frequent flyer program participation, reciprocal airport lounge access and other joint activities (such as seamless check-in at airports) or (c) block space arrangements (carriers agree to share capacity and bear economic risk for blocks of seats on certain routes). Except for our relationship with ExpressJet, all of our codeshare relationships are free-sell codeshares, where the marketing carrier sells seats on the operating carrier's flights from the operating carrier's inventory, but takes no inventory risk. In contrast, in a block space relationship, the marketing carrier is committed to purchase a set number of seats on the operating carrier, sells seats to the public from this purchased inventory and is at economic risk for the purchased seats that it is unable to sell. Some relationships may include other cooperative undertakings such as joint purchasing, joint corporate sales contracts, airport handling, facilities sharing or joint technology development.

We have a long-term global alliance with Northwest Airlines through 2025, subject to earlier termination by either party in the event of certain changes in control of either Northwest or Continental. Our alliance with Northwest provides for each party to place its code on a large number of the flights of the other party, reciprocity of frequent flyer programs and airport lounge access and other joint marketing activities. As of December 31, 2003, we had placed our code on 205 destinations served by Northwest and Northwest placed its code on 176 destinations served by us. Together with Northwest, we also have joint contracts with major corporations and travel agents designed to create access to a broader product line encompassing the route systems of both carriers.

In August 2002, we entered into a marketing alliance with Northwest and Delta Air Lines. The marketing alliance was implemented in April 2003 when the U.S. Department of Transportation ("DOT") completed its review of the alliance. As with our alliance with Northwest, this alliance involves codesharing, reciprocal frequent flyer benefits and reciprocal airport lounge privileges. As of December 31, 2003, we placed our code on 47 destinations served by Delta and Delta placed its code on 56 destinations served by us. We intend to expand our codesharing with Delta as permitted by DOT. Additionally, under our agreement with Delta and Northwest, we (together with Northwest) will have the ability to join the SkyTeam alliance, a global alliance currently comprised of Delta, Air France, Alitalia, Aeromexico, Korean, and CSA Czech. We currently expect to join the SkyTeam alliance by the end of the second quarter of 2004.

We also have domestic codesharing agreements with Gulfstream International Airlines, SkyWest Airlines, Hawaiian Airlines, Alaska Airlines, Horizon Airlines, Champlain Enterprises, Inc. (CommutAir), Hyannis Air Service, Inc. (Cape Air) and American Eagle Airlines. We also have the first train-to-plane alliance in the United States with Amtrak.

In addition to our domestic alliances, we seek to develop international alliance relationships that complement our own route system and permit expanded service through our hubs to major international destinations. International alliances assist in the development of our route structure by enabling us to offer more frequencies in a market, provide passengers connecting service from our international flights to other destinations beyond an alliance partner's hub and expand the product line that we may offer in a foreign destination.

We have a marketing agreement with KLM which extends until 2010 that includes codesharing and reciprocal frequent flyer program participation and airport lounge access. As of December 31, 2003, we placed our code on selected flights to more than 68 European, Middle Eastern and African destinations operated by KLM and KLM Cityhopper beyond its Amsterdam hub, and KLM placed its code on more than 70 U.S. and Mexican destinations operated by us beyond our hubs at Liberty International and Bush Intercontinental. In addition, members of each carrier's frequent flyer program are able to earn mileage anywhere on the other's global route network, as well as the global network of Northwest.

We also currently have international codesharing agreements with Air Europa, Emirates (the flag carrier of the United Arab Emirates), TAP Air Portugal, EVA Airways Corporation (an airline based in Taiwan), British European ("Flybe"), Virgin Atlantic Airways and Copa Airlines of Panama. We own 49% of the common equity of Copa. We will implement codesharing arrangements with AeroMexico and Maersk Air of Denmark in the first quarter of 2004. We also have a codeshare agreement with French rail operator SNCF.

Effective April 1, 2003, we made adjustments to our codeshare agreement with Virgin Atlantic Airways eliminating our commitment to purchase block space. We continue to codeshare on each other's flights between Liberty International and London and we place our code on other routes flown by Virgin Atlantic between the United States and the United Kingdom.

Regional Operations

Our mainline service at each of our domestic hub cities is coordinated with ExpressJet, which operates new-generation regional jets. Effective January 1, 2001, we entered into a capacity purchase agreement with ExpressJet pursuant to which we currently purchase all of ExpressJet's available seat miles for a negotiated price. The agreement covers all of ExpressJet's existing fleet, as well as 50 Embraer regional jets subject to firm orders. Under the agreement, as amended, ExpressJet has the right through December 31, 2006 to be our sole provider of regional jet service from our hubs. We are responsible for all scheduling, pricing and seat inventories of ExpressJet's flights. Therefore, we are entitled to all revenue associated with those flights and are responsible for all revenue-related expenses, including commissions, reservations, catering and passenger ticket processing expenses. In exchange for ExpressJet's operation of the flights and performance of other obligations under the agreement, we pay ExpressJet based on scheduled block hours (the hours from departure gate to arrival gate) in accordance with a formula designed to provide them with an operating margin of approximately 10% before taking into account variations in some costs and expenses that are generally controllable by ExpressJet. We assume the risk of revenue volatility associated with fares and passenger traffic, price volatility for specified expense items such as fuel and the cost of all distribution and revenue-related costs. The capacity purchase agreement replaced our prior revenue-sharing arrangement.

Under the capacity purchase agreement, we have the right, upon no less than twelve months' notice to ExpressJet, to reduce the number of its aircraft covered by the contract. As of December 31, 2003, we had not given any such notice. Under the agreement, we are entitled to remove capacity under an agreed upon methodology. If we remove aircraft from the terms of the agreement, ExpressJet will have the option to (i) fly the released aircraft for another airline (subject to its ability to obtain facilities, such as gates and slots, and subject to its exclusive arrangement with us that prohibits ExpressJet during the term of the agreement from flying under its or another carrier's code in or out of our hub airports), (ii) fly the aircraft under ExpressJet's own flight designator code subject to its ability to obtain facilities, such as gates and slots, and subject to ExpressJet's exclusive arrangement with us respecting our hubs, or (iii) decline to fly the aircraft and cancel the related subleases wit h us. If ExpressJet does not cancel the aircraft subleases, the interest rate used to calculate the scheduled lease payments will automatically increase by 200 basis points to compensate us for our continued participation in ExpressJet's lease financing arrangements.

The agreement is scheduled to expire on December 31, 2010, but allows us to terminate the agreement at any time after December 31, 2006 upon 12 months' notice, or at any time without notice for cause (as defined in the agreement). We may also terminate the agreement at any time upon a material breach by ExpressJet that does not constitute cause and continues for 90 days after notice of such breach, or without notice or opportunity to cure if we determine that there is a material safety concern with ExpressJet's flight operations. We have the option to extend the term of the agreement with 24 months' notice for up to four additional five-year terms through December 31, 2030.

In April 2002, ExpressJet Holdings, Inc. ("Holdings"), our then wholly owned subsidiary and the sole stockholder of ExpressJet, sold 10 million shares of its common stock in an initial public offering and used the net proceeds to repay $147 million of ExpressJet's indebtedness to us. In addition, we sold 20 million of our shares of Holdings common stock in the offering for net proceeds of $300 million. In connection with the offering, our ownership of Holdings fell to 53.1%. Due to the capacity purchase agreement, the initial public offering of Holdings had very little effect on our operations and on ExpressJet's flight operations on our behalf.

During the third quarter of 2003, we sold approximately 9.8 million shares of our Holdings common stock to Holdings, reducing our ownership of Holdings from 53.1% to 44.6%. We also contributed approximately 7.4 million shares of Holdings common stock to our defined benefit pension plan, further reducing our ownership of Holdings to 30.9%. The independent trustee for our defined benefit pension plan subsequently sold a portion of the shares of Holdings that we contributed to the plan. As a result of these sales by the defined benefit pension plan, on November 12, 2003, the combined amount of Holdings common stock owned by us and our defined benefit pension plan fell below 41%, the point at which we no longer consolidated Holdings for financial reporting purposes pursuant to Financial Accounting Standards Board Interpretation 46, "Consolidation of Variable Interest Entities". Accordingly, we deconsolidated Holdings as of that date.

Effective November 12, 2003, we account for our interest in Holdings using the equity method of accounting set forth in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock", rather than consolidating Holdings. Under our capacity purchase agreement with Holdings and ExpressJet, we purchase all of ExpressJet's capacity and are responsible for selling all of the seat inventory. As a result, after deconsolidation, we continue to record the related passenger revenue and related expenses, with payments under the capacity purchase agreement reflected as a separate operating expense. The primary effects of deconsolidation of Holdings from our financial statements are a decrease in current assets, primarily due to the elimination of Holdings' cash, an increase in assets resulting from the inclusion of our note receivable from Holdings (previously eliminated in consolidation), a decrease in long-term debt and a decrease in operating income as a result of the exclusion of Hold ings' operating income from our statement of operations. This decrease in operating income is offset by increases in nonoperating income from our equity in Holdings' earnings, provided our ownership interest remains constant. Additionally, after deconsolidation, we no longer record minority interest on either our balance sheet or statement of operations.

We continue to own 16.7 million shares of Holdings common stock with a market value of $251 million as of December 31, 2003. We do not currently intend to remain a stockholder of Holdings over the long term. Subject to market conditions, we expect to sell or otherwise dispose of some or all of our shares of Holdings common stock in the future.

As of December 31, 2003, ExpressJet served 101 destinations in the U.S., 18 cities in Mexico, five cities in Canada and one Caribbean destination. Since December 2002, ExpressJet's fleet has been comprised entirely of regional jets. We believe ExpressJet's regional jet service complements our operations by carrying traffic that connects onto our mainline jets and by allowing more frequent flights to smaller cities than could be provided economically with larger jet aircraft. We believe that ExpressJet's regional jets provide greater comfort and enjoy better customer acceptance than turboprop aircraft. The regional jets also allow ExpressJet to serve certain routes that cannot be served by turboprop aircraft. Additional commuter feed traffic is currently provided to us by other alliance partners, as discussed above.

Marketing

As with other major domestic hub-and-spoke carriers, most tickets for travel on us are sold by travel agents. Although we generally no longer pay base commissions, we often negotiate compensation to travel agents based on their performance in selling our tickets. Commission expense was 1.8%, 2.7% and 4.3% of passenger revenue in 2003, 2002 and 2001, respectively.

We are using the internet to provide services for our customers and to reduce our distribution costs. However, the continuing increase in pricing transparency resulting from use of the internet has enabled customers to obtain the lowest fare on any given route more easily. Our website, continental.com, recorded over $1.0 billion in ticket sales in 2003, an 81% increase over 2002. The site offers customers direct access to information such as schedules, reservations, flight status, frequent flyer account information (including the ability to redeem reward travel), cargo tracking and Continental travel specials. Combined with sales by online travel agents, 28% of our ticket sales were made on the internet during 2003, compared with 22% in 2002.

We, United, American, Delta and Northwest are investors in a travel website, Orbitz, which offers customers access to a wide variety of travel options. Orbitz completed an initial public offering of its shares in December 2003. We sold approximately 28% of our holdings in the offering. Following the offering, we own approximately 9% of Orbitz. We intend to dispose of our remaining holdings in Orbitz, subject to market conditions. To date, 42 U.S. and foreign carriers, including us, have marketing agreements with this web-based travel service. Orbitz provides customers with online access to airline, hotel, car rental and other travel services in addition to internet offers. The site features published fares from most carriers worldwide, presented in a format not biased toward any one airline. In addition, we have marketing agreements with other internet travel service companies such as Hotwire, Travelocity and Expedia. We sold our interest in Hotwire in 2003. Our marketing agreements with Orb itz and Hotwire remain in effect following the 2003 dispositions.

In 2003, we continued to expand our electronic ticketing, or E-Ticket, product. E-Tickets result in lower distribution costs to us while providing us with enhanced customer and revenue information. We recorded over $6.8 billion and $5.1 billion in E-Ticket sales in 2003 and 2002, representing 84% and 67%, respectively, of total sales. We have 779 Continental self-service kiosks at 130 airports throughout our system, including all domestic airports we serve. Continental and America West were the first U.S. airlines to implement interline E-Ticketing allowing customers to use electronic tickets when their itineraries include travel on both carriers. We now have interline E-Ticketing arrangements with 19 air carriers, including Northwest, Delta, American, United, US Airways, Alaska, Aloha, America West, KLM and Copa, as well as some regional affiliates of these airlines. We plan to implement interline E-Ticketing with our other alliance partners and some of the remaining larger U.S. and internationa l carriers. We expect these features to contribute to an increase in E-Ticket usage and to further reduce distribution costs. It is our current intent to eliminate paper tickets by December 31, 2004, subject to market and technological conditions.

In March 2003, we implemented passenger check-in at continental.com for E-Ticket customers in the United States without checked luggage. This service allows customers to obtain a boarding pass from their home or office up to 30 hours prior to departure and to proceed directly to security at the airport, bypassing the ticket counter and saving time. We recently implemented on-line check-in for passengers with baggage, which includes special kiosks at the airport for these passengers to rapidly check their bags.

Frequent Flyer Program

We maintain our "OnePass" frequent flyer program to encourage repeat travel on our system. OnePass allows passengers to earn mileage credits by flying us and certain other carriers, including Northwest, Delta, Alaska, KLM, Qantas and Copa. We also sell mileage credits to credit card companies, phone companies, other airlines, alliance members, hotels and car rental agencies participating in OnePass.

Due to the structure of the program and our belief that most of the redemption travel would not otherwise be revenue passengers, we believe that displacement of revenue passengers by passengers using flight rewards has historically been small. Revenue passenger miles represented by redemption travel accounted for 7.6% of our total revenue passenger miles in 2003.

In September 2003, we introduced new service features to reward our top customers. "EliteAccess" is offered to OnePass members who hold Elite status, first class and BusinessFirst ticket holders and travelers who qualify as "Elite for the Day." EliteAccess passengers receive preferential treatment in the boarding and baggage claim areas. "Elite for the Day" affords passengers who purchase economy class tickets in certain fare categories the benefits of EliteAccess on the day of travel. We also initiated a guarantee of no middle seat assignment for those passengers using a full-fare, unrestricted ticket.

Employees

As of December 31, 2003, we had approximately 37,680 full-time equivalent employees, consisting of approximately 16,710 customer service agents, reservations agents, ramp and other airport personnel, 7,270 flight attendants, 5,850 management and clerical employees, 3,960 pilots, 3,790 mechanics and 100 dispatchers. Approximately 42% of our employees are represented by unions. The following table reflects the principal collective bargaining agreements, and their respective amendable dates, of Continental and CMI:

Employee Group	Approximate Number of Full-time Equivalent Employees	Representing Union	Contract Amendable Date
Continental Pilots	3,960	Air Line Pilots Association	October 2002

		International ("ALPA")	
Continental Dispatchers	100	Transport Workers Union ("TWU")	October 2003
Continental Mechanics	3,680	International Brotherhood of Teamsters ("Teamsters")	December 2003 (economic terms) December 2006 (all terms)
CMI Mechanics	110	Teamsters	December 2006
Continental Flight Attendants	6,970	International Association of Machinists and Aerospace Workers ("IAM")	October 2004
CMI Flight Attendants	300	IAM	June 2005
CMI Fleet and Passenger Service Employees	540	Teamsters	December 2006
Continental Flight Simulator Technicians	50	TWU	Negotiations for initial contract ongoing

In December 2002, our mechanics, represented by the Teamsters, ratified a new four-year collective bargaining agreement. The portion of the agreement relating to wages, pension and benefits became amendable on December 31, 2003. Negotiations commenced with the Teamsters regarding these subjects in December 2003 and are continuing. Work rules and other contract items are established through 2006.

The collective bargaining agreement between us and our dispatchers (who are represented by the TWU) became amendable in October 2003. Negotiations commenced with the TWU in September 2003 and are continuing.

The collective bargaining agreement between us and our pilots (who are represented by ALPA) became amendable in October 2002. After being deferred due to the economic uncertainty following the September 11, 2001 terrorist attacks, negotiations recommenced with ALPA in September 2002 and are continuing.

The collective bargaining agreement between us and our flight attendants (who are represented by the IAM) becomes amendable in October 2004.

Industry Regulation and Airport Access

We operate under certificates of public convenience and necessity issued by DOT. These certificates may be altered, amended, modified or suspended by DOT if public convenience and necessity so require, or may be revoked for intentional failure to comply with the terms and conditions of a certificate.

Airlines are also regulated by the Federal Aviation Administration ("FAA"), primarily in the areas of flight operations, maintenance, ground facilities and other technical matters. Pursuant to these regulations, we have established, and the FAA has approved, a maintenance program for each type of aircraft we operate that provides for the ongoing maintenance of our aircraft, ranging from frequent routine inspections to major overhauls.

In November 2001, the President signed into law the Aviation and Transportation Security Act (the "Aviation Security Act"). This law federalized substantially all aspects of civil aviation security, creating a new Transportation Security Administration ("TSA"). Under the Aviation Security Act, substantially all security screeners at airports are now federal employees and significant other elements of airline and airport security are now overseen and performed by federal employees, including federal security managers, federal law enforcement officers, federal air marshals and federal security screeners. Among other matters, the law mandates improved flight deck security, deployment of federal air marshals onboard flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, additional provision of passenger data to U.S. c ustoms and enhanced background checks.

Airports from time to time seek to increase the rates charged to airlines, and the ability of airlines to contest such increases has been restricted by federal legislation, DOT regulations and judicial decisions. Under the Aviation Security Act, funding for airline and airport security is provided in part by a per enplanement ticket tax (passenger security fee) of $2.50, subject to a $5 per one-way trip cap. The Aviation Security Act also allows TSA to assess each airline fees up to the amount spent by that airline on screening services in 2000. Furthermore, because of significantly higher security and other costs incurred by airports since September 11, 2001, many airports are significantly increasing their rates and charges to air carriers, including to us, and may do so again in the future. Most airports we service impose passenger facility charges of up to $4.50 per segment, subject to an $18 per roundtrip cap.

The Emergency Wartime Supplemental Appropriations Act ("Supplemental Appropriations Act") enacted in April 2003 contained a number of provisions relating to airlines. In May 2003, we received and recognized in earnings $176 million in cash for reimbursement of our proportional share of passenger security and air carrier security fees paid or collected by U.S. air carriers as of the date of enactment of the legislation, together with other items. Additionally, the passenger security fees were not imposed from June 1, 2003 to September 30, 2003. We also received reimbursement for the direct costs associated with installing strengthened flight deck doors and locks. Additionally, aviation war risk insurance provided by the government was extended for one year to August 2004.

The Supplemental Appropriations Act also provided limits on the total compensation of some airlines' two mostly highly compensated executives (including ours) during the 12-month period beginning April 1, 2003. That compensation is limited to the annual salary paid to those officers with respect to fiscal year 2002 (and any violation of this limitation will require us to repay the government most of the $176 million reimbursement described above). We have entered into agreements with our two most highly compensated executives permitting us to reduce their total compensation to comply with the restrictions of the Supplemental Appropriations Act. However, there are limited situations, such as a change in control of the company, the termination of such executives' employment or the retirement or voluntary resignation of the executive during the restricted period, that could result in our being unable to comply with those restrictions and thus being required to repay to the government substantially all of the amount of our reimbursement. We believe that the likelihood of these situations occurring is remote.

The DOT allows local airport authorities to implement procedures designed to abate special noise problems, provided those procedures do not unreasonably interfere with interstate or foreign commerce or the national transportation system. Some airports, including the major airports at Boston, Chicago, Los Angeles, San Diego, Orange County (California), Washington National, Denver and San Francisco, have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number and scheduling of hourly or daily operations. In some instances, these restrictions have caused curtailments in services or increases in operating costs, and could limit our ability to expand our operations at the affected airports. Local authorities at other airports could consider adopting similar noise regulations. Some foreign airports have similar restrictions.

The FAA has designated John F. Kennedy International Airport ("Kennedy") and LaGuardia Airport ("LaGuardia") in New York and Ronald Reagan Washington National Airport in Washington, D.C. as "high density traffic airports" and has limited the number of departure and arrival slots at those airports. All slot restrictions at O'Hare International Airport in Chicago were eliminated in July 2002 and slot restrictions at LaGuardia and Kennedy are scheduled to be eliminated by 2007, although the FAA separately has imposed new slot controls at LaGuardia to reduce congestion. The elimination of slot restrictions has had no material impact on us.

The availability of international routes to U.S. carriers is regulated by treaties and related agreements between the United States and foreign governments. The United States typically follows the practice of encouraging foreign governments to accept multiple carrier designation on foreign routes, although certain countries have sought to limit the number of carriers allowed to fly these routes. Certain foreign governments impose limitations on the ability of air carriers to serve a particular city and/or airport within their country from the U.S. Bilateral agreements between the United States and foreign governments often include restrictions on the number of carriers (designations), operations (frequencies), or airports (points) that can be served. When designations are limited, only a certain number of airlines of each country may provide service between the countries. When frequencies are limited, operations are restricted to a certain number of weekly flights (as awarded by the Untied States to the domestic carrier, based on the bilateral limits). When points are limited, only certain airports within a country can be served.

One example of these limits is the bilateral agreement between the United States and the United Kingdom. Designations between the United States and Heathrow airport in London are limited to two for each country and since both designations are already taken, we cannot serve London Heathrow, even though we desire to do so. Additionally, the bilateral agreement limits frequencies which would prevent us from expanding our service above a predefined number of weekly frequencies. Finally, even if we received a Heathrow designation, we could not serve it from Houston or Cleveland because of point limits.

For a U.S. carrier to fly to any such international destination, it must first obtain approval from both the U.S. and the foreign country where the destination is located, which is referred to as a "foreign route authority". Route authorities to some international destinations can be sold between carriers, and their value can vary because of limits on accessibility. For those international routes where there is a limit to the number of carriers or frequency of flights (such as Heathrow Airport in London), studies have shown these routes have more value than those without restrictions. To the extent these foreign countries adopt "open skies" policies (meaning all carriers have access to the destination) or otherwise liberalize or eliminate restrictions on international routes, those actions would increase competition and potentially decrease the value of a route. We cannot predict what laws, treaties and regulations relating to international routes will be adopted or their resulting impact on us, b ut the impact could be significant.

Many aspects of airlines' operations are subject to increasingly stringent federal, state and local laws protecting the environment. Future regulatory developments in the U.S. and abroad could adversely affect operations and increase operating costs in the airline industry. Potential future actions that may be taken by the U.S. government, foreign governments, or the International Civil Aviation Organization to limit the emission of greenhouse gases by the aviation sector are unknown at this time, but the adverse impact to us and our industry could be significant.

Risk Factor Relating to Terrorist Attacks and International Hostilities

The terrorist attacks of September 11, 2001 involving commercial aircraft adversely affected our financial condition, results of operations and prospects and the airline industry generally. Among the effects we experienced from the September 11, 2001 terrorist attacks were substantial flight disruption costs caused by the FAA-imposed grounding of the U.S. airline industry's fleet, significantly increased security, increased insurance and other costs, substantially higher ticket refunds and significantly decreased traffic. The adverse effects of the terrorist attacks have been mitigated by subsequent increases in traffic, our cost-cutting measures, the Air Transportation Safety and System Stabilization Act (the "Stabilization Act") and the Supplemental Appropriations Act.

Additional terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks (including elevated national threat warnings or selective cancellation or redirection of flights due to terror threats), could negatively affect us and the airline industry. The war in Iraq last year further decreased demand for air travel during the first half of 2003, especially in transatlantic markets, and additional international hostilities could potentially have a material adverse impact on our financial condition, liquidity and results of operations. Our financial resources might not be sufficient to absorb the adverse effects of any further terrorist attacks or an increase in post-war unrest in Iraq or other international hostilities involving the United States.

Risk Factors Relating to the Company

Excluding current year special items, we continue to experience significant losses. Since September 11, 2001, we have incurred significant losses. We would have recorded another significant loss in 2003 if we had not recognized after-tax income totaling $247 million related to special items. (See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations" for a description of the special items.) Passenger revenue per available seat mile for our mainline operations was 11.3% lower for the year ended December 31, 2003 versus 2000 (the last full year before the September 11, 2001 terrorist attacks), and our overall passenger revenue declined 12.6% during this same period. The revenue decline moderated slightly during 2003. Business traffic, our most profitable source of revenue, and yields are down significantly from historical levels and carriers continue to offer reduced fares to attract passengers, which lowers our pas senger revenue and yields and raises our break-even load factor.

We cannot predict when or if business traffic or yields will increase. Further, we cannot predict the long-term impact of any changes in fare structures, most importantly in relation to business fares, booking patterns, low-cost competitor growth, increased usage of regional jets, customers' direct booking on the internet, competitor bankruptcies and other changes in industry structure and conduct, but any of these factors could have a material adverse effect on our financial condition, liquidity and results of operations.

Our high leverage may affect our ability to satisfy our significant financing needs or meet our obligations. As is the case with our principal competitors, we have a high proportion of debt compared to our equity capital. As of December 31, 2003, we had approximately $6.0 billion (including current maturities) of long-term debt and capital lease obligations, $792 million of stockholders' equity and $1.6 billion in consolidated cash, cash equivalents and short-term investments (of which $170 million is restricted cash). Our long-term debt and capital lease obligations coming due in 2004 total approximately $397 million and $25 million, respectively. We also have significant operating leases and facility rental costs. For the year ended December 31, 2003, annual aircraft and facility rental expense under operating leases approximated $1.3 billion.

In addition, we have substantial commitments for capital expenditures, including for the acquisition of new aircraft. For example, as of December 31, 2003, we had firm commitments for 63 aircraft from Boeing, with an estimated cost of approximately $2.4 billion and options to purchase an additional 84 Boeing aircraft. We expect to take delivery of a total of 16 Boeing aircraft in 2004, seven Boeing aircraft in 2005 and none in 2006 and 2007, with delivery of the remaining 40 aircraft occurring in 2008 and 2009. We currently have agreements for the financing of 11 of the aircraft to be delivered in 2004. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures. For a further discussion of our capital expenditure commitments and the financing of new aircraft, see Note 16 to our consolidated financial statements included in Item 8 of this report.

We have a noncontributory defined benefit pension plan covering substantially all of our employees. We contributed $272 million in cash and approximately 7.4 million shares of Holdings common stock valued at approximately $100 million to our primary defined benefit pension plan in 2003. As a result, our 2004 minimum funding requirements are not expected to be significant. However, we currently intend to maintain the plan's funding at 90% of its current liability, which would result in our making contributions of approximately $300 million in 2004. For a further discussion of our contributions to the defined benefit pension plan, see Note 11 to our consolidated financial statements included in Item 8 of this report.

Additional financing will be needed to satisfy our capital commitments. We cannot predict whether sufficient financing will be available. On several occasions subsequent to September 11, 2001, Moody's Investors Service and Standard and Poor's both downgraded the credit ratings of a number of major airlines, including us. Additional downgrades to our credit ratings were made in March and April 2003 and further downgrades are possible. As of December 31, 2003, our senior unsecured debt was rated Caa2 by Moody's and CCC+ by Standard and Poor's. Reductions in our credit ratings have increased the interest we pay on new issuances of debt and may increase the cost and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral under our credit card processing agreement if our debt rating falls below Caa3 as rated by Moody's or CCC- as rated by Stan dard and Poor's.

Significant changes or extended periods of high fuel costs or fuel supply disruptions would materially affect our operating results. Fuel costs, which are currently at historically high levels, constitute a significant portion of our operating expense. Fuel costs represented approximately 14.5% of our operating expenses for the year ended December 31, 2003 and 11.7% of our operating expenses for the year ended December 31, 2002. Based on gallons consumed in 2003, for every one dollar increase in the price of crude oil, our annual fuel expense would increase by approximately $35 million. This increase changes to approximately $38 million when considering our expected fuel volume increases in 2004.

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

From time to time we enter into petroleum swap contracts, petroleum call option contracts and/or jet fuel purchase commitments to provide some short-term protection (generally three to six months) against a sharp increase in jet fuel prices. Depending upon the hedging method employed, our strategy may limit our ability to benefit from declines in fuel prices. As of December 31, 2003, we did not have any fuel hedges in place.

We are also at risk for ExpressJet's fuel costs in excess of a negotiated cap. Under our capacity purchase agreement and a related fuel purchase agreement with ExpressJet, ExpressJet's fuel costs were capped at 66.0 cents per gallon in 2003 and will remain capped at this level in 2004.

Increased labor costs or labor disruptions could impact our results of operations. Labor costs constitute a significant percentage of our total operating costs. In 2003, labor costs (including employee incentives) constituted 35.3% of our total operating expenses. Labor costs include the impact of consolidating the results of ExpressJet through November 12, 2003.

Many of our work groups are represented by unions. Our mechanics, represented by the Teamsters, ratified a new four-year collective bargaining agreement in December 2002 that made an adjustment to current pay and recognized current industry conditions. The agreement became amendable with respect to wages, pension and health insurance provisions on December 31, 2003. Negotiations commenced with the Teamsters regarding these subjects in December 2003 and are continuing. Work rules and other contractual items are established through 2006. The collective bargaining agreement between us and our dispatchers (who are represented by the TWU) became amendable in October 2003. Negotiations commenced with the TWU in September 2003 and are continuing. The collective bargaining agreement between us and our pilots (who are represented by the Air Line Pilots Association) became amendable in October 2002. After being deferred due to the economic uncertainty following the September 11, 2001 terrorist attacks, negotiations recommenced in September 2002 and are continuing.

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

Although we may incur increased labor costs in connection with the negotiation of the pilot collective bargaining agreement, the significant labor cost reductions associated with recent major hub-and-spoke carrier bankruptcies, and labor cost reductions negotiated or requested by competitors outside of bankruptcy, significantly reduce the differences in pilot pay rates, including ours, among the major hub-and-spoke carriers. US Airways and United have significantly decreased their labor costs during their bankruptcy cases. During 2003, American Airlines agreed with its major labor groups on significant labor cost reductions. Delta and Northwest have each announced that they are seeking to decrease their labor costs significantly. Although we enjoy generally good relations with our employees, we can provide no assurance that we will not experience labor disruptions in the future. Any disruptions which result in a prolonged significant reduction in flights could have a material adverse impact on ou r results of operations and financial condition.

Our net operating loss carryforwards may be limited. At December 31, 2003, we had estimated net operating loss carryforwards ("NOLs") of $3.0 billion for federal income tax purposes that will expire through 2023. Due to a change in our ownership on April 27, 1993, the ultimate utilization of our NOLs generated prior to the ownership change may be limited. If we were to have a change of ownership under current conditions, our annual NOL utilization could be limited to approximately $51 million per year, before consideration of any built-in gains. For a further discussion of the uses of our NOLs, see Note 12 to our consolidated financial statements included in Item 8. of this report.

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

Continental Micronesia's dependence on the Japanese economy may result in currency risk. Because the majority of CMI's traffic originates in Japan, its results of operations are substantially affected by the Japanese economy and changes in the value of the yen as compared to the U.S. dollar. To reduce the potential negative impact on CMI's earnings associated with fluctuations in currency, we have entered into option and forward contracts as a hedge against a portion of our expected net yen cash flow position. As of December 31, 2003, we had entered into option and forward contracts to hedge 61% of the projected yen-denominated net cash flows for 2004 at a weighted average rate of 111 yen to $1 US. CMI's operating revenue was approximately 4% of consolidated operating revenue in 2003.

Risk Factors Relating to the Airline Industry

The airline industry is highly competitive and susceptible to price discounting. Carriers use discount fares to stimulate traffic during periods of slack demand, to generate cash flow and to increase market share. Some of our competitors have substantially greater financial resources or lower cost structures than we do, or both. In recent years, the market share held by low cost carriers has increased significantly and is expected to continue to increase.

Airline profit levels are highly sensitive to changes in fuel costs, fare levels and passenger demand. Passenger demand and fare levels are influenced by, among other things, the state of the global economy, domestic and international events, airline capacity and pricing actions taken by carriers. The September 11, 2001 terrorist attacks, the weak economy, turbulent international events (including the war in Iraq), high fuel prices and extensive price discounting by carriers have resulted in dramatic losses for us and the airline industry generally. We cannot predict when or if conditions will improve. US Airways, United and several small competitors have filed for bankruptcy protection, although US Airways emerged from bankruptcy on March 31, 2003. Other carriers could file for bankruptcy or threaten to do so to reduce their costs. Carriers operating under bankruptcy protection can operate in a manner that would be adverse to us and could emerge from bankruptcy as more vigorous competitors with substantially lower costs.

Since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation, and it may in the future experience additional consolidation. We routinely monitor changes in the competitive landscape and engage in analysis and discussions regarding our strategic position, including alliances, asset acquisitions and business combination transactions. We have had, and expect to continue to have, discussions with third parties regarding strategic alternatives. The impact of any consolidation within the U.S. airline industry cannot be predicted at this time.

Additional security requirements may increase our costs and decrease our traffic. Since September 11, 2001, the Department of Homeland Security ("DHS") and TSA have implemented numerous security measures that affect airline operations and costs, and are likely to implement additional measures in the future. Most recently, DHS has begun to implement US VISIT (a program of fingerprinting and photographing foreign visa holders), has announced that it will implement CAPPS II (use of passenger data for evaluating security measures to be taken with respect to individual passengers), has expanded the use of federal air marshals on our flights (thus displacing additional revenue passengers), has begun investigating requiring installation of aircraft security systems (such as active devices on commercial aircraft as countermeasures against portable surface to air missiles) and has expanded cargo and baggage screening. DHS has also required certain flights to be cancelled on short notice for se curity reasons, and has required certain airports to remain at higher security levels than other locations.

In addition, foreign governments have also begun to institute additional security measures at foreign airports we serve, out of their own security concerns, or in response to U.S.-imposed security measures.

A large part of the costs of these security measures is borne by the airlines and their passengers, and we believe that these and other security measures have the effect of increasing the hassle of air transportation and thus decreasing traffic. Current and future security measures imposed by the U.S. and foreign governments increase our costs and may adversely affect us and our financial results.

Extensive government regulation could increase our operating costs and restrict our ability to conduct our business. As evidenced by the enactment of the Aviation Security Act, airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenue. The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. Some FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft. We expect to continue incurring e xpenses to comply with the FAA's regulations.

Many aspects of airlines' operations are also subject to increasingly stringent federal, state and local laws protecting the environment. Future regulatory developments in the U.S. and abroad could adversely affect operations and increase operating costs in the airline industry. For example, potential future actions that may be taken by the U.S. government, foreign governments, or the International Civil Aviation Organization to limit the emission of greenhouse gases by the aviation sector are unknown at this time, but the adverse impact to us and our industry could be significant.

Additionally, because of significantly higher security and other costs incurred by airports since September 11, 2001, many airports have significantly increased their rates and charges to air carriers, including to us, and may do so again in the future. Restrictions on the ownership and transfer of airline routes and takeoff and landing slots have also been proposed. See "Industry Regulation and Airport Access" above. The ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities are not made available. We cannot provide assurance that current laws and regulations, or laws or regulations enacted in the future, will not adversely affect us.

Our results of operations fluctuate due to seasonality and other factors associated with the airline industry. Due to greater demand for air travel during the summer months, revenue in the airline industry in the second and third quarters of the year is generally stronger than revenue in the first and fourth quarters of the year for most U.S. air carriers. Our results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal, including excise and similar taxes, weather, air traffic control delays and general economic conditions, as well as the other factors discussed above. As a result, our operating results for a quarterly period are not necessarily indicative of operating results for an entire year, and historical operating results are not necessarily indicative of future operating results.

ITEM 2. PROPERTIES.

Flight Equipment

As shown in the following table, our operating aircraft fleet consisted of 355 mainline jets and 224 regional jets at December 31, 2003, excluding aircraft out of service. The regional jets are leased by ExpressJet from us and are operated by ExpressJet. Our purchase commitments (firm orders) for aircraft, as well as options to purchase additional aircraft as of December 31, 2003 are also shown below.

Aircraft Type	Total Aircraft	Owned	Leased	Firm Orders	Options	Seats in Standard Configuration	Average Age (In Years)
777-200ER	18	6	12	-	1	283	4.3
767-400ER	16	14	2	-	-	235	2.3
767-200ER	10	9	1	-	-	174	2.8
757-300	4	4	-	5	-	210	2.0
757-200	41	13	28	-	-	183	6.9
737-900	12	8	4	3	24	167	2.3
737-800	81	26	55	40	35	155	3.6
737-700	36	12	24	15	24	124	5.0
737-500	63	15	48	-	-	104	7.7
737-300	51	14	37	-	-	124	17.3
MD-80	23	6	17	-	-	141	17.8
Mainline jets	355	127	228	63	84		7.6
ERJ-145XR	54	-	54	50	100	50	1.0
ERJ-145	140	18	122	-	-	50	3.6
ERJ-135	30	-	30	-	-	37	3.3
Regional jets	224	18	206	50	100		2.9
Total	579	145	434				5.8

As of December 31, 2003, we had the following mainline aircraft out of service:

Aircraft Type	Total Aircraft	Owned	Leased
DC 10-30	5	2	3
MD-80	14	9	5

737-300	2	-	2
Total	21	11	10

The 11 owned out-of-service mainline aircraft are being carried at an aggregate fair market value of $22 million. As of December 31, 2003, we subleased two of the leased out-of-service mainline aircraft to third parties and we are currently exploring sublease or sale opportunities for the remaining out-of-service aircraft that do not have near-term lease expirations. The timing of any disposition of these aircraft is dependent upon the stabilization of the economic environment in the airline industry as well as our ability to find purchasers or sublessees for the aircraft, which is limited in part because of a large surplus of similar aircraft available in the market. We cannot predict when or if such stabilization will occur or if purchasers or sublessees can be found, and it is possible that our assets could suffer additional impairment.

Additionally, we have 18 Embraer 120 turboprop aircraft and 22 ATR 42 turboprop aircraft out of service. We lease 32 and own eight of these aircraft. The eight owned aircraft are being carried at an aggregate fair value of $11 million. We currently sublease five of the leased out-of-service turboprop aircraft to third parties and are exploring sublease or sale opportunities for the remaining out-of-service aircraft that do not have near-term lease expirations, subject to the same uncertainties as the out-of-service mainline aircraft discussed above.

In July 2003, we announced plans to remove all remaining MD-80 aircraft from service by January 2005. In December 2003, five previously grounded leased MD-80 aircraft were determined to be permanently grounded and we recorded a charge of $21 million ($13 million after income taxes) associated with future obligations for rent and return conditions, net of estimated sublease income, on those aircraft. We will record similar charges as the remaining 17 leased MD-80 aircraft exit revenue service and are permanently grounded.

During 2003, we put into service four new Boeing 737-800 aircraft and reinstated one 737-300 aircraft. We removed from service six MD-80 aircraft, two 737-500 aircraft and eight 737-300 aircraft in 2003, primarily in conjunction with the expiration of their lease terms.

During the second quarter of 2003, we agreed with The Boeing Company ("Boeing") to defer firm deliveries of 36 Boeing 737 aircraft that were originally scheduled for delivery in 2005, 2006 and 2007. These aircraft will now be delivered in 2008 and beyond. In connection with the deferrals, we recorded a second quarter special charge of $14 million ($8 million after income taxes). During the fourth quarter of 2003, we agreed with Boeing to substitute six 737-800 aircraft, to be delivered in the second half of 2005, for the final six 757-300 aircraft, originally scheduled for delivery in late 2004 and the first half of 2005. Additionally, we eliminated all remaining 757-300 and 767-200ER options, reduced our 777-200ER option count from three to one and increased our 737 option positions by 12. As a result of these agreements with Boeing, we expect to take delivery of a total of 16 Boeing aircraft in 2004 (including five 757-300s), seven Boeing aircraft in 2005 and none in 2006 and 2007, with deliver y of the remaining 40 aircraft occurring in 2008 and 2009.

During 2003, ExpressJet took delivery of 36 ERJ-145XR aircraft. ExpressJet currently anticipates taking delivery of 21 Embraer regional jet aircraft in 2004, 21 in 2005 and 8 in 2006.

Substantially all of the aircraft and engines we own are subject to mortgages. Substantially all of our spare parts inventory related to our core Boeing fleet is also encumbered.

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for a discussion of our firm orders for new aircraft and related financing arrangements.

Facilities

Our principal facilities are Newark Liberty International, Houston Bush Intercontinental, Cleveland Hopkins International and A.B. Won Pat International Airport in Guam. Substantially all of these facilities and many of our other facilities are leased on a long-term, net-rental basis, and we are responsible for maintenance, taxes, insurance and other facility-related expenses and services. At each of our three domestic hub cities and most other locations, our passenger and baggage handling space is leased directly from the airport authority on varying terms dependent on prevailing practice at each airport. We also maintain administrative offices, terminal, catering, cargo and other airport facilities, training facilities, maintenance facilities and other facilities related to the airline business in the cities we serve.

We have entered into agreements with the cities of Houston, Texas and Cleveland, Ohio, the New Jersey Economic Development Authority, the Port Authority of New York and New Jersey, The New York City Industrial Development Agency, the Hawaii Department of Transportation, the Regional Airports Improvement Corporation (in Los Angeles) and the Harris County (Houston) Industrial Development Corporation to provide funds for constructing, improving and modifying facilities that have been or will be leased to us and for acquiring related equipment. In connection with those agreements, we have unconditionally guaranteed the principal and interest on tax-exempt bonds issued by these entities with a current outstanding balance of approximately $1.6 billion (excluding the City of Houston bonds and including the US Airways contingent liability, both discussed below) and entered into long-term leases with the respective authorities under which rental payments will be sufficient to service the related bonds. The l eases generally have terms ranging from 20 to 30 years.

In August 2001, the City of Houston completed the offering of $324 million aggregate principal amount of tax-exempt special facilities revenue bonds to finance the construction of Terminal E and a new international ticketing hall facility at Bush Intercontinental Airport. Upon completion of the entire project, Terminal E will contain 23 gates capable of both domestic and international operations. We began using seven gates for domestic operations in June 2003 and placed the remaining gates into service in early January 2004. The final phase of the Terminal E project, the international ticketing hall facility, is projected to be substantially completed in the spring of 2005, at which time the City of Houston is also expected to complete a new federal customs and immigration facility, enabling both domestic and international use of the entire Terminal E concourse.

In connection with the Terminal E project, we entered into a long-term lease with the City of Houston requiring that upon completion of construction, with limited exceptions, we will make rental payments sufficient to service the related tax-exempt bonds through their maturity in 2029. Approximately $222 million of the bond proceeds had been expended as of December 31, 2003. During the construction period, we retain certain risks related to our own actions or inactions while managing portions of the construction. Potential obligations associated with these risks are generally limited based upon certain percentages of construction costs incurred to date.

We have also entered into a binding corporate guaranty with the bond trustee for the repayment of the principal and interest on the bonds that becomes partially effective (based on a pro rata share of bond proceeds) upon the completion of construction of the terminal or of the international ticketing hall facility. The corporate guaranty would also become effective if we fail to comply with the lease agreement (which is within our control), or if we terminate the lease agreement. Further, we have not assumed any condemnation risk, any casualty event risk (unless caused by us), or risk related to certain cost overruns (and in the case of cost overruns, our liability for the project would be limited to 89.9% of the capitalized costs) during the construction period of each respective phase. Accordingly, we are not considered the owner of the project for financial reporting purposes and, therefore, have not capitalized the construction costs or recorded the debt obligation in our consolidated financial sta tements. However, our potential obligation under the guarantee is for payment of the principal of $324 million and related interest charges, at an annual rate of 6.78%. We expect the guaranty to become effective for a portion of the bonds relating to the terminal, in the amount of $271 million, during the first quarter of 2004. Our lease payments, which are sufficient to service the bonds, are included in the table under "Contractual Obligations" in the "Liquidity and Capital Resources" section of Item 7 of this report.

We remain contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of principal and interest on special facilities revenue bonds issued by the Port Authority with an outstanding balance of $174 million at December 31, 2003 and having a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be required to cure the default, and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

ITEM 3. LEGAL PROCEEDINGS.

Legal Proceedings

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

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

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

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

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

Environmental Proceedings

Under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (commonly known as "Superfund") and similar state environment cleanup laws, generators of waste disposed of at designated sites may, under certain circumstances, be subject to joint and several liability for investigation and remediation costs. We (including our predecessors) have been identified as a potentially responsible party at one federal site and one state site that are undergoing or have undergone investigation or remediation. We believe that, although applicable case law is evolving and some cases may be interpreted to the contrary, some or all of any liability claims associated with these sites were discharged by confirmation of our 1993 Plan of Reorganization, principally because our exposure is based on alleged offsite disposal known as of the date of confirmation. Even if any such claims were not discharged, on the basis of currently available information, we believe that our potential liability for our allocable share of the cost to remedy each site (if and to the extent we are found to be liable) is not, in the aggregate, material; however, we have not been designated a "de minimis" contributor at either site.

We are also and may from time to time become involved in other environmental matters, including the investigation and/or remediation of environmental conditions at properties we use or previously used. We could potentially be responsible for environmental remediation costs primarily related to jet fuel and solvent contamination surrounding our aircraft maintenance hangar in Los Angeles. In 2001, the California Regional Water Quality Control Board mandated a field study of the site and it was completed in September 2001. We have established a reserve for estimated costs of environmental remediation at Los Angeles and elsewhere in our system, based primarily on third party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We have not recognized any receivables related to insurance recoveries at December 31 , 2003.

We expect our total losses from environmental matters to be $52 million, for which we were fully accrued at December 31, 2003. During 2003, we received insurance settlements totaling $16 million for future environmental claims. Although we believe, based on currently available information, that our reserves for potential environment remediation costs are adequate, reserves could be adjusted as further information develops or circumstances change. However, we do not expect these items to materially impact our financial condition, results of operations or liquidity.

Although we are not currently subject to any environmental cleanup orders imposed by regulatory authorities, we are undertaking voluntary investigation or remediation at certain properties in consultation with such authorities. The full nature and extent of any contamination at these properties and the parties responsible for such contamination have not been determined, but based on currently available information and our current reserves, we do not believe that any environmental liability associated with such properties will have a material adverse effect on us.

General

Various other claims and lawsuits against us are pending that are of the type generally consistent with our business. We cannot at this time reasonably estimate the possible loss that could be experienced if any of the claims were successful. Many of these claims and lawsuits are covered in whole or in part by insurance. We do not believe that the foregoing matters will have a material adverse effect on us.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Common Stock Information

Our common stock (Class B common stock) trades on the New York Stock Exchange. The table below shows the high and low sales prices for our common stock as reported in the consolidated transaction reporting system during 2003 and 2002.

		Class B Common Stock	
		High	Low
2003	Fourth Quarter	$21.70	$14.49
	Third Quarter	$18.87	$12.05
	Second Quarter	$15.90	$ 5.30
	First Quarter	$ 9.39	$ 4.16
2002	Fourth Quarter	$ 9.85	$ 3.59

Third Quarter	$16.00	$ 4.80
Second Quarter	$30.50	$14.46
First Quarter	$35.25	$25.74

As of January 20, 2004, there were approximately 21,706 holders of record of our common stock.

We have paid no cash dividends on our common stock and have no current intention of doing so. A credit agreement, currently scheduled to mature in July 2004, restricts our ability to pay cash dividends or repurchase capital stock by imposing minimum unrestricted cash requirements on us and limiting the amount of any dividends and repurchases when aggregated with other payments or distributions.

Our certificate of incorporation provides that no shares of capital stock may be voted by or at the direction of persons who are not United States citizens unless the shares are registered on a separate stock record. Our bylaws further provide that no shares will be registered on the separate stock record if the amount so registered would exceed United States foreign ownership restrictions. United States law currently limits the voting power in us (and other U.S. airlines) of persons who are not citizens of the United States to 25%.

Equity Compensation Plans

Information regarding our equity compensation plans as of December 31, 2003 is disclosed in Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

ITEM 6. SELECTED FINANCIAL DATA.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Statement of Operations Data (in millions except per share data) (1)(2):					
Operating revenue	$8,870	$8,402	$8,969	$9,899	$ 8,639
Operating expenses	8,667	8,714	8,825	9,170	8,024
Operating income (loss)	203	(312)	144	729	615
Income (loss) before cumulative effect of accounting changes	38	(451)	(95)	342	488
Net income (loss)	38	(451)	(95)	342	455
Basic earnings (loss) per share:					
Income (loss) before cumulative effect of accounting changes	0.58	(7.02)	(1.72)	5.62	7.02
Net income (loss)	0.58	(7.02)	(1.72)	5.62	6.54
Diluted earnings (loss) per share:					
Income (loss) before cumulative effect of accounting changes	0.58	(7.02)	(1.72)	5.45	6.64

Net income (loss)	0.58	(7.02)	(1.72)	5.45	6.20

	As of December 31,				
	2003	2002	2001	2000	1999
Balance Sheet Data (in millions) (1):					
Cash and cash equivalents, including restricted cash, and short-term investments	1,600	1,342	1,132	1,395	1,590
Total assets	10,649	10,641	9,798	9,208	8,223
Long-term debt and capital lease obligations	5,558	5,471	4,448	3,624	3,055
Redeemable common stock	-	-	-	450	-
Redeemable preferred stock of subsidiary	-	5	-	-	-
Stockholders' equity	792	767	1,161	1,160	1,593

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Mainline Statistics:					
Revenue passengers (thousands)	39,861	41,016	44,238	46,896	45,540
Revenue passenger miles (millions) (3)	59,165	59,349	61,140	64,161	60,022
Available seat miles (millions) (4)	78,385	80,122	84,485	86,100	81,946
Cargo ton miles (millions)	917	908	917	1,096	1,000
Passenger load factor (5)	75.5%	74.1%	72.4%	74.5%	73.2%
Passenger revenue per available seat mile (cents)	8.73	8.61	8.98	9.84	9.12
Total revenue per available seat mile (cents)	9.64	9.27	9.58	10.52	9.75
Operating cost per available seat mile (cents) (6)	9.36	9.53	9.22	9.68	9.07
Average yield per revenue passenger mile (cents) (7)	11.57	11.63	12.42	13.20	12.45
Average price per gallon of fuel, excluding fuel taxes (cents)	87.18	69.97	78.24	84.21	46.56
Average price per gallon of fuel, including fuel taxes (cents)	91.40	74.01	82.48	88.54	50.78
Fuel gallons consumed (millions)	1,257	1,296	1,426	1,533	1,536

Average fare per revenue passenger	$171.72	$168.25	$171.59	$180.66	$164.11
Average length of aircraft flight (miles)	1,270	1,225	1,185	1,159	1,114
Average daily utilization of each aircraft (hours) (8)	9:19	9:31	10:19	10:36	10:29
Actual aircraft in fleet at end of period (9)	355	366	352	371	363
Regional Statistics:					
Revenue passenger miles (millions) (3)	5,769	3,952	3,388	2,947	2,149
Available seat miles (millions) (4)	8,425	6,219	5,437	4,735	3,431
Passenger load factor (5)	68.5%	63.5%	62.3%	62.2%	62.6%
Consolidated Statistics (Mainline and Regional):					
Consolidated passenger load factor	74.8%	73.3%	71.8%	73.9%	72.8%
Consolidated breakeven passenger load factor (10)	73.7%	82.5%	73.5%	67.9%	64.0%

1.
2. Consolidated amounts include ExpressJet for the years ended December 31, 1999 through December 31, 2002. In 2003, ExpressJet is consolidated through November 12, 2003 and reported using the equity method of accounting thereafter.
3. Includes the following special expense (income) items (in millions) for year ended December 31,

	2003	2002	2001	2000	1999
Operating revenue (income):					
Change in expected redemption of frequent flyer mileage credits sold	$ (24)	$ -	$ -	$ -	$ -
Operating expense (income):					
Fleet impairment and restructuring charges	100	242	61	-	81
Air Transportation Safety and System Stabilization Act grant	- -	12	(417)	- -	- -
Security fee reimbursement	(176)	-	-	-	-
Severance and other special charges	-	-	63	-	-
Nonoperating expense (income):					
Gain on sale of investments (after related compensation expense and including adjustment to fair value of remaining investment in Orbitz)	(305)	-	-	(9)	(326)
Impairment of investments	-	-	22	-	-
Cumulative effect of change in accounting, net of taxes	- -	-	- -	- -	33

4. The number of scheduled miles flown by revenue passengers.
5. The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
6. Revenue passenger miles divided by available seat miles.
7. Includes operating expense special items noted in (2). These special items represented (0.09), 0.31, (0.36), 0.00 and 0.09 cents of operating cost per available seat mile in each of the five years, respectively.
8. The average revenue received for each mile a revenue passenger is carried.
9. The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).

10. Excludes aircraft that were removed from service.
11. The percentage of seats that must be occupied by revenue passengers for us to break even on a net income basis. The special items noted in (2) included in the consolidated breakeven passenger load factor account for (4.5), 3.3, (3.0), (0.1) and (2.3) percentage points in each of the five years, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of such risks and uncertainties, please see the cautionary statements contained in Item 1. "Business - Risk Factor Relating to Terrorist Attacks and International Hostilities", "Business - Risk Factors Relating to the Company" and "Business - Risk Factors Relating to the Airline Industry". We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report. Hereinafter, the terms "Continental", "we", "us", "our" and similar terms refer to Continental Airlines, Inc. and its subsidiaries, unless the context indicates otherwise.

Overview

We recorded consolidated net income of $38 million for the year ended December 31, 2003, as compared to consolidated net losses of $451 million and $95 million for the years ended December 31, 2002 and 2001. Our results for each of the last three years have been affected by a number of special items which are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. These special items are discussed in "Results of Operations" below. Without the special items in 2003, we would have incurred another significant loss.

Despite recent improvements, the current U.S. domestic airline environment continues to be one of the worst in our history and could deteriorate further. Prior to September 2001, we were profitable, although many U.S. air carriers were losing money and our profitability was declining. The terrorist attacks of September 11, 2001 dramatically worsened the difficult financial environment and presented new and greater challenges for the airline industry. Since the terrorist attacks, several of our competitors, including United Air Lines and US Airways, have filed for bankruptcy. During 2003, our bookings and passenger traffic were significantly reduced as a result of the hostilities and post-war unrest in Iraq and the spread of Severe Acute Respiratory Syndrome, or "SARS", in China, Hong Kong, Canada and elsewhere. Both of these events disproportionately affected our international passenger traffic. We responded to the actual and anticipated reduction in demand by reducing capacity on certain tr ans-Atlantic and trans-Pacific routes (including the suspension of our flights between Hong Kong and Liberty International from April 2003 until August 2003) and by reducing our summer schedule.

Although we have been able to raise capital, downsize our operations and reduce our expenses significantly, current trends in the airline industry, particularly if historically high fuel prices continue, make achieving our goal of reaching breakeven in 2004 unlikely. It is also possible that our financial resources might not be sufficient to absorb the impact of any further terrorist attacks or an increase in post-war unrest in Iraq or other hostilities involving the United States. The revenue environment continues to be weak in light of changing pricing models driven by the continued growth of low-cost carriers, excess capacity in the market, reduced corporate travel spending and other issues. In addition, fuel prices have significantly escalated and, at current levels, are expected to offset a substantial portion of the significant cost-saving measures that we have implemented.

Absent adverse factors outside our control, we believe that our liquidity and access to cash will be sufficient to fund our current operations through 2004 and beyond if we are successful in implementing our previously announced revenue generation and cost cutting measures. However, in light of the changing competitive environment in the airline industry, we believe that the economic environment, including unusually high fuel prices, must improve for us to continue to operate at our current size and expense level over the long term. We may find it necessary to further downsize our operations, including the further elimination of service to small and medium-sized communities and additional job eliminations.

Among the many factors that threaten us and the airline industry generally are the following:

- Low-Cost Competitors. The continued growth of low-cost carriers is dramatically changing the airline industry. Other carriers have implemented or announced plans to implement separate low-cost products, such as a low-cost "airline within an airline". In addition, carriers emerging from bankruptcy have or will have significantly reduced cost structures and operational flexibility that will allow them to compete more effectively, and other carriers have used the threat of bankruptcy to achieve substantial cost savings. We have initiated two sets of revenue-generating and cost-savings initiatives in the past two years that were designed to improve our annual pre-tax results by over $900 million. While we are on track to meet or exceed these goals, our cost structure remains higher than that of the low-cost carriers.
- Fuel Costs. Fuel costs rose significantly during 2003 and are, and could remain, at historically high levels. Post-war unrest in Iraq, other conflicts in the Middle East and political or other significant events in other oil-producing nations could cause fuel prices to increase further (or be sustained at current high levels) and may impact the availability of fuel. Based on gallons consumed in 2003, for every one dollar increase in the price of crude oil, our annual fuel expense would increase by

approximately $35 million. This increase changes to approximately $38 million when considering our expected volume increases in 2004. We currently anticipate that high fuel prices in 2004 will offset the impact of a substantial portion of the cost-saving measures we have implemented. As of December 31, 2003, we did not have any fuel price hedges in place.

- Reduced Demand. Demand for air travel has not recovered to the levels experienced prior to September 11, 2001. Although the global and domestic economy has improved in recent months, business traffic, our most profitable source of revenue, and yields are down. We believe that the reduced demand reflects the weak economy, competition from low-cost carriers, some customers' concerns about further terrorist attacks and reprisals and the hostilities and post-war unrest in Iraq. We also believe that demand is weakened by customer dissatisfaction with the delays of heightened airport security and screening procedures, and by some business travelers switching to lower priced ticket categories and to low-cost carriers.
- Labor Costs. We are engaged in labor negotiations with unions representing our pilots, our dispatchers and our mechanics and our agreement with our flight attendants becomes amendable in October 2004. We cannot predict the outcome of these negotiations or the financial impact on us of any new labor contracts. Recent significant concession agreements with labor groups at US Airways, United and American Airlines have had the effect of lowering industry standard wages and benefits, and our negotiations may be influenced by these and other labor cost developments.
- Security Costs. The terrorist attacks of 2001 have caused security costs to increase significantly. Security costs are likely to continue rising for the foreseeable future as additional security measures are implemented. In the current environment of lower consumer demand and discounted pricing, these costs cannot effectively be passed on to customers. Insurance costs have also risen sharply, in part due to greater perceived risks and in part due to the reduced availability of insurance coverage. We must absorb these additional expenses in the current pricing environment.
- Pension Liability. We have significant commitments to our defined benefit pension plan. Pension expense for the year 2003 was $328 million. Pension expense for 2004 is expected to be approximately $280 million. We contributed $272 million in cash and approximately 7.4 million shares of Holdings common stock valued at approximately $100 million to our primary defined benefit pension plan in 2003. As a result, our 2004 minimum funding requirements are not expected to be significant. However, we currently intend to maintain the plan's funding at 90% of its current liability, which would result in our making contributions of approximately $300 million to our pension plan in 2004. As a result of declines in interest rates, we were required to increase the minimum pension liability and reduce stockholders' equity at December 31, 2003 by $20 million. This adjustment did not impact current earnings, the actual funding requirements of the plans or our compliance with debt covenants.

Results of Operations

Special Items. The comparability of our financial results between years is affected by a number of special items. In addition, the deconsolidation of Holdings from our financial statements effective November 12, 2003, more fully described in Note 4 to our consolidated financial statements included in Item 8 of this report, also impacts the comparability of our 2003 results to those of prior years. Our results for each of the last three years included the following special items (in millions):

	Income (Expense)	
	Pre Tax	After Tax
Year Ended December 31, 2003		
Gain on dispositions of ExpressJet stock (1)	$ 173	$ 100
Gain on Hotwire and Orbitz investments (after related compensation expense and including an adjustment to fair value of remaining investment in Orbitz) (2)	132	83
MD-80 fleet impairment loss (3)	(65)	(41)
Security fee reimbursement (4)	176	111
Revenue adjustment for change in expected redemption of frequent flyer mileage credits sold (5)	24	15
Lease exit costs for permanently grounded MD-80 aircraft (3)	(21)	(13)
Boeing 737 aircraft delivery deferral (3)	(14)	(8)
	$ 405	$ 247
Year Ended December 31, 2002		
Lease exit costs for DC 10-30, MD-80 and turboprop aircraft (3)	$(149)	$ (94)
Impairment of MD-80 and turboprop aircraft (3)	(93)	(59)

Impairment of MD-80 and turboprop aircraft (3)	(93)	(59)
Write-down of Stabilization Act receivable (6)	(12)	(8)
	$ (254)	$(161)
Year Ended December 31, 2001		
Stabilization Act grant (6)	$ 417	$ 263
Severance and other special charges following the September 11, 2001 terrorist attacks (3)	(63)	(40)
Impairment of DC 10-30, 747, 727 and turboprop aircraft (3)	(61)	(39)
Impairment of investments in affiliates and write-off of related notes receivable (3)	(22)	(13)
	$ 271	$ 171

1. See Note 4 to our consolidated financial statements included in Item 8 of this report.
2. See Note 7 to our consolidated financial statements included in Item 8 of this report.
3. See Note 13 to our consolidated financial statements included in Item 8 and "Critical Accounting Policies and Estimates" included in this Item of this report.
4. See Note 14 to our consolidated financial statements included in Item 8 of this report.
5. See Note 1(j) to our consolidated financial statements included in Item 8 and "Critical Accounting Policies and Estimates" included in this Item of this report.
6. See Note 15 to our consolidated financial statements included in Item 8 of this report.

Comparison of 2003 to 2002. Passenger revenue increased 3.5%, $273 million, during 2003 as compared to 2002, which was principally due to increased regional traffic in conjunction with ExpressJet's capacity increases, offset in part by reduced mainline traffic. The mainline traffic and capacity declines were largely due to a reduction in certain international flights in response to decreased demand during the war in Iraq and related to SARS. Mainline yields were essentially unchanged year over year.

The deconsolidation of Holdings effective November 12, 2003 did not impact our passenger revenue because, under our capacity purchase agreement with Holdings and ExpressJet, we purchase all of ExpressJet's capacity and are responsible for selling all of the seat inventory. As a result, after deconsolidation, we continue to record the related passenger revenue and related expenses, with payments under the capacity purchase agreement reflected as a separate operating expense.

Comparisons of passenger revenue, revenue per available seat mile (RASM) and available seat miles (ASMs) by geographic region for our mainline and regional operations are shown below:

Increase (Decrease) for Year Ended December 31, 2003 vs. December 31, 2002

	Passenger Revenue	RASM	ASMs
Domestic	(0.6)%	2.4 %	(3.0)%
Latin America	(0.1)%	1.3 %	(1.3)%
Trans-Atlantic	2.2 %	0.6 %	1.5 %
Pacific	(9.3)%	(4.5)%	(5.0)%
Total Mainline	(0.8)%	1.4 %	(2.2)%
Regional	34.3 %	(0.9)%	35.5 %

Cargo, mail and other revenue increased 36.1%, $195 million, in 2003 compared to 2002, primarily due to military charter flights associated with the war in Iraq, higher volumes, and revenue-generating initiatives. 2003 also included $24 million of additional revenue resulting from a change in the expected redemption of frequent flyer mileage credits sold.

Wages, salaries and related costs increased 3.3%, $97 million, during 2003 as compared to 2002, as a result of increased pension costs and higher wage rates principally caused by increases in seniority, partially offset by a 3.8% reduction in the average number of mainline employees. Wages, salaries and related costs would have been $50 million higher in 2003 had we not deconsolidated Holdings effective November 12, 2003.

Aircraft fuel expense increased 22.7%, $232 million, in 2003 as compared to 2002. The average mainline fuel price per gallon increased 24.6% from 69.97 cents in 2002 to 87.18 cents in 2003. Mainline fuel consumption was down 3.0% as a result of reduced flights and more fuel-efficient aircraft. Regional jet fuel expense increased $43 million, even with the deconsolidation of Holdings, due to increased flights and higher jet fuel prices.

Aircraft rentals decreased slightly year over year due to aircraft rent on grounded aircraft not requiring expense in the current year as such amounts were previously recognized as part of the fleet impairment charge, exiting aircraft, and lower lease rates partially offset by increases from aircraft deliveries in 2003 and 2002. The deconsolidation of Holdings did not have an impact on aircraft rental expense because we are the primary obligor under the leases of the aircraft flown by ExpressJet. Rental income received by us from ExpressJet is reported in regional capacity purchase, net.

Landing fees and other rentals decreased 2.1%, $13 million, in 2003 as compared to 2002 primarily due to lower variable rent at selected airports, partially offset by higher facilities rent, primarily attributable to the completion of substantial portions of the Global Gateway project at Liberty International Airport. Landing fees and other rentals would have been $9 million higher in 2003 had we not deconsolidated Holdings effective November 12, 2003.

Maintenance, materials and repairs expense increased 6.9%, $33 million, during 2003 as compared to 2002 resulting from increases in our contractual engine maintenance cost per hour rates, higher wide-body maintenance activity and the higher number of regional jets in service. Maintenance, materials and repairs expense would have been $19 million higher in 2003 had we not deconsolidated Holdings effective November 12, 2003.

Fleet impairment losses and other special charges in 2003 consisted of a $65 million impairment charge in the first quarter for our MD-80 fleet and spare parts associated with the grounded aircraft, a $14 million charge in the second quarter for expenses associated with the deferral of Boeing 737 aircraft deliveries and a $21 million charge in the fourth quarter for lease exit costs for MD-80 aircraft. In 2002, we recorded $149 million of lease exit costs for leased DC 10-30, MD-80 and turboprop aircraft and a $93 million charge for impairment of owned MD-80 and turboprop aircraft.

Commissions expense decreased 30.2%, $64 million, in 2003 as compared to 2002 primarily due to the elimination of domestic base commissions during 2002 and certain international commission reductions.

Payments made to ExpressJet under our capacity purchase agreement, previously eliminated in consolidation, are reported as regional capacity purchase, net, beginning November 12, 2003, the date we deconsolidated Holdings. In addition to the payments for the purchased capacity, regional capacity purchase, net, also includes ExpressJet's fuel expense in excess of the cap (66.0 cents per gallon in 2003) provided in the capacity purchase agreement and a related fuel purchase agreement and is net of our rental income on aircraft we lease to ExpressJet.

Other operating expense decreased 13.0%, $147 million, as a result of lower insurance costs and cost-saving measures. These expenses would have been $21 million higher in 2003 had we not deconsolidated Holdings effective November 12, 2003.

Interest expense increased 5.6%, $21 million, in 2003 compared to 2002 due to an increase in long-term debt resulting from the purchase of new aircraft.

Equity in the income (loss) of affiliates included our equity in the earnings (loss) of Copa Airlines, Orbitz (until its initial public offering in December 2003) and, effective November 12, 2003, Holdings.

Other nonoperating income (expense) in 2003 included $132 million of gains related to the sale of investments in Hotwire and Orbitz and an adjustment to fair value of our remaining investment in Orbitz, after associated compensation expense.

Our effective tax rates differ from the federal statutory rate of 35% primarily due to expenses that are not deductible for federal income tax purposes, state income taxes and the accrual of income tax expense on our share of Holdings' net income. We are required to accrue income tax expense on our share of Holdings' net income after its initial public offering in all periods where we consolidate Holdings' operations. The accrual of this income tax expense increased our tax expense by approximately $16 million during 2003 and reduced our tax benefit by $12 million in 2002. During 2003, we contributed 7.4 million shares of Holdings common stock valued at approximately $100 million to our defined benefit pension plan. For tax purposes, our deduction was limited to the market value of the shares contributed. Since our tax basis in the shares was higher than the market value at the time of the contribution, the nondeductible portion increased our tax expense by $9 million.

Minority interest of $49 million in 2003 represents the portion of Holdings' net income attributable to the equity of Holdings that we did not own prior to November 12, 2003, the date we deconsolidated Holdings. This amount is based on Holdings' results of operations under the capacity purchase agreement. Under this agreement, we pay ExpressJet for scheduled block hours based on an agreed upon formula. Transactions between us and Holdings or ExpressJet under the capacity purchase agreement prior to deconsolidation were otherwise eliminated in the consolidated financial statements.

Comparison of 2002 to 2001. Passenger revenue decreased 7.0%, $595 million, during 2002 as compared to 2001, which was principally due to a decrease in both traffic and yields subsequent to the September 11, 2001 attacks, as well as the continuing weak economy. Yield was 6.4% lower in 2002 compared to 2001.

Comparisons of passenger revenue, RASM and ASMs by geographic region for our mainline and regional operations are shown below:

Increase (Decrease) for Year Ended December 31, 2002 vs. December 31, 2001

	Passenger Revenue	RASM	ASMs
Domestic	(12.3)%	(5.8)%	(6.8)%
Latin America	(5.4)%	(4.4)%	(1.1)%
Trans-Atlantic	2.6 %	4.5 %	(1.9)%
Pacific	(8.6)%	(3.6)%	(5.2)%
Total Mainline	(9.1)%	(4.1)%	(5.2)%
Regional	10.9 %	(3.0)%	14.4 %

Cargo, mail and other revenue increased 5.5%, $28 million, in 2002 compared to 2001 primarily due to increased charter revenue and passenger related fees, partially offset by new security restrictions that reduced mail volumes.

Wages, salaries and related costs decreased 2.1%, $62 million, during 2002 as compared to 2001, primarily due to a reduction in the average number of employees and lower employee incentives, partially offset by higher wage rates.

Aircraft fuel expense decreased 16.8%, $206 million, in 2002 as compared to 2001. The average price per gallon decreased 10.6% from 78.24 cents in 2001 to 69.97 cents in 2002. Jet fuel consumption decreased 9.1% principally reflecting decreased flight operations due to the current industry environment and the fuel efficiency of our younger fleet.

Aircraft rentals decreased 0.1%, $1 million, in 2002 compared to 2001, due to aircraft rent on grounded aircraft not requiring expense as such amounts were previously recognized as part of the fleet impairment charge, offset by increased rental expense related to the delivery of new aircraft.

Landing fees and other rentals increased 9.0%, $52 million, in 2002 as compared to 2001 primarily due to higher landing fees resulting from rate increases and higher facilities rent, partially attributable to the completion of substantial portions of the Global Gateway project at Liberty International Airport.

Maintenance, materials and repairs expense decreased 16.2%, $92 million, during 2002 as compared to 2001 primarily due to the replacement of older aircraft with new aircraft that generally require less maintenance.

Depreciation and amortization expense decreased 4.9%, $23 million, in 2002 as compared to 2001 due to lower depreciation expense on grounded aircraft which have been written down to fair market value and $22 million related to the discontinuation of amortization of routes following the adoption of SFAS 142, partially offset by the addition of new owned aircraft and related spare parts.

Booking fees, credit card discounts and sales expense decreased 14.6%, $65 million, in 2002 as compared to 2001 principally due to lower credit card fees as a result of lower revenue.

Commissions expense decreased 41.8%, $152 million, in 2002 compared to 2001 due to elimination of domestic base commissions and lower revenue.

Passenger servicing expense decreased 14.7%, $51 million, in 2002 as compared to 2001 primarily due to improved baggage performance and a decrease in food costs caused by a decrease in passengers.

Interest expense increased 19.6%, $61 million, in 2002 compared to 2001 due to an increase in long-term debt primarily resulting from the purchase of new aircraft.

Interest income decreased 46.7%, $21 million, in 2002 compared to 2001 due to lower interest rates.

Equity in the income (loss) of affiliates included our equity in the earnings (loss) of Copa, Orbitz and, in 2001, Gulfstream.

Other nonoperating income (expense) in 2001 included $22 million of special charges related to the impairment of investments in two of our affiliates and the uncollectibility of related notes receivable as a consequence of the events of September 11, 2001.

Liquidity and Capital Resources

As of December 31, 2003, we had $1.6 billion in consolidated cash, cash equivalents and short-term investments, which is $258 million higher than at December 31, 2002. The December 31, 2002 cash balance included $121 million cash held by Holdings. Holdings' cash is not included in the consolidated balance at December 31, 2003 since Holdings is no longer consolidated with Continental. At December 31, 2003, we had $170 million of restricted cash, which is primarily collateral for estimated future workers' compensation claims, letters of credit, performance bonds and interest rate swap agreements. Restricted cash at December 31, 2002 totaled $62 million. We will be required to maintain additional restricted cash of approximately $30 million beginning in the first quarter of 2004 as a result of our new credit card processing agreement. We expect our cash, cash equivalents and short-term investments balance (including restricted cash) at the end of the first quarter of 2004 to be approxima tely $1.5 billion.

For a discussion of a number of factors that may impact our liquidity and the sufficiency of our capital resources, see "Overview" above.

Operating Activities. Cash flows provided by operations for the year ended December 31, 2003 were $342 million, compared to cash flows used in operations of $46 million for the year ended December 31, 2002 and cash flows provided by operations of $567 million for the year ended December 31, 2001. Significant cash flows in 2003 included the May 2003 receipt of $176 million from the United States government pursuant to the Supplemental Appropriations Act and our payment of $272 million in cash to our primary defined benefit pension plan. Excluding these special items, the change in cash flows from 2002 to 2003 reflects improved revenues and our cost-saving initiatives. The 2002 period was impacted by our January 2002 payment of $168 million in transportation taxes, the payment of which had been deferred pursuant to the Stabilization Act, and our contribution of $150 million to our pension plan. Cash flows from operations in 2001 included $417 million received under the Stabilization Act.

Absent adverse factors outside our control such as additional terrorist attacks, hostilities involving the United States or further significant increases in fuel prices, we believe that our liquidity and access to cash will be sufficient to fund our current operations through 2004 and beyond if we are successful in implementing our previously announced revenue-generating and cost-cutting measures. These measures were originally designed to permit us to operate profitably in a prolonged low-fare environment. Although we expect to meet or exceed our cost-savings targets, current trends in the airline industry, particularly if historically high fuel prices continue, make achieving our goal of reaching breakeven in 2004 unlikely. Our revenue-generating and cost-saving measures are as follows:

- In August 2002, we announced plans to implement a number of revenue-generating and cost-saving measures intended to achieve a pre-tax contribution in excess of $350 million. Included in the more than 100 planned changes were the assessment of fees for paper tickets, the elimination of discounts on certain fares, the enforcement of all fare rules with a policy prohibiting exceptions, the optimization of our flight schedule to best match demand and capacity and the modification of certain employee programs. We estimate that these measures resulted in savings of approximately $400 million in 2003.

- In March 2003, we announced plans to implement measures designed to improve our then current 2004 pre-tax outlook by $500 million. We estimate that these measures resulted in savings of approximately $200 million in 2003 and believe that we will achieve our goal of $500 million in pre-tax benefits in 2004. The cost-saving measures include a significant reduction in distribution expenses through increased utilization of our website, continental.com, the reduction of airport facility costs and landing fees, the elimination of paper tickets worldwide by December 31, 2004 (subject to market and technological conditions), the closing of select city ticket offices and the renegotiation of contracts with key suppliers.

Investing Activities. Cash flows used by investing activities were $8 million for the year ended December 31, 2003, compared to $36 million for the year ended December 31, 2002. These amounts reflect fewer aircraft deliveries in 2003. We received $134 million from Holdings in 2003 related to Holding's purchase of approximately 9.8 million shares of our Holdings common stock. Also in 2003, we received $76 million related to dispositions of our investment in Hotwire, Inc. and a portion of our investment in Orbitz. In 2002, we received $447 million related to the initial public offering of Holdings.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. Our capital expenditures during 2003 totaled $205 million, or $153 million when reduced by net purchase deposits refunded. Capital expenditures for 2004 are expected to be $270 million, or $155 million when reduced by net purchase deposits to be refunded. Projected capital expenditures consist of $90 million of fleet expenditures, $125 million of non-fleet expenditures and $55 million for rotable parts and capitalized interest.

As of December 31, 2003, we had firm commitments for 63 aircraft from Boeing, with an estimated cost of approximately $2.4 billion and options to purchase an additional 84 Boeing aircraft. We expect to take delivery of a total of 16 Boeing aircraft in 2004, seven Boeing aircraft in 2005 and none in 2006 and 2007, with delivery of the remaining 40 aircraft occurring in 2008 and 2009.

We currently have agreements for the financing of six of the eleven 737-800 aircraft scheduled for delivery in 2004 and all five of the 757-300 aircraft scheduled for delivery in 2004, subject to customary conditions. We do not have backstop financing or any other financing currently in place for the remainder of the aircraft. Further financing will be needed to satisfy our capital commitments for our firm aircraft. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures.

As of December 31, 2003, ExpressJet had firm commitments for 50 regional jets from Empresa Brasileira de Aeronautica S.A. ("Embraer"), with an estimated cost of approximately $1.0 billion. ExpressJet currently anticipates taking delivery of 21 regional jets in 2004, with the remainder being delivered through 2006. ExpressJet does not have an obligation to take any of these firm Embraer aircraft that are not financed by a third party and leased to either ExpressJet or us. Under the capacity purchase agreement between us and ExpressJet, we have agreed to lease as lessee and sublease to ExpressJet the regional jets that are subject to ExpressJet's firm purchase commitments. In addition, under the capacity purchase agreement with ExpressJet, we generally are obligated to purchase all of the capacity provided by these new aircraft as they deliver to ExpressJet. We cannot predict whether passenger traffic levels will enable us to utilize fully regional jets delivering to ExpressJet in the future.

We also have significant operating lease and facility rental obligations. For the year ended December 31, 2003, annual aircraft and facility rental expense under operating leases approximated $1.3 billion.

Financing Activities. Cash flows used in financing activities were $93 million for the year ended December 31, 2003, compared to cash flows provided by financing activities of $204 million in the year ended December 31, 2002. Debt and capital lease payments essentially equaled proceeds from new issuances of debt during 2003; in 2002, we borrowed $213 million more than we paid on debt and capital lease obligations.

At December 31, 2003, we had approximately $6.0 billion (including current maturities) of long-term debt and capital lease obligations. We do not currently have any undrawn lines of credit and substantially all of our otherwise readily financeable assets are encumbered.

In May 2003, we issued $100 million of Floating Rate Secured Subordinated Notes due December 2007 (the "Junior Notes"). The Junior Notes are secured by a portion of our spare parts inventory and bear interest at the three-month LIBOR plus 7.5%. In connection with the Junior Notes and $200 million of Floating Rate Secured Notes due December 2007 secured by the same pool of spare parts (the "Senior Notes"), we have entered into a collateral maintenance agreement requiring us, among other things, to maintain a loan-to-collateral value ratio of not greater than 45% with respect to the Senior Notes and a loan-to-collateral value ratio of not greater than 67.5% with respect to both the Senior Notes and the Junior Notes combined. We must also maintain a certain level of rotable components within the spare parts collateral pool. The ratios are calculated on a semi-annual basis based on an independent appraisal of the spare parts collateral pool. If any of the collateral ratio covenants are not met, we mu st take action to meet all covenants by adding additional eligible spare parts to the collateral pool, purchasing or redeeming some of the outstanding notes, providing other collateral acceptable to the bond insurance policy provider for the Senior Notes, or any combination of the above. At December 31, 2003, $195 million of the Senior Notes and $97 million of the Junior Notes were outstanding.

During 2003, we incurred $130 million of floating rate indebtedness under a term loan agreement that matures in May 2011. This indebtedness is secured by a portion of our spare engines and initially bears interest at the three-month LIBOR plus 3.5%.

In June 2003, we issued $175 million of 5% Convertible Notes due 2023. The notes are convertible into our Class B common stock at an initial conversion price of $20 per share, subject to certain conditions on conversion. The notes are redeemable for cash at our option on or after June 18, 2010 at par plus accrued and unpaid interest, if any. Holders may require us to repurchase the notes on June 15 of 2010, 2013 or 2018, or in the event of certain changes in control, at par plus accrued and unpaid interest, if any. The indenture provides that we may at our option choose to pay this repurchase price in cash, in shares of common stock or any combination thereof, except in certain circumstances involving a change in control, in which case we will be required to pay cash. Should we be required to repurchase the notes at any of the redemption dates, it is our policy that we would satisfy the requirement in cash.

During the fourth quarter of 2003, we incurred $120 million of floating rate indebtedness due at various intervals through 2015. This indebtedness is secured by four 737-800 aircraft that were delivered in the fourth quarter of 2003 and bears interest at LIBOR plus 2.5%, with an initial average rate of 3.71%.

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

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

We currently utilize policy providers to provide credit support on three separate financings with an outstanding principal balance of $570 million at December 31, 2003. The policy providers have unconditionally guaranteed the payment of interest on the notes when due and the payment of principal on the notes no later than 24 months after the final scheduled payment date. Policy providers on these notes are MBIA Insurance Corporation (a subsidiary of MBIA, Inc.), Ambac Assurance Corporation (a subsidiary of Ambac Financial Group, Inc.) and Financial Security Assurance, Inc. (a subsidiary of Financial Security Assurance Holdings Ltd.). Financial information for the parent companies of these policy providers is available over the internet at the SEC's website at http//www.sec.gov or at the SEC's public reference room in Washington, D.C.

Contractual Obligations. The following table summarizes the effect that minimum debt, lease and other material noncancelable commitments listed below are expected to have on our cash flow in the future periods set forth below (in millions):

Contractual Obligations	Total	Payments Due 2004	2005	2006	2007	2008	Later Years
Debt and leases:							
Long-term debt (1)	$ 7,993	$ 728	$ 964	$ 781	$1,097	$ 771	$ 3,652
Capital lease obligations (1)	687	44	46	39	40	45	473
Aircraft operating leases (2)	11,368	897	975	864	833	811	6,988
Nonaircraft operating leases (3)	7,483	360	362	365	367	354	5,675
Future operating leases (4)	1,069	15	42	64	67	67	814
Other:							
Capacity Purchase Agreement (5)	3,586	1,236	985	924	441	-	-
Aircraft purchase commitments (6)	2,438	638	252	-	-	891	657
Other purchase obligations (7)	325	94	83	74	56	18	-
Projected pension contributions (8)	1,190	300	338	220	185	147	-
Total (9)	$36,139	$4,312	$4,047	$3,331	$3,086	$3,104	$18,259

1. Amounts represent contractual amounts due, including interest. Interest on floating rate debt was estimated using projected forward rates as of the fourth quarter of 2003.
2. Amounts represent contractual amounts due and exclude $3.7 billion of projected sublease income to be received from ExpressJet.
3. Amounts represent minimum contractual amounts. We have assumed no escalations in rent or changes in variable expenses.
4. Amounts represent payments for firm regional jets to be financed by third parties and leased by us. We will sublease the regional jets to ExpressJet. Neither we nor ExpressJet has an obligation to take any firm aircraft that are not financed by a third party. Amounts are net of previously paid purchase deposits and exclude sublease income we will receive from ExpressJet. See Note 16 to our consolidated financial statements included in Item 8 of this report for a discussion of these purchase commitments.
5. Amounts represent our estimates of future minimum noncancelable commitments under our agreement with ExpressJet and do not include the portion of the underlying obligations for aircraft and facility rent that are disclosed as part of aircraft and nonaircraft operating leases. See Note 4 to our consolidated financial statements included in Item 8 of this report for the assumptions used to estimate the payments.
6. Amounts represent contractual commitments for firm-order aircraft only and are net of previously paid purchase deposits. See Note 16 to our consolidated financial statements included in Item 8 of this report for a discussion of these purchase commitments.
7. Amounts represent noncancelable commitments to purchase goods and services, including spare engines and information technology support.
8. Amounts represent our estimate of the contributions necessary to maintain our defined benefit pension plan's funding at 90% of its current liability. Amounts are subject to change based on the performance of the assets in the plan as well as the discount rate used to determine the obligation. These amounts are greater than the minimum funding requirements as determined by government regulations. See "Critical Accounting Policies and Estimates" in this Item for a discussion of our assumptions regarding our pension plan. We are unable to estimate the projected contributions beyond 2008.
9. Total contractual obligations do not include long-term contracts where the commitment is variable in nature, such as credit card processing agreements, or where short-term cancellation provisions exist, such as power-by-the-hour engine maintenance agreements.

We expect to fund our future capital and purchase 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 or that, if necessary, we will be able to defer or otherwise renegotiate our capital commitments.

Operating Leases. At December 31, 2003, we had 469 aircraft under operating leases, 38 of which have been removed from service. These leases have remaining lease terms ranging up to 21-1/2 years. In addition, we have non-aircraft operating leases, principally related to airport and terminal facilities and related equipment. The obligations for these operating leases are not included in our consolidated balance sheet. Our total rental expense for aircraft and non-aircraft operating leases was $896 million and $395 million, respectively, in 2003.

Capacity Purchase Agreement. Our capacity purchase agreement with ExpressJet provides that we purchase, in advance, all of its available seat miles for a negotiated price, and we are at risk for reselling the available seat miles at market prices. Under the agreement, ExpressJet has the right through December 31, 2006 to be our sole provider of regional jet service from our hubs. See Item 8. Financial Statements and Supplementary Data, Note 4 for details of our capacity purchase agreement with ExpressJet.

Guarantees and Indemnifications. We have entered into agreements with the cities of Houston, Texas and Cleveland, Ohio, the New Jersey Economic Development Authority, the Port Authority of New York and New Jersey, The New York City Industrial Development Agency, the Hawaii Department of Transportation, the Regional Airports Improvement Corporation (in Los Angeles) and the Harris County (Houston) Industrial Development Corporation to provide funds for constructing, improving and modifying facilities that have been or will be leased to us and for acquiring related equipment. In connection with those agreements, we have unconditionally guaranteed the principal and interest on tax-exempt bonds issued by these entities with a current outstanding balance of approximately $1.6 billion (excluding the City of Houston bonds and including the US Airways contingent liability, both discussed below) and entered into long-term leases with the respective authorities under which rental payments will be suffic ient to service the related bonds. The leases generally have terms ranging from 20 to 30 years. These leasing arrangements are accounted for as operating leases in the accompanying consolidated financial statements.

In August 2001, the City of Houston completed the offering of $324 million aggregate principal amount of tax-exempt special facilities revenue bonds to finance the construction of Terminal E and a new international ticketing hall facility at Bush Intercontinental Airport. In connection therewith, we entered into a long-term lease with the City of Houston requiring that upon completion of construction, with limited exceptions, we will make rental payments sufficient to service the related tax-exempt bonds through their maturity in 2029. Approximately $222 million of the bond proceeds had been expended as of December 31, 2003. During the construction period, we retain certain risks related to our own actions or inactions while managing portions of the construction. Potential obligations associated with these risks are generally limited based upon certain percentages of construction costs incurred to date.

We have also entered into a binding corporate guaranty with the bond trustee for the repayment of the principal and interest on the bonds that becomes partially effective (based on a pro rata share of bond proceeds) upon the completion of construction of the terminal or of the international ticketing hall facility. The corporate guaranty would also become effective if we fail to comply with the lease agreement (which is within our control), or if we terminate the lease agreement. Further, we have not assumed any condemnation risk, any casualty event risk (unless caused by us), or risk related to certain overruns (and in the case of cost overruns, our liability for the project would be limited to 89.9% of the capitalized costs) during the construction period of each respective phase. Accordingly, we are not considered the owner of the project for financial reporting purposes and, therefore, have not capitalized the construction costs or recorded the debt obligation in our consolidated financial statemen ts. However, our potential obligation under the guarantee is for payment of the principal of $324 million and related interest charges, at an annual rate of 6.78%. We expect the guaranty to become effective for a portion of the bonds relating to the terminal, in the amount of $271 million, during the first quarter of 2004. Our lease payments, which are sufficient to service the bonds, are included in the table under "Contractual Obligations" in the "Liquidity and Capital Resources" section of Item 7 of this report.

We remain contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of principal and interest on special facilities revenue bonds issued by the Port Authority with an outstanding balance of $174 million at December 31, 2003 and having a final scheduled maturity in 2015. If US Airways defaults on these obligations, we will be required to cure the default, and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

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

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

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

In our financing transactions that include loans from banks in which the interest rate is based on LIBOR, we typically agree to reimburse the lenders for certain increased costs that they incur in carrying these loans as a result of any change in law and for any reduced returns with respect to these loans due to any change in capital requirements. We had $1.4 billion of floating rate debt at December 31, 2003. In several financing transactions, with an aggregate carrying value of $975 million, involving loans from non-U.S. banks, export-import banks and certain other lenders secured by aircraft, we bear the risk of any change in tax laws that would subject loan payments thereunder to non-U.S. lenders to withholding taxes. In addition, in cross-border aircraft lease agreements for two 757 aircraft, we bear the risk of any change in U.S. tax laws that would subject lease payments made by us to a resident of Japan to U.S. taxes. Our lease obligations for these two aircraft totaled $68 million at Dece mber 31, 2003.

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

Deferred Tax Assets. We have not paid federal income taxes in the last three years. As of December 31, 2003, we had a net non-current deferred tax liability of $446 million including gross deferred tax assets aggregating $1,537 million, $1,077 million related to net operating losses ("NOLs") and a valuation allowance of $219 million.

At December 31, 2003, we had estimated tax NOLs of $3.0 billion for federal income tax purposes that will expire through 2023. Due to our ownership change on April 27, 1993, the ultimate utilization of our NOLs may be limited. Reflecting this limitation, we had a valuation allowance of $219 million at December 31, 2003 and 2002.

Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax exempt rate (which was 4.74% for December 2003). Any unused annual limitation may be carried over to later years. The amount of the limitation may under certain circumstances be increased by certain built-in gains that we held at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, our annual NOL utilization w ould be limited to approximately $51 million per year, before consideration of any built-in gains.

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

Environmental Matters. We could potentially be responsible for environmental remediation costs primarily related to jet fuel and solvent contamination surrounding our aircraft maintenance hangar in Los Angeles. In 2001, the California Regional Water Quality Control Board mandated a field study of the site and it was completed in September 2001. We have established a reserve for estimated costs of environmental remediation at Los Angeles and elsewhere in our system, based primarily on third party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We have not recognized any receivables related to insurance recoveries at December 31, 2003.

We expect our total losses from environmental matters to be $52 million, for which we were fully accrued at December 31, 2003**.** During 2003, we received insurance settlements totaling $16 million for future environmental claims. Although we believe, based on currently available information, that our reserves for potential environmental remediation costs are adequate, reserves could be adjusted as further information develops or circumstances change. However, we do not expect these items to materially impact our financial condition, results of operations or liquidity.

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging or research and development arrangements with the company.

We have no arrangements of the types described in the first three categories that we believe may have a material current or future effect on our financial condition, liquidity or results of operations. Certain guarantees that we do not expect to have a material current or future effect on our financial condition, liquidity or resulted operations are disclosed in Note 16 to our consolidated financial statements included in Item 8 of this report.

We do have obligations arising out of variable interests in unconsolidated entities. Effective July 1, 2003, we adopted Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities", which addresses the accounting for these variable interests. See Note 2 to our consolidated financial statements included in Item 8 of this report for a discussion of our off-balance sheet aircraft leases, airport leases (which includes the US Airways contingent liability), subsidiary trust and our capacity purchase agreement between us and Holdings and ExpressJet.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies, see Note 1 to our consolidated financial statements included in Item 8 of this report.

Pension Plan. We account for our defined benefit pension plan using Statement of Financial Accounting Standards No. 87, "Employer's Accounting for Pensions" ("SFAS 87"). Under SFAS 87, pension expense is recognized on an accrual basis over employees' approximate service periods. Pension expense calculated under SFAS 87 is generally independent of funding decisions or requirements. We recognized expense for our defined benefit pension plan of $328 million, $185 million and $127 million in 2003, 2002 and 2001, respectively. We expect our pension expense to be approximately $280 million in 2004.

The fair value of our plan assets increased from $866 million at December 31, 2002 to $1.3 billion at December 31, 2003. We contributed $272 million in cash and 7.4 million shares of Holdings common stock valued at approximately $100 million to our primary defined benefit pension plan in 2003. As of December 31, 2003, the plan held 4.5 million shares of Holdings common stock, which had a fair value of $67 million. As a result of these contributions and higher investment returns, our plan's under-funded status decreased from $1.2 billion at December 31, 2002 to $1.1 billion at December 31, 2003. Funding requirements for defined benefit pension plans are determined by government regulations, not SFAS 87. Our 2004 minimum funding requirements are not expected to be significant. However, we currently intend to maintain the plan's funding at 90% of its current liability, which would result in our making contributions of approximately $300 million to our pension plan in 2004. Although a number of bil ls have been proposed in Congress that could significantly affect pension funding rules, none of the current proposals would increase our minimum required contribution or our expected contributions in 2004.

The calculation of pension expense and our pension liability requires the use of a number of assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from the assumptions. We believe that the two most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate.

When calculating pension expense for 2003, we assumed that our plan's assets would generate a long-term rate of return of 9.0%. This rate is lower than the assumed rate of 9.5% used to calculate the 2002 and 2001 expense. We develop our expected long-term rate of return assumption based on historical experience and by evaluating input from the trustee managing the plan's assets, including the trustee's review of asset class return expectations by several consultants and economists as well as long-term inflation assumptions. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. The plan strives to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. Our allocation of assets (excluding the Holdings shares held by the plan) was as follows at December 31, 2003:

	Percent of Total	Expected Long-Term Rate of Return
Equities	46%	10.0
Fixed income	27	6.5
International equities	17	10.0
Other	10	13.0
Total	100%	

We believe that our long-term asset allocation on average will approximate the targeted allocation. We regularly review our actual asset allocation and periodically rebalance the pension plan's investments to our targeted allocation when considered appropriate.

Pension expense increases as the expected rate of return on plan assets decreases. Lowering the expected long-term rate of return on our plan assets by 0.5% (from 9.0% to 8.5%) would increase our estimated 2004 pension expense by approximately $6 million.

We discounted our future pension obligations using a rate of 6.25% at December 31, 2003, compared to 6.75% at December 31, 2002 and 7.5% at December 31, 2001. We determine the appropriate discount rate based on the current rates earned on long-term bonds that receive one of the two highest ratings given by a recognized rating agency. The pension liability and future pension expense both increase as the discount rate is reduced. Lowering the discount rate by 0.5% (from 6.25% to 5.75%) would increase our pension liability at December 31, 2003 by approximately $206 million and increase our estimated 2004 pension expense by approximately $31 million.

At December 31, 2003, we have unrecognized actuarial losses of $1.0 billion. These losses will be recognized as a component of pension expense in future years. Our estimated 2004 pension expense of $280 million includes the recognition of approximately $75 million of these losses.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in our pension plans will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be in the future.

Revenue Recognition. We recognize passenger revenue and related commissions, if any, when transportation is provided or when the ticket expires unused rather than when a ticket is sold. Prior to October 1, 2002, unused nonrefundable tickets expired one year from the date the ticket was sold, or for partially used tickets, the date of first flight. Effective October 1, 2002, unused nonrefundable tickets expire on the date of intended flight unless the date is extended by payment of a change fee. Effective August 20, 2003, we modified our policy to give customers with nonrefundable tickets who cancel their reservations prior to scheduled departure time a full year from the date their original ticket was sold to reschedule and pay the change fee, without losing the value of their tickets.

The amount of passenger ticket sales and commissions not yet recognized as revenue is reflected as air traffic liability and prepaid commissions, respectively, in our consolidated balance sheet. We perform periodic evaluations of this estimated liability and any adjustments, which can be significant, are included in results of operations for the periods in which the evaluations are completed. These adjustments relate primarily to differences between our statistical estimation of certain revenue transactions and the related sales price, as well as refunds, exchanges, interline transactions and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

Impairments of Long-Lived Assets. We record impairment losses on long-lived assets used in operations, primarily property and equipment and airport operating rights, when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those items. Our cash flow estimates are based on historical results adjusted to reflect our best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value. Our estimates of fair value represent our best estimate based on industry trends and reference to market rates and transactions.

We recognized fleet impairment losses in 2003, 2002 and 2001, each of which was partially the result of the September 11, 2001 terrorist attacks and the related aftermath. These events resulted in a reevaluation of our operating and fleet plans, resulting in the grounding of certain older aircraft types or acceleration of the dates on which the related aircraft were to be removed from service. The grounding or acceleration of aircraft retirement dates resulted in reduced estimates of future cash flows.

In 2003, we recorded an impairment charge of $44 million to reflect decreases in the fair value of our owned MD-80s, along with other impairments totaling $21 million. In 2002, we recognized an impairment charge of $93 million related to owned MD-80 and ATR-42 aircraft. In 2001, we determined that the carrying amounts of our owned DC 10-30, ATR-42, EMB-120 and Boeing 747 and 727 aircraft and related inventories were no longer recoverable and recognized an impairment charge of approximately $61 million. We estimated the fair value of these aircraft and related inventory based on industry trends and, where available, reference to market rates and transactions. All other long-lived assets, principally our other fleet types and airport operating rights, were determined to be recoverable based on our estimates of future cash flows. For purposes of this computation, our assumptions about future cash flows reflect a return to more historical levels of industry profitability on a longer-term basis.

We also perform annual impairment tests on our routes, which are indefinite life intangible assets. These tests are based on estimates of discounted future cash flows, using assumptions consistent with those used for aircraft and airport operating rights impairment tests. We determined that we did not have any impairment of our routes at December 31, 2003.

We provide an allowance for spare parts inventory obsolescence over the remaining useful life of the related aircraft, plus allowances for spare parts currently identified as excess. These allowances are based on our estimates and industry trends, which are subject to change and, where available, reference to market rates and transactions. The estimates are more sensitive when we near the end of a fleet life or when we remove entire fleets from service sooner than originally planned.

We regularly review the estimated useful lives and salvage values for our aircraft and spare parts.

Frequent Flyer Accounting. We utilize a number of estimates in accounting for our OnePass frequent flyer program which are consistent with industry practices.

For those OnePass accounts that have sufficient mileage credits to claim the lowest level of free travel, we record a liability for the estimated incremental cost of providing travel awards that are expected to be redeemed. Incremental cost includes the cost of fuel, meals, insurance and miscellaneous supplies and does not include any costs for aircraft ownership, maintenance, labor or overhead allocation. A change to these cost estimates, the actual redemption activity or the minimum award level could have a significant impact on our liability in the period of change as well as future years.

We also sell mileage credits in our frequent flyer program to participating partners, such as credit card companies, phone companies, other airlines, alliance members, hotels and car rental agencies. Revenue from the sale of mileage credits is deferred and recognized as passenger revenue when transportation is likely to be provided, based on estimates of the fair value of tickets to be redeemed. In the fourth quarter of 2003, we adjusted our estimates of the mileage credits we expect to be redeemed for travel, resulting in a one-time increase in other revenue of $24 million. Amounts received in excess of the tickets' fair value are recognized in income currently and classified as a reimbursement of advertising expenses. A change to the time period over which the mileage credits are used (currently six to 32 months), the actual redemption activity or our estimate of the number or fair value of tickets could have a significant impact on our revenue in the year of change as well as future years.

We have entered into marketing alliances with several airlines, including Northwest Airlines, Delta Airlines, Alaska Airlines and KLM Royal Dutch Airlines. These marketing alliances generally include, among other things, reciprocal frequent flyer benefits that allow members of both airlines' frequent flyer programs to both earn and redeem frequent flyer credits on both airlines. For certain of these arrangements, we do not record a liability for the gross payments we expect to make to the other airlines for OnePass members' redemptions for travel on the other airlines until we meet certain contractual thresholds and other provisions that are required prior to cash payments being made. Cash payments on these agreements have not been significant in the past and are not expected to be significant in the future. For other of these arrangements, we record a liability for the gross payments we expect to make to the other airline for OnePass members' redemptions for travel on the other airline, without re gard to the payments we expect to receive from the other airline for their frequent flyer members' redemptions for travel on us.

Related Party Transactions

See Note 17 to our consolidated financial statements included in Item 8 of this report for a discussion of related party transactions.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments and Positions

We are subject to certain market risks, including commodity price risk (i.e., aircraft fuel prices), interest rate risk, foreign currency risk and price changes related to certain investments in debt and equity securities. The adverse effects of potential changes in these market risks are discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ. See the notes to the consolidated financial statements for a description of our accounting policies and other information related to these financial instruments. We do not hold or issue derivative financial instruments for trading purposes.

Aircraft Fuel. Our results of operations are significantly impacted by changes in the price of aircraft fuel. During 2003 and 2002, aircraft fuel accounted for 14.5% and 11.7%, respectively, of our operating expenses. Based on our expected fuel consumption in 2004, a one dollar increase in the price of crude oil will increase our annual fuel expense by approximately $38 million. From time to time we enter into petroleum swap contracts, petroleum call option contracts and/or jet fuel purchase commitments to provide some short-term protection (generally three to six months) against a sharp increase in jet fuel prices. Depending on the hedging method employed, our strategy may limit our ability to benefit from declines in fuel prices. As of December 31, 2003, we did not have any fuel hedges in place, as compared to the hedge of 23% of our projected 2003 fuel requirements at December 31, 2002.

Foreign Currency. We are exposed to the effect of exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating revenue and expenses. We attempt to mitigate the effect of certain potential foreign currency losses by entering into forward and option contracts that effectively enable us to sell Japanese yen, British pounds and euros expected to be received from the respective denominated net cash flows over the next six to 12 months at specified exchange rates. As of December 31, 2003, we had entered into option and forward contracts to hedge approximately 61% of our projected yen-denominated net cash flows for 2004, forward contracts to hedge approximately 63% of our projected British pound-denominated net cash flows for 2004 and forward contracts to hedge approximately 50% of our projected euro-denominated net cash flows for the first six months of 2004. At December 31, 2002, we had option contracts in place to hedge approximately 90% of our projected yen-den ominated net cash flows for the first six months of 2003 and no material hedge contracts in place for our British pound- and euro-denominated net cash flows. We estimate that at December 31, 2003, a 10% strengthening in the value of the U.S. dollar relative to the yen, pound and euro would have increased the fair value of the existing option and/or forward contracts by $6 million, $12 million and $2 million, respectively, offset by a corresponding loss on the underlying 2004 exposure of $13 million, $9 million and $3 million, respectively, resulting in a net $(7) million, $3 million and $(1) million gain (loss). At December 31, 2002, such a change would have resulted in a $4 million increase in the fair value of existing yen-denominated option contracts offset by a corresponding loss on the underlying exposure of $15 million, resulting in a net $11 million loss.

Interest Rates. Our results of operations are affected by fluctuations in interest rates (e.g., interest expense on variable-rate debt and interest income earned on short-term investments).

We had approximately $1.4 billion of variable-rate debt as of December 31, 2003 and 2002. We have mitigated our exposure on certain variable-rate debt by entering into interest rate cap and swap agreements. Our interest rate cap, which limited the amount of potential increase in the LIBOR rate component of our floating rate debt to a maximum of 9% over the term of the contract, expired July 31, 2002. The interest rate swap outstanding at December 31, 2003 and 2002 had a notional amount of $153 million and $162 million, respectively. The interest rate swap effectively locks us into paying a fixed rate of interest on a portion of our floating rate debt securities through 2005. If average interest rates increased by 100 basis points during 2004 as compared to 2003, our projected 2004 interest expense would increase by approximately $12 million, net of interest rate swap. At December 31, 2002, an interest rate increase of 100 basis points during 2003 as compared to 2002 was projected to increase 2003 interest expense by approximately $11 million, net of interest rate cap and swap.

As of December 31, 2003 and 2002, we estimated the fair value of $3.4 billion and $3.6 billion (carrying value) of our fixed-rate debt to be $3.2 billion and $2.6 billion, respectively, based upon discounted future cash flows using our current incremental borrowing rates for similar types of instruments or market prices. Market risk, estimated as the potential increase in fair value resulting from a hypothetical 100 basis points decrease in interest rates, was approximately $113 million and $107 million as of December 31, 2003 and 2002, respectively. The fair value of the remaining fixed-rate debt at December 31, 2003 and 2002, (with a carrying value of $826 million and $684 million, respectively), was not practicable to estimate.

If 2004 average short-term interest rates decreased by 100 basis points over 2003 average rates, our projected interest income from cash, cash equivalents and short-term investments would decrease by approximately $13 million during 2004, compared to an estimated $11 million decrease during 2003 measured at December 31, 2002.

Investment in Orbitz. We are exposed to the effect of price changes related to our investment in Orbitz, as traded on Nasdaq under the symbol "ORBZ". As of December 31, 2003, we held 3.6 million shares of Orbitz common stock, which we reported at its fair value of $83 million. We estimate that a 10% decrease in the fair value of Orbitz common stock would result in an $8 million decrease in the fair value of our investment at December 31, 2003. Any changes in the fair value of our Orbitz shares would be partially offset by a change in our related compensation liability, as discussed in Note 7 to our consolidated financial statements included in Item 8 of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Continental Airlines, Inc.

We have audited the accompanying consolidated balance sheets of Continental Airlines, Inc. (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of operations, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, the Company adopted, effective January 1, 2002, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". As discussed in Note 2 to the consolidated financial statements, the Company adopted, effective January 1, 2003, Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Disposal or Exit Activities" and, effective July 1, 2003, Financial Accounting Standards

Board Interpretation No. 46, "Consolidation of Variable Interest Entities".

ERNST & YOUNG LLP

Houston, Texas
January 20, 2004

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

	Year Ended December 31,		
	2003	2002	2001
Operating Revenue:			
Passenger	$8,135	$7,862	$8,457
Cargo, mail and other	735	540	512
	8,870	8,402	8,969
Operating Expenses:			
Wages, salaries and related costs	3,056	2,959	3,021
Aircraft fuel	1,255	1,023	1,229
Aircraft rentals	896	902	903
Landing fees and other rentals	620	633	581
Maintenance, materials and repairs	509	476	568
Depreciation and amortization	444	444	467
Booking fees, credit card discounts and sales	377	380	445
Passenger servicing	297	296	347
Regional capacity purchase, net	153	-	-
Commissions	148	212	364
Other	988	1,135	1,193
Security fee reimbursement	(176)	-	-
Stabilization Act grant	-	12	(417)
Fleet impairment losses and other special charges	100	242	124
	8,667	8,714	8,825
Operating Income (Loss)	203	(312)	144
Nonoperating Income (Expense):			
Interest expense	(393)	(372)	(311)
Interest capitalized	24	36	57
Interest income	19	24	45
Gain on dispositions of ExpressJet Holdings shares	173	-	-
Equity in the income (loss) of affiliates	23	8	(20)
Other, net	152	(15)	(45)
	(2)	(319)	(274)

Income (Loss) before Income Taxes and Minority Interest	201	(631)	(130)
Income Tax Benefit (Expense)	(114)	208	35
Minority Interest	(49)	(28)	-
Net Income (Loss)	$ 38	$ (451)	$ (95)
Basic and Diluted Earnings (Loss) per Share	$ 0.58	$(7.02)	$(1.72)
Shares Used for Computation:			
Basic	65.4	64.2	55.5
Diluted	65.6	64.2	55.5

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)

	December 31,	
ASSETS	2003	2002
Current Assets:		
Cash and cash equivalents	$ 999	$ 983
Restricted cash and cash equivalents	170	62
Short-term investments	431	297
Total cash, cash equivalents and short-term investments	1,600	1,342
Accounts receivable, net of allowance for doubtful receivables of $19 and $30	403	378
Spare parts and supplies, net of allowance for obsolescence of $98 and $98	191	248
Deferred income taxes	157	165
Note receivable from ExpressJet Holdings, Inc.	67	-
Prepayments and other	168	145
Total current assets	2,586	2,278
Property and Equipment:		
Owned property and equipment:		
Flight equipment	6,574	6,762
Other	1,195	1,275
	7,769	8,037
Less: Accumulated depreciation	1,784	1,599

	5,985	6,438
Purchase deposits for flight equipment	225	269
Capital leases:		
Flight equipment	107	117
Other	297	262
	404	379
Less: Accumulated amortization	126	118
	278	261
Total property and equipment	6,488	6,968
Routes	615	615
Airport operating rights, net of accumulated amortization of $293 and $268	259	287
Intangible pension asset	124	144
Investment in affiliates	173	89
Note receivable from ExpressJet Holdings, Inc.	126	-
Other assets, net	278	260
Total Assets	$10,649	$10,641

(continued on next page)

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

	December 31,	
LIABILITIES AND STOCKHOLDERS' EQUITY	2003	2002
Current Liabilities:		
Current maturities of long-term debt and capital leases	$ 422	$ 493
Accounts payable	840	930
Air traffic liability	957	882
Accrued payroll	281	285
Accrued other liabilities	366	336
Total current liabilities	2,866	2,926
Long-Term Debt and Capital Leases	5,558	5,471

Deferred Income Taxes	446	413
Accrued Pension Liability	678	723
Other	309	329
Commitments and Contingencies		
Minority Interest	-	7
Redeemable Preferred Stock of Subsidiary	-	5
Stockholders' Equity:		
Preferred stock - $.01 par, 10,000,000 shares authorized; one share of Series B issued and outstanding, stated at par value	- -	- -
Class B common stock - $.01 par, 200,000,000 shares authorized; 91,507,192 and 91,203,321 shares issued	1	1
Additional paid-in capital	1,401	1,391
Retained earnings	948	910
Accumulated other comprehensive loss	(417)	(395)
Treasury stock -25,471,881 and 25,442,529 shares, at cost	(1,141)	(1,140)
Total stockholders' equity	792	767
Total Liabilities and Stockholders' Equity	$10,649	$10,641

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

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

	Year Ended December 31,		
	2003	2002	2001
Cash Flows from Operating Activities:			
Net income (loss)	$ 38	$ (451)	$ (95)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred income taxes	101	(179)	(40)
Depreciation and amortization	444	444	467
Fleet disposition/impairment losses	100	242	61

Gains on sales of investments	(305)	-	-
Equity in the (income) loss of affiliates	(23)	(8)	20
Other, net	(36)	12	31
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(25)	(23)	73
(Increase) decrease in spare parts and supplies	4	4	(20)
Increase (decrease) in accounts payable	(19)	(79)	(8)
Increase (decrease) in air traffic liability	75	(132)	(111)
Increase (decrease) in other	(12)	124	189
Net cash provided by (used in) operating activities	342	(46)	567
Cash Flows from Investing Activities:			
Capital expenditures	(205)	(539)	(568)
Purchase deposits paid in connection with future aircraft deliveries	(29)	(73)	(432)
Purchase deposits refunded in connection with aircraft delivered	81	219	337
Purchase of short-term investments	(134)	(56)	(96)
Proceeds from sales of ExpressJet Holdings, net	134	447	-
Proceeds from sales of Internet-related investments	76	-	-
Proceeds from disposition of property and equipment	16	9	11
Other	53	(43)	(26)
Net cash used in investing activities	(8)	(36)	(774)
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt, net	559	596	436
Payments on long-term debt and capital lease obligations	(549)	(383)	(367)
Purchase of common stock	-	-	(451)
Proceeds from issuance of common stock	5	23	241
Increase in restricted cash to collateralize letters of credit	(108)	(32)	(22)
Other	-	-	(11)
Net cash (used in) provided by financing activities	(93)	204	(174)
Impact on cash of ExpressJet deconsolidation	(225)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	16	122	(381)
Cash and Cash Equivalents - Beginning of Period	983	861	1,242
Cash and Cash Equivalents - End of Period	$ 999	$ 983	$ 861
Supplemental Cash Flows Information:			
Interest paid	$ 374	$ 345	$ 314
Income taxes paid (refunded)	$ 13	$ (31)	$ (4)
Investing and Financing Activities Not Affecting Cash:			
Property and equipment acquired through the issuance of debt	$ 120	$ 908	$ 707
Capital lease obligations incurred	$ 22	$ 36	$ 95
Contribution of ExpressJet stock to pension plan	$ 100	$ -	$ -

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

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(In millions, except for share data)

Additional	Accumulated Other	Treasury

	Paid-In Capital	Retained Earnings	Comprehensive Income (Loss)	Comprehensive Income (Loss)	Stock, At Cost
December 31, 2000	$ 379	$1,456	$ 13	$ 356	$ (689)
Net Loss	-	(95)	-	(95)	-
Increase in Additional Minimum Pension Liability, net of income taxes of $77	- -	- -	(138)	(138)	- -
Purchase of Common Stock	-	-	-	-	(451)
Issuance of Common Stock pursuant to Stock Plans	79	- -	- -	- -	- -
Issuance of Common Stock pursuant to Stock Offering	173	- -	- -	- -	- -
Reclass for Redeemable Common Stock	450	- -	- -	- -	- -
Other	(12)	-	(5)	(5)	-
December 31, 2001	1,069	1,361	(130)	(238)	(1,140)
Net Loss	-	(451)	-	(451)	-
Increase in Additional Minimum Pension Liability, net of income taxes of $146	- -	- -	(250)	(250)	- -
Issuance of Common Stock pursuant to Stock Plans	36	- -	- -	- -	- -
Sale of ExpressJet Holdings Stock, net of applicable income taxes of $175	291	-	-	-	-
Other	(5)	-	(15)	(15)	-
December 31, 2002	1,391	910	(395)	(716)	(1,140)
Net Income	-	38	-	38	-
Increase in Additional Minimum Pension Liability, net of income taxes of $11	- -	- -	(20)	(20)	- -
Issuance of Common Stock pursuant to Stock Plans	5	- -	- -	- -	- -
Other	5	-	(2)	(2)	(1)
December 31, 2003	$1,401	$ 948	$ (417)	$ 16	$(1,141)

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

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(In millions, except for share data)

	Class A Common Stock	Class B Common Stock	Treasury Stock
		(in thousands)	

Shares outstanding at December 31, 2000	10,964	47,487	16,587
Repurchase of Northwest Stock	(6,686)	-	8,824
Purchase of Common Stock	-	(23)	23
Issuance of Common Stock pursuant to Stock Offering	-	7,751	-
Issuance of Common Stock pursuant to Stock Plans	-	2,313	-
Issuance of Common Stock pursuant to Conversion of Class A to Class B Common Stock	(4,278)	5,646	- -
Other	-	-	9
Shares outstanding at December 31, 2001	-	63,174	25,443
Issuance of Common Stock pursuant to Stock Plans	-	2,587	-
Shares outstanding at December 31, 2002	-	65,761	25,443
Issuance of Common Stock pursuant to Stock Plans	-	303	-
Other	-	(29)	29
Shares outstanding at December 31, 2003	-	66,035	25,472

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

CONTINENTAL AIRLINES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continental Airlines, Inc., a Delaware corporation, is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. We are the fifth largest United States airline (as measured by the number of scheduled miles flown by revenue passengers, known as revenue passenger miles, in 2003) and, together with ExpressJet Airlines, Inc. ("ExpressJet"), a wholly-owned subsidiary of ExpressJet Holdings, Inc. ("Holdings") and from which we purchase seat capacity, and our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI"), each a Delaware corporation, we served 228 airports worldwide at December 31, 2003. As of December 31, 2003, we flew to 127 domestic and 101 international destinations and offered additional connecting service through alliances with domestic and foreign carriers. We directly served 16 European cities, seven South American cities, Tel Aviv, Hong Kong and Tokyo as of December 31, 2003. In addition, we provide service to more destinations in Me xico and Central America than any other U.S. airline, serving 31 cities. Through our Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

As used in these Notes to Consolidated Financial Statements, the terms "Continental", "we", "us", "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation -

Our consolidated financial statements include the accounts of Continental and all wholly-owned domestic and foreign subsidiaries. Through November 12, 2003, we also consolidated Holdings. See Note 4 for a discussion of the changes in our ownership of Holdings in 2002 and 2003 and their impact on our consolidated financial statements. All intercompany accounts, transactions and profits arising from consolidated entities have been eliminated in consolidation.

b. Investments in Affiliates -

Investments in unconsolidated affiliates that are not variable interest entities are accounted for by the equity method when we hold more than 20% but less than 50% interest, or below 20% interest but have significant influence over the operations of the companies.

As of December 31, 2003, we had a 49% interest in Compania Panamena de Aviacion, S.A. ("Copa") with a carrying value of $84 million. The investment is accounted for under the equity method of accounting. The excess of the amount at which the investment is carried and the amount of underlying equity in the net assets was $40 million at December 31, 2002. This difference was treated as goodwill and was amortized over 40 years prior to 2002. Effective January 1, 2002, we discontinued amortization of this goodwill in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142").

c. Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

d. Cash and Cash Equivalents -

Cash and cash equivalents consist of cash and short-term, highly liquid investments, which are readily convertible into cash and have a maturity of three months or less when purchased. Restricted cash is primarily collateral for estimated future workers' compensation claims, letters of credit, performance bonds and interest rate swap agreements.

e. Short-Term Investments -

We invest in commercial paper, asset-backed securities and U.S. government agency securities with original maturities in excess of 90 days but less than one year. These investments are classified as short-term investments in the accompanying consolidated balance sheet. Short-term investments are stated at cost, which approximates market value, and are classified as held-to-maturity securities.

f. Spare Parts and Supplies -

Inventories, expendable parts and supplies relating to flight equipment are carried at average acquisition cost and are expensed when consumed in operations. An allowance for obsolescence is provided over the remaining estimated useful life of the related aircraft, plus allowances for spare parts currently identified as excess to reduce the carrying costs to the lower of amortized cost or net realizable value. These allowances are based on management estimates, which are subject to change.

g. Property and Equipment -

Property and equipment are recorded at cost and are depreciated to estimated residual values over their estimated useful lives using the straight-line method. Jet aircraft are assumed to have an estimated residual value of 15% of original cost; other categories of property and equipment are assumed to have no residual value. The estimated useful lives for our property and equipment are as follows:

	Estimated Useful Life
Jet aircraft and simulators	25 to 30 years
Buildings and improvements	10 to 30 years
Food service equipment	6 to 10 years
Maintenance and engineering equipment	8 years
Surface transportation and ground equipment	6 years
Communication and meteorological equipment	5 years
Computer software	3 to 10 years
Capital lease - flight and ground equipment	Lease Term

h. Routes and Airport Operating Rights -

Routes represent the right to fly between cities in different countries. Airport operating rights represent gate space and slots (the right to schedule an arrival or departure within designated hours at a particular airport). Effective January 1, 2002, we adopted SFAS 142 and discontinued amortization of our goodwill on investments in unconsolidated subsidiaries and routes, which are indefinite-lived intangible assets. We performed an impairment test upon the adoption of SFAS No. 142 and an annual test in the fourth quarter of each year thereafter. Our tests indicated that we did not have any impairment of our routes. Airport operating rights are amortized over the stated term of the related lease or 20 years.

Pro forma results for the year ended December 31, 2001, assuming the discontinuation of amortization of routes and goodwill amortization on investments in unconsolidated subsidiaries had occurred at the beginning of 2001, are presented below (in millions, except per share data).

Reported net loss	$ (95)
Route and goodwill amortization, net of taxes	15
Adjusted net loss	$ (80)
Basic and diluted loss per share:	
As reported	$(1.72)
Route and goodwill amortization, net of taxes	0.27
Pro forma	$ (1.45)

i. Measurement of Impairment of Long-Lived Assets -

We record impairment losses on long-lived assets used in operations, consisting principally of property and equipment and airport operating rights, when events or changes in circumstances indicate, in management's judgement, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The net carrying value of assets not recoverable is reduced to fair value if lower than carrying value. In determining the fair market value of the assets, we consider market trends and recent transactions involving sales of similar assets.

j. Revenue/Air Traffic Liability -

Passenger revenue is recognized either when transportation is provided or when the ticket expires unused rather than when a ticket is sold. Prior to October 1, 2002, nonrefundable tickets expired one year from the date the ticket was sold, or for partially used tickets, the date of first flight. Effective October 1, 2002, unused nonrefundable tickets expire on the date of intended flight, unless the date is extended by payment of a change fee. Effective August 20, 2003, we modified our policy to give customers with nonrefundable tickets who cancel their reservations prior to scheduled departure time a full year from the date their original ticket was sold to reschedule and pay the change fee, without losing the value of their tickets.

We also sell mileage credits in our frequent flyer program to participating partners, such as credit card companies, phone companies, other airlines, alliance members, hotels and car rental agencies. Revenue from the sale of mileage credits is deferred and recognized as passenger revenue when transportation is likely to be provided, based on estimates of the fair value of tickets to be redeemed. Amounts received in excess of the tickets' fair value are recognized in income currently and classified as a reimbursement of advertising expenses. In the fourth quarter of 2003, we adjusted our estimates of the mileage credits we expect to be redeemed for travel, resulting in a one-time increase in other revenue of $24 million ($0.23 per share, after income taxes).

Revenue from the shipment of cargo and mail is recognized when transportation is provided. Other revenue includes charter services, ticket change fees and other incidental services.

The amount of passenger ticket sales and sales of mileage credits to partners not yet recognized as revenue is included in the accompanying consolidated balance sheets as air traffic liability. We perform periodic evaluations of this estimated liability and any adjustments resulting therefrom, which can be significant, are included in results of operations for the periods in which the evaluations are completed. These adjustments relate primarily to differences between our statistical estimation of certain revenue transactions and the related sales price, as well as refunds, exchanges, interline transactions and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

The deconsolidation of Holdings effective November 12, 2003 had no impact on our passenger revenue because, under our capacity purchase agreement with Holdings and ExpressJet, we purchase all of ExpressJet's capacity and are responsible for selling all of the seat inventory. As a result, after deconsolidation, we continue to record the related passenger revenue and related expenses, with payments under the capacity purchase agreement reflected as a separate operating expense.

k. Frequent Flyer Program -

For those OnePass accounts that have sufficient mileage credits to claim the lowest level of free travel, we record a liability for the estimated incremental cost associated with providing travel awards that are expected to be redeemed. Incremental cost includes the cost of incremental fuel, meals, insurance and miscellaneous supplies and does not include any costs for aircraft ownership, maintenance, labor or overhead allocation. We also record, for certain reciprocal frequent flyer agreements, a liability for payments we expect to make to other airlines for OnePass members' redemptions for travel on the other airline. The liability is adjusted periodically based on awards earned, awards redeemed, changes in the incremental costs and changes in the OnePass program, and is included in the accompanying consolidated balance sheets as air traffic liability.

l. Deferred Income Taxes -

Deferred income taxes are provided under the liability method and reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

m. Maintenance and Repair Costs -

Maintenance and repair costs for owned and leased flight equipment, including the overhaul of aircraft components, are charged to operating expense as incurred, including engine overhaul costs covered by power-by-the-hour agreements, which are expensed on the basis of hours flown.

n. Advertising Costs -

We expense the costs of advertising as incurred. Gross advertising expense was $87 million, $89 million and $98 million for the years ended December 31, 2003, 2002 and 2001, respectively. These amounts are reported in the consolidated statement of operations net of the reimbursement of some of our advertising expenses by third-party purchasers of our OnePass miles.

o. Stock Plans and Awards -

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

The following table illustrates the pro forma effect on net income (loss) and earnings (loss) per share if we had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"), for the years ended December 31, 2003, 2002 and 2001. See Note 9 for the assumptions we used to compute the pro forma amounts.

	2003	2002	2001
Net income (loss), as reported	$ 38	$(451)	$(95)
Deduct/Add Back: total stock-based employee compensation income (expense) determined under SFAS 123, net of tax	(6)	(20)	6
Net income (loss), pro forma	$ 32	$(471)	$(89)
Basic and diluted earnings (loss) per share:			
As reported	$0.58	$(7.02)	$(1.72)
Pro forma	$0.49	$(7.33)	$(1.61)

p. Regional Capacity Purchase, Net -

Payments made to ExpressJet under our capacity purchase agreement, previously eliminated in consolidation, are reported as regional capacity purchase, net, beginning November 12, 2003, the date we deconsolidated Holdings. In addition to the payments for the purchased capacity, regional capacity purchase, net, also includes ExpressJet's fuel expense in excess of the cap (66.0 cents per gallon in 2003) provided in the capacity purchase agreement and a related fuel purchase agreement and is net of our sublease income on aircraft we lease to ExpressJet.

q. Reclassifications -

Certain reclassifications have been made in the prior years' consolidated financial statement amounts and related note disclosures to conform with the current year's presentation. As discussed in Note 2, additional reclassifications have been made upon the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46").

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2003, we adopted SFAS No. 146, "Accounting for Costs Associated with Disposal or Exit Activities" ("SFAS 146"), which requires liabilities for costs associated with exit or disposal activities to be recognized when the liabilities are incurred, rather than when an entity commits to an exit plan. The new rule changes the timing of liability and expense recognition related to exit or disposal activities, but not the ultimate amount of such expenses. In July 2003, we announced plans to remove all our remaining MD-80 aircraft from service by January 2005. Prior to the adoption of SFAS 146, we would have recognized a charge associated with future obligations for rent and return conditions, net of estimated sublease income, on these aircraft at the time we were committed to permanently removing the aircraft from service. However, subsequent to the adoption of SFAS 146, we will record these charges as the aircraft are permanently grounded. In December 2003, we determined five previo usly grounded leased MD-80 aircraft to be permanently grounded and recorded a charge of $21 million ($13 million after income taxes) associated with future obligations for rent and return conditions, net of estimated sublease income, on those aircraft. We will record similar charges as the remaining 17 leased MD-80 aircraft exit revenue service and are permanently grounded.

We also adopted FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This interpretation applies to guarantees issued or modified after December 31, 2002 and has had no impact on our consolidated results of operations or consolidated balance sheet.

Effective July 1, 2003, we adopted FIN 46 that requires the consolidation of certain types of entities in which a company absorbs a majority of another entity's expected losses, receives a majority of the other entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the other entity. These entities are called "variable interest entities". The principal characteristics of variable interest entities are (1) an insufficient amount of equity to absorb the entity's expected losses, (2) equity owners as a group are not able to make decisions about the entity's activities, or (3) equity that does not absorb the entity's losses or receive the entity's residual returns. "Variable interests" are contractual, ownership or other monetary interests in an entity that change with fluctuations in the entity's net asset value. As a result, variable interest entities can arise from items such as lease agreements, loan arrangements, guarantees or service con tracts.

If an entity is determined to be a "variable interest entity", the entity must be consolidated by the "primary beneficiary". The primary beneficiary is the holder of the variable interests that absorb a majority of the variable interest entity's expected losses or receive a majority of the entity's residual returns in the event no holder has a majority of the expected losses. There is no primary beneficiary in cases where no single holder absorbs the majority of the expected losses or receives a majority of the residual returns. The determination of the primary beneficiary is based on projected cash flows at the inception of the variable interests.

We have variable interests in the following types of variable interest entities:

- Aircraft Leases. We are the lessee in a series of operating leases covering the majority of our leased aircraft. The lessors are trusts established specifically to purchase, finance and lease aircraft to us. These leasing entities meet the criteria for variable interest entities. We are generally not the primary beneficiary of the leasing entities if the lease terms are consistent with market terms at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option or similar feature that obligates us to absorb decreases in value or entitles us to participate in increases in the value of the aircraft. This is the case for most of our operating leases; however, leases of approximately 75 aircraft contain a fixed-price purchase option that allow us to purchase the aircraft at predetermined prices on specified dates during the lease term. We have not consolidated the related trusts upon application of FIN 46 because, even taking into consideration these purc hase options, we are still not the primary beneficiary based on our cash flow analysis. Our maximum exposure under these leases is the remaining lease payments, which are reflected in future lease commitments in Note 6.
- Airport Leases. We are the lessee of real property under long-term operating leases at a number of airports where we are also the guarantor of approximately $1.6 billion of underlying debt and interest thereon. The leases are typically with municipalities or other governmental entities. FIN 46 is not applicable to arrangements with governmental entities. To the extent our lease and related guarantee are with a separate legal entity other than a governmental entity, we are not the primary beneficiary because the lease terms are consistent with market terms at the inception of the lease and the lease does not include a residual value guarantee, fixed price purchase option or similar feature as discussed above.

- Subsidiary Trust. We have a subsidiary trust that has Mandatorily Redeemable Preferred Securities outstanding with a liquidation value of $248 million ($241 million net of issuance costs). These securities were issued in November 2000 and were previously reported on our balance sheet as Mandatorily Redeemable Preferred Securities of Subsidiary Trust. The trust is a variable interest entity under FIN 46 because we have a limited ability to make decisions about its activities. However, we are not the primary beneficiary of the trust. Therefore, the trust and the Mandatorily Redeemable Preferred Securities issued by the trust are no longer reported on our balance sheet. Instead, we report our Convertible Junior Subordinated Debentures held by the trust as long-term debt. These notes have previously been eliminated in our consolidated financial statements. Distributions on the Mandatorily Redeemable Preferred Securities are no longer reported on our statements of operations, but interest o n the notes is recorded as interest expense. These reclassifications are reflected for all periods presented in the accompanying financial statements.

- Capacity Purchase Agreement. Holdings and ExpressJet each meet the criteria for a variable interest entity because the voting rights and economic interests we hold in these entities are disproportional to our obligations to absorb expected losses or receive expected residual returns. The variable interests in Holdings and ExpressJet include our capacity purchase agreement, a tax sharing agreement with us, a note payable to us, convertible debentures held by third parties and common stock. Our assessment of expected losses and expected residual returns indicated that we were the primary beneficiary of Holdings and ExpressJet until the combined common stock holdings of us and our pension plan fell below 41%. This occurred on November 12, 2003. Therefore, we have deconsolidated Holdings as of that date. See Note 4 for further discussion of our ownership of Holdings and our capacity purchase agreement with Holdings and ExpressJet.

NOTE 3 - EARNINGS PER SHARE

Basic earnings (loss) per common share ("EPS") excludes dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other obligations to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in our earnings (losses). In 2003, our Convertible Junior Subordinated Debentures Held by Subsidiary Trust and 4.5% Convertible Notes were antidilutive and therefore were not included in the calculation of diluted earnings per share. Because we reported net losses in 2002 and 2001, all potentially dilutive securities were antidilutive and basic and diluted EPS were the same in those years.

	2003	2002	2001
Numerator for basic and dilutive:			
Net income (loss)	$ 38	$(451)	$(95)
Denominator:			
Denominator for basic earnings (loss) per share - weighted-average shares	65.4	64.2	55.5
Effect of dilutive securities:			
Employee stock options	0.2	-	-
Denominator for diluted earnings (loss) per share - adjusted weighted - average and assumed conversions	65.6	64.2	55.5

Approximately 5.3 million in 2003, 4.0 million in 2002 and 6.0 million in 2001 of weighted average options to purchase shares of our Class B common stock were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would have been antidilutive.

Holders of our 5% Convertible Notes issued in June 2003 may require us to repurchase the notes on June 15 of 2010, 2013 or 2018 at par plus accrued and unpaid interest, if any. The indenture provides that we may at our option choose to pay this repurchase price in cash, in shares of common stock or any combination thereof. Should we be required to repurchase the notes at any of the redemption dates, it is our policy that we would satisfy the requirement in cash. Therefore, the 5% Convertible Notes are not considered to be potentially dilutive securities in the EPS calculation.

NOTE 4 - INVESTMENT IN EXPRESSJET AND REGIONAL CAPACITY PURCHASE AGREEMENT

Investment in ExpressJet

In April 2002, Holdings, our then wholly owned subsidiary and the sole stockholder of ExpressJet, which operates as "Continental Express", sold 10 million shares of its common stock in an initial public offering and used the net proceeds to repay $147 million of ExpressJet's indebtedness to us. In addition, we sold 20 million of our shares of Holdings common stock in the offering for net proceeds of $300 million. In connection with the offering, our ownership of Holdings fell to 53.1%. The sale of Holdings' shares and our shares in the offering was accounted for as a capital transaction resulting in a $291 million increase in additional paid-in capital and a $175 million increase in tax liabilities. We contributed $150 million of our proceeds to our defined benefit pension plan and used the remainder of our proceeds for general corporate purposes.

During the third quarter of 2003, we sold approximately 9.8 million shares of our Holdings common stock to Holdings, reducing our ownership of Holdings from 53.1% to 44.6%. We contributed the proceeds to our primary defined benefit pension plan. We also contributed approximately 7.4 million shares of Holdings common stock to that plan, further reducing our ownership of Holdings to 30.9%. We recognized gains totaling $173 million ($100 million after taxes) as a result of these transactions. The independent trustee for our defined benefit pension plan has subsequently sold a portion of the shares of Holdings that we contributed to the plan. As a result of these sales by the defined benefit pension plan, on November 12, 2003, the combined amount of Holdings common stock owned by us and our primary defined benefit pension plan fell below 41%, the point at which we no longer consolidated Holdings, pursuant to FIN 46. Accordingly, we deconsolidated Holdings as of that date.

Effective November 12, 2003, we account for our interest in Holdings using the equity method of accounting set forth in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock", rather than consolidating Holdings. Under our capacity purchase agreement with Holdings and ExpressJet, we purchase all of ExpressJet's capacity and are responsible for selling all of the seat inventory. As a result, after deconsolidation, we continue to record the related passenger revenue and related expenses, with payments under the capacity purchase agreement reflected as a separate operating expense. The primary effects of deconsolidation of Holdings from our financial statements are a decrease in current assets, primarily due to the elimination of Holdings' cash, an increase in assets resulting from the inclusion of our note receivable from Holdings (previously eliminated in consolidation), a decrease in long-term debt and a decrease in operating income as a result of the exclusion of Hold ings' operating income from our statement of operations. This decrease in operating income is offset by increases in nonoperating income from our equity in Holdings' earnings, provided our ownership interest remains constant. Additionally, after deconsolidation, we no longer record minority interest on either our balance sheet or statement of operations.

We continue to own 16.7 million shares of Holdings common stock with a market value of $251 million as of December 31, 2003. We do not currently intend to remain a stockholder of Holdings over the long term. Subject to market conditions, we intend to sell or otherwise dispose of some or all of our shares of Holdings common stock in the future.

Capacity Purchase Agreement with ExpressJet

General. Under our capacity purchase agreement, ExpressJet currently flies all of its aircraft (which consist entirely of regional jet aircraft) on our behalf, and we handle scheduling, ticket prices and seat inventories for these flights. In exchange for ExpressJet's operation of the flights and performance of other obligations under the agreement, we pay them for each scheduled block hour based on an agreed formula. Under the agreement, we recognize all passenger, cargo and other revenue associated with each flight, and are responsible for all revenue-related expenses, including commissions, reservations, catering and passenger ticket processing expenses. Following the deconsolidation of Holdings on November 12, 2003, the payments made to ExpressJet under the agreement are reported as regional capacity purchases net in our consolidated statement of operations. Prior to deconsolidation, the payments were eliminated in our consolidated financial statements and the minority interest in Hold ings' earnings was reported as a deduction on our consolidated statement of operations, based on Holdings' stand-alone earnings under the capacity purchase agreement.

Compensation and Operational Responsibilities. Under the agreement, we pay ExpressJet a base fee for each scheduled block hour based on a formula that will remain in place through December 31, 2004. The formula is designed to provide ExpressJet with an operating margin of approximately 10% before taking into account variations in some costs and expenses that are generally controllable by them, the most significant of which is wages, salaries and benefits.

Our payments to ExpressJet under the capacity purchase agreement totaled $1.3 billion, $1.1 billion and $980 million in 2003, 2002 and 2001, respectively. Our future payments under the capacity purchase agreement are dependent on numerous variables, and therefore difficult to predict. The most important of those variables is the number of scheduled block hours, which takes into account the number of ExpressJet aircraft and our utilization rates of such aircraft. However, if we changed our utilization of ExpressJet's aircraft, we would also change the number of available seat miles on ExpressJet's flights and the revenue that we generate by selling those seats. Any decision by us to change the utilization of ExpressJet's aircraft (or to remove aircraft from the capacity purchase agreement) would be made by determining the net effect of such change on our income and cash flow, taking into account not only our cash commitment to ExpressJet but also our expected revenue from ExpressJet's flight s.

Set forth below are estimates of our future minimum noncancelable commitments under the capacity purchase agreement. These estimates of our future minimum noncancelable commitments under the capacity purchase agreement do not include the portion of the underlying obligations for aircraft and facility rent that are disclosed as part of our consolidated operating lease commitments. For purposes of calculating these estimates, we have assumed (i) that ExpressJet's aircraft deliveries continue as scheduled through January 2005, (ii) contracted rates through 2004 (rates are re-negotiated annually beginning in 2005), (iii) a constant fuel rate of 66.0 cents per gallon, the rate of the current contractual fuel cap, (iv) that we exercise our rights to initiate termination of the capacity purchase agreement at the earliest possible date permitted under the contract (January 1, 2007), (v) that prior to termination we exercise our rights to remove as many aircraft as quickly as contractually permitted (be ginning February 2005) from the capacity purchase agreement, (vi) an average daily utilization rate of 8.9 hours for 2004 through 2007 and (vii) cancellations are at historical levels resulting in no incentive compensation payable to ExpressJet. Based on these assumptions, our future minimum noncancelable commitments under the capacity purchase agreement at December 31, 2003 are estimated as follows (in millions):

2004	$1,236
2005	985
2006	924
2007	441
2008 and thereafter	-
Total	$3,586

It is important to note that in making the assumptions used to develop these estimates, we are attempting to estimate our minimum noncancelable commitments and not the amounts that we currently expect to pay to ExpressJet (which amounts are expected to be higher as we do not currently expect to reduce capacity under the agreement to the extent assumed above or terminate the agreement at the earliest possible date). In addition, our actual minimum noncancelable commitments to ExpressJet could differ materially from the estimates discussed above, because actual events could differ materially from the assumptions described above. For example, a 10% increase or decrease in scheduled block hours (whether a result of change in delivery dates of aircraft or average daily utilization) in 2004 would result in a corresponding increase or decrease in cash obligations under the capacity purchase agreement of approximately 8% or $94 million.

ExpressJet's base fee includes compensation for scheduled block hours associated with some cancelled flights, based on historical cancellation rates constituting rolling five-year monthly averages. To the extent that ExpressJet's rate of controllable or uncontrollable cancellations is less than its historical cancellation rate, ExpressJet will be entitled to additional payments. ExpressJet is also entitled to receive a small per-passenger fee and incentive payments for first flights of a day departing on time and baggage handling performance. As a result of a better-than-expected completion rate and other incentives in 2003, we paid ExpressJet an additional $16 million.

Under the agreement and a related fuel purchase agreement, ExpressJet's fuel costs were capped at 66.0 cents per gallon in 2003 and will remain capped at this level in 2004. Accordingly, we absorbed a portion of ExpressJet's fuel costs in 2003 and may continue to do so in the future.

If a change of control (as defined in the agreement) of ExpressJet occurs without our consent, the block hour rates that we will pay under the agreement will be reduced by an amount approximately equal to the operating margin built into the rates.

In accordance with the agreement, ExpressJet has agreed to meet with us each year beginning in 2004 to review and set the block hour rates to be paid in the following year, in each case based on the formula used to set the original block hour rates (including a 10% targeted operating margin). If we and ExpressJet cannot come to an agreement on the annual adjustments, we have agreed to submit our disagreement to arbitration. In addition, the agreement gives each party the right to "meet and confer" with the other regarding any material change in the underlying assumptions regarding the cost of providing services under the agreement and whether the compensation provisions of the agreement should be changed as a result, but does not require any party to agree to any change in the compensation provisions.

Capacity and Fleet Matters. The agreement covers all of ExpressJet's existing fleet, as well as the 50 Embraer regional jets subject to firm orders. Under the capacity purchase agreement, we have the right to give no less than twelve months' notice to ExpressJet reducing the number of its aircraft covered by the contract. As of December 31, 2003, we had not given any such notice. Under the agreement, we are entitled to remove capacity under an agreed upon methodology. If we remove aircraft from the terms of the agreement, ExpressJet will have the option to (i) fly the released aircraft for another airline (subject to its ability to obtain facilities, such as gates and slots, and subject to its exclusive arrangement with us that prohibits ExpressJet during the term of the agreement from flying under its or another carrier's code in or out of our hub airports), (ii) fly the aircraft under ExpressJet's own flight designator code subject to its ability to obtain facilities, such as gates and s lots, and subject to ExpressJet's exclusive arrangement with us respecting our hubs or (iii) decline to fly the aircraft and cancel the related subleases with us. If ExpressJet does not cancel the aircraft subleases, the interest rate used to calculate the scheduled lease payments will automatically increase by 200 basis points to compensate us for our continued participation in ExpressJet's lease financing arrangements.

Term of Agreement. The agreement currently expires on December 31, 2010 but allows us to terminate the agreement at any time after December 31, 2006 upon 12 months' notice, or at any time without notice for cause (as defined in the agreement). We may also terminate the agreement at any time upon a material breach by ExpressJet that does not constitute cause and continues for 90 days after notice of such breach, or without notice or opportunity to cure if we determine that there is a material safety concern with ExpressJet's flight operations. We have the option to extend the term of the agreement with 24 months' notice for up to four additional five-year terms through December 31, 2030.

Service Agreements. We provide various services to ExpressJet and charge them at rates in accordance with the capacity purchase agreement. The services provided to ExpressJet by us include fuel service, certain customer services such as ground handling and infrastructure services, including but not limited to insurance, technology, transaction processing, treasury, human resources and risk management. For providing these services, we charged ExpressJet approximately $270 million in 2003 and $205 million in each of 2002 and 2001.

Note Receivable from ExpressJet. At December 31, 2003 we had a $193 million note receivable from ExpressJet. In accordance with our amended and restated promissory note agreement dated November 5, 2002 with ExpressJet, principal and accrued interest on the note are payable quarterly by ExpressJet. We anticipate that the final payment will be made on March 31, 2006. The interest rate is fixed for each quarter at a rate equal to the three-month London interbank offered rate ("LIBOR") on the second business day prior to such quarter plus 1.25% per annum, subject to an aggregate cap of 5.35% in 2003 and 6.72% in 2004.

Leases. As of December 31, 2003, ExpressJet subleased all 224 of its aircraft under long-term operating leases from us. ExpressJet's sublease agreements with us have substantially the same terms as the lease agreements between us and the lessors and expire between 2013 and 2020. ExpressJet leases or subleases, under various operating leases, ground equipment and substantially all of its ground facilities, including facilities at public airports, from us or the municipalities or agencies owning and controlling such airports. If ExpressJet defaults on any of its payment obligations with us, we are entitled to reduce any payments required to be made by us to ExpressJet under the capacity purchase agreement by the amount of the defaulted payment. ExpressJet's total rental expense related to all leases with us was approximately $279 million, $231 million and $196 million in 2003, 2002 and 2001, respectively. After deconsolidation of Holdings on November 12, 2003, our related aircraft rental i ncome is reported as a reduction to regional capacity purchase, net.

Income Taxes. In conjunction with Holdings' offering, our tax basis in the stock of Holdings and the tax basis of ExpressJet's tangible and intangible assets were increased to fair value. The increased tax basis should result in additional tax deductions available to ExpressJet over a period of 15 years. To the extent ExpressJet generates taxable income sufficient to realize the additional tax deductions, our tax sharing agreement with ExpressJet provides that it will be required to pay us a percentage of the amount of tax savings actually realized, excluding the effect of any loss carrybacks. ExpressJet will be required to pay us 100% of the first third of the anticipated tax benefit, 90% of the second third and 80% of the last third. However, if the anticipated benefits are not realized by the end of 2018, ExpressJet will be obligated to pay us 100% of any benefits realized after that date. We do not recognize the benefit of the tax savings associated with ExpressJet's asset step-up for financial reporting purposes until paid to us by ExpressJet due to the uncertainty of realization. ExpressJet paid us $17 million in 2003 related to the agreement, which is included in other nonoperating income in the accompanying statement of operations.

Other. So long as we are ExpressJet's largest customer, if it enters into an agreement with another major airline (as defined in the agreement) to provide regional airline services on a capacity purchase or other similar economic basis for 10 or more aircraft on terms and conditions that are in the aggregate less favorable to ExpressJet than the terms and conditions of the capacity purchase agreement, we will be entitled to amend our capacity purchase agreement to conform the terms and conditions of the capacity purchase agreement to the terms and conditions of the agreement with the other major airline.

NOTE 5 - LONG-TERM DEBT

Long-term debt as of December 31 is summarized as follows (in millions):

	2003	2002
Secured		
Notes payable, interest rates of 5.0% to 8.5%, (weighted average rate of 7.01% as of December 31, 2003) payable through 2019	$3,268	$3,446
Floating rate notes, interest rates of LIBOR (1.15% on December 31, 2003) plus 0.45% to 1.3%; Eurodollar (1.25% on December 31, 2003) plus 1.375%, payable through 2014	923	997
Floating rate notes, interest rate of LIBOR plus 2.5%, payable through 2015	120	- -
Revolving credit facility, floating interest rate of LIBOR plus 3.5%, payable through 2004	- -	190
Floating rate notes, interest rate of LIBOR plus 4.53%, payable through 2007	139	146
Floating rate notes, interest rate of LIBOR plus 3.5% to 4.0% payable through 2011	155	60
Notes payable, interest rates of 9.9%, payable through 2003	-	30
Floating rate notes, interest rate of LIBOR plus 7.5%,		

payable through 2007	97	- -
Other	17	18
Unsecured		
Convertible notes, interest rate of 4.5%, payable in 2007	200	200
Senior notes payable, interest rate of 8.0%, payable in 2005	195	195
Note payable, interest rate of 8.1%, payable in 2008	112	111
Convertible junior subordinated debentures, interest rate of 6.0%, payable in 2030	248	250
Convertible notes, interest rate of 5.0%, payable in 2023	175	-
Other	8	13
	5,657	5,656
Less: current maturities	397	468
Total	$5,260	$5,188

Maturities of long-term debt due over the next five years are as follows (in millions):

Year ending December 31,	
2004	$397
2005	646
2006	494
2007	845
2008	569

Substantially all of our property and equipment and spare parts inventory is subject to agreements securing our indebtedness.

We also have letters of credit and performance bonds at December 31, 2003 in the amount of $47 million with expiration dates through June 2008.

We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral under our credit card processing agreement if our debt rating falls below Caa3 as rated by Moody's or CCC- as rated by Standard and Poor's.

In May 2003, we issued $100 million of Floating Rate Secured Subordinated Notes due December 2007 (the "Junior Notes"). The Junior Notes are secured by a portion of our spare parts inventory and bear interest at the three-month LIBOR plus 7.5%. In connection with the Junior Notes and with $200 million of Floating Rate Secured Notes due December 2007 secured by the same pool of spare parts (the "Senior Notes"), we have entered into a collateral maintenance agreement requiring us, among other things, to maintain a loan-to-collateral value ratio of not greater than 45% with respect to the Senior Notes and a loan-to-collateral value ratio of not greater than 67.5% with respect to both the Senior Notes and the Junior Notes combined. We must also maintain a certain level of rotable components within the spare parts collateral pool. The ratios are calculated on a semi-annual basis based on an independent appraisal of the spare parts collateral pool. If any of the collateral ratio requirements are not me t, we must take action to meet all ratio requirements by adding additional eligible spare parts to the collateral pool, purchasing or redeeming some of the outstanding notes, providing other collateral acceptable to the bond insurance policy provider for the Senior Notes, or any combination of the above. At December 31, 2003, $195 million of the Senior Notes and $97 million of the Junior Notes were outstanding.

During 2003, we incurred $130 million of floating rate indebtedness under a term loan agreement that matures in May 2011. This indebtedness is secured by certain of our spare engines and initially bears interest at the three-month LIBOR plus 3.5%.

In June 2003, we issued $175 million of 5% Convertible Notes due 2023. The notes are convertible into our Class B common stock at an initial conversion price of $20 per share, subject to certain conditions on conversion. The notes are redeemable for cash at our option on or after June 18, 2010 at par plus accrued and unpaid interest, if any. Holders of the notes may require us to repurchase the notes on June 15 of 2010, 2013 or 2018 or in the event of certain changes in control at par plus accrued and unpaid interest, if any.

During the fourth quarter of 2003, we incurred $120 million of floating rate indebtedness due at various intervals through 2015. The indebtedness is secured by four 737-800 aircraft that were delivered in the fourth quarter of 2003 and bears interest at LIBOR plus 2.5%, with an initial average rate of 3.71%.

In the first quarter of 2002, we issued $200 million of 4.5% convertible notes due February 1, 2007. The notes are convertible into our common stock at an initial conversion price of $40 per share. The notes are redeemable at our option on or after February 5, 2005, at specified redemption prices. In December 2002, we closed an offering of $200 million of floating rate secured notes due December 2007 at a then-current annual interest rate of less than 3.5 percent, including all costs and fees. The notes are secured by certain of our spare parts inventory.

Preferred Securities of Trust

In November 2000, Continental Airlines Finance Trust II, a Delaware statutory business trust (the "Trust") of which we own all the common trust securities, completed a private placement of five million 6% Convertible Preferred Securities, Term Income Deferrable Equity Securities or "TIDES". The TIDES have a liquidation value of $50 per preferred security and are convertible at any time at the option of the holder into shares of Class B common stock at a conversion rate of $60 per share of Class B common stock (equivalent to approximately 0.8333 share of Class B common stock for each preferred security). Distributions on the preferred securities are payable by the Trust at an annual rate of 6% of the liquidation value of $50 per preferred security.

The sole assets of the trust are 6% Convertible Junior Subordinated Debentures ("Convertible Subordinated Debentures") with an aggregate principal amount of $248 million as of December 31, 2003 issued by us and which mature on November 15, 2030. The Convertible Subordinated Debentures are redeemable by us, in whole or in part, on or after November 20, 2003 at designated redemption prices. If we redeem the Convertible Subordinated Debentures, the Trust must redeem the TIDES on a pro rata basis having an aggregate liquidation value equal to the aggregate principal amount of the Convertible Subordinated Debentures redeemed. Otherwise, the TIDES will be redeemed upon maturity of the Convertible Subordinated Debentures, unless previously converted.

Taking into consideration our obligations under (i) the Preferred Securities Guarantee relating to the TIDES, (ii) the Indenture relating to the Convertible Subordinated Debentures to pay all debt and obligations and all costs and expenses of the Trust (other than U.S. withholding taxes) and (iii) the Indenture, the Declaration relating to the TIDES and the Convertible Subordinated Debentures, we have fully and unconditionally guaranteed payment of (i) the distributions on the TIDES, (ii) the amount payable upon redemption of the TIDES and (iii) the liquidation amount of the TIDES.

As discussed in Note 2, upon our adoption of FIN 46 in 2003, the Convertible Subordinated Debentures are included in long-term debt for all periods presented.

NOTE 6 - LEASES

We lease certain aircraft and other assets under long-term lease arrangements. Other leased assets include real property, airport and terminal facilities, sales offices, maintenance facilities, training centers and general offices. Most aircraft leases include both renewal options and purchase options. The purchase options are generally effective at the end of the lease term at the then-current fair market value. Our leases do not include residual value guarantees.

At December 31, 2003, the scheduled future minimum lease payments under capital leases and the scheduled future minimum lease rental payments required under operating leases, that have initial or remaining noncancelable lease terms in excess of one year, are as follows (in millions):

	Capital Leases	Operating Leases	
		Aircraft	Non-aircraft
Year ending December 31,			
2004	$ 44	$ 897	$ 360
2005	46	975	362
2006	39	864	365
2007	40	833	367
2008	45	811	354
Later years	473	6,988	5,675

Total minimum lease payments	687	$11,368	$7,483
Less: amount representing interest	364		
Present value of capital leases	323		
Less: current maturities of capital leases	25		
Long-term capital leases	$298		

At December 31, 2003, Continental had 469 aircraft under operating leases and seven aircraft under capital leases, including aircraft subleased to ExpressJet. These operating leases have remaining lease terms ranging up to 21-1/2 years. Projected sublease income to be received from ExpressJet, not included in the above table, is approximately $3.7 billion.

NOTE 7 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As part of our risk management program, we use or have used a variety of financial instruments, including petroleum call options, petroleum swap contracts, jet fuel purchase commitments, foreign currency average rate options, foreign currency forward contracts and interest rate cap and swap agreements. We do not hold or issue derivative financial instruments for trading purposes.

Notional Amounts and Credit Exposure of Derivatives

The notional amounts of derivative financial instruments summarized below do not represent amounts exchanged between parties and, therefore, are not a measure of our exposure resulting from our use of derivatives. The amounts exchanged are calculated based upon the notional amounts as well as other terms of the instruments, which relate to interest rates, exchange rates or other indices.

Fuel Price Risk Management

We use a combination of petroleum call options, petroleum swap contracts and jet fuel purchase commitments to provide some short-term protection (generally three to six months) against a sharp increase in jet fuel prices.

We account for the call options and swap contracts as cash flow hedges. They are recorded at fair value with the offset to accumulated other comprehensive income (loss), net of applicable income taxes and hedge ineffectiveness, and recognized as a component of fuel expense when the underlying fuel being hedged is used. The ineffective portion of these call options and swap agreements is determined based on the correlation between West Texas Intermediate Crude Oil prices and jet fuel prices. Hedge ineffectiveness is included in other nonoperating income (expense) in the accompanying consolidated statement of operations and was not material for the years ended December 31, 2003, 2002 and 2001. Our gains (losses), net of premium expense, related to these hedging instruments were not material in the years ended December 31, 2003, 2002 and 2001.

There were no fuel hedges outstanding at December 31, 2003. We had petroleum call options outstanding with an aggregate notional amount of approximately $270 million and a fair value of $6 million at December 31, 2002.

Foreign Currency Exchange Risk Management

We use a combination of foreign currency average rate options and forward contracts to hedge against the currency risk associated with our forecasted Japanese yen, British pound and euro-denominated net cash flows. The average rate options and forward contracts have only nominal intrinsic value at the date contracted.

We account for these instruments as cash flow hedges. They are recorded at fair value with the offset to accumulated other comprehensive income (loss), net of applicable income taxes and hedge ineffectiveness, and recognized as passenger revenue when the underlying service is provided. We measure hedge effectiveness of average rate options and forward contracts based on the forward price of the underlying currency. Hedge ineffectiveness is included in other nonoperating income (expense) in the accompanying consolidated statement of operations and was not material for the years ended December 31, 2003, 2002 and 2001. Our net gains on our foreign currency forward and option contracts were not material in the years ended December 31, 2003, 2002 and 2001. These gains are included in passenger revenue in the accompanying consolidated statement of operations. As of December 31, 2003, we had outstanding option and forward contracts to hedge approximately 61% of our projected yen-denominated net cash f lows for 2004, forward contracts to hedge approximately 63% of our projected British pound-denominated net cash flows 2004 and forward contracts to hedge approximately 50% of our projected euro-denominated net cash flows for the first six months of 2004. The fair value of these outstanding contracts was not material. At December 31, 2002, we did not have any yen forward contracts outstanding and the fair value of our yen option contracts was not material.

Interest Rate Risk Management

We have entered into interest rate cap and interest rate swap agreements to reduce the impact of potential interest rate increases on floating rate debt. The interest rate swap outstanding at December 31, 2003 and 2002 had notional amounts of $153 million and $162 million, respectively, and is effective through 2005. There were no interest rate cap agreements outstanding at December 31, 2003 or 2002. We account for the interest rate cap and swap as cash flow hedges whereby the fair value of the interest rate cap and swap is reflected in other assets in the accompanying consolidated balance sheet with the offset, net of income taxes and any hedge ineffectiveness (which is not material), recorded as accumulated other comprehensive income (loss). The fair value of the interest rate swap liability was $11 million at December 31, 2003 and the fair value of the interest rate swap liability was $17 million at December 31, 2002. Amounts recorded in accumulated other comprehensive income (loss) are amorti zed as an adjustment to interest expense over the term of the related hedge. Such amounts were not material during 2003, 2002 or 2001.

Other Financial Instruments

Judgment is necessarily required in interpreting market data and the use of different market assumptions or estimation methodologies may affect the estimated fair value amounts.

a. Cash Equivalents -

   Cash equivalents are carried at cost and consist primarily of commercial paper with original maturities of three months or less and approximate fair value due to their short maturity.

b. Short-term Investments -

   Short-term investments consist primarily of commercial paper, asset-backed securities and U.S. government agency securities with original maturities in excess of 90 days but less than one year and approximate fair value due to their short maturity. We classify these investments as held-to-maturity securities.

c. Internet Travel Distribution Investments -

   In November 2003, we sold all of our investment in Hotwire, Inc. for $42 million in cash, resulting in a gain of $40 million ($25 million after taxes).

   On December 19, 2003, we sold approximately 28% of our investment in Orbitz in connection with their initial public offering ("IPO"), reducing our interest in Orbitz from approximately 13% to 9%. The total amount that we originally invested in Orbitz was approximately $29 million and, based on the IPO valuation, that investment had appreciated in value by approximately $100 million since March 2000. We sold 1.3 million of our 4.9 million shares of Orbitz common stock and all of our shares of Orbitz preferred stock for proceeds of $34 million, net of underwriting discount. Our gain on the sale was $32 million ($20 million after income taxes).

   Prior to the IPO, we accounted for our investment in Orbitz using the equity method of accounting based on our voting rights and board representation. As part of the IPO, we gave up one of our two seats on Orbitz's board of directors and changed certain provisions of the corporate governance of Orbitz. As a result, we now account for our investment in Orbitz in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". We have designated the remaining investment as a "trading security", based on our intention to dispose of the securities of Orbitz that we own. Therefore, our remaining investment is carried at its fair value, with changes to fair value reported in our statement of operations. The fair value adjustment on the Orbitz shares held at December 31, 2003 of $76 million is included in other nonoperating income in the accompanying consolidated statement of operations, as are the gains on the disposition of Hotwire and Orbitz.

   During 2000, we established an officer retention and incentive award plan (the "Incentive Award Program") that allows officers to share in approximately 25% of the appreciation of certain of our internet-related investments. Under the Incentive Award Program, participants receive phantom appreciation rights ("PARs") when we make investments in internet-related businesses. We made one PARs award and one follow-up award in 2003, and five PARs awards and one follow-up award in 2002. Each PARs is a right, which generally vests quarterly over a four-year period, to receive the difference, if any, between the market value of the applicable equity investment over the established base value (generally the cost of the investment). As the value of the PARs changes with changes in the value of the underlying investment, this plan represents a derivative instrument that is accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). We measure the va lue of these awards at grant date and record both deferred compensation and a PARs liability equal to this valuation. The deferred compensation

   is then amortized over the vesting period and the PARs liability is measured at fair value in accordance with SFAS 133. Our related PARs expense was $21 million in 2003 and $9 million in 2002.

d. Debt -

   The fair value of our debt with a carrying value of $4.9 billion and $4.9 billion at December 31, 2003 and 2002, respectively, estimated based on the discounted amount of future cash flows using our current incremental rate of borrowing for a similar liability or market prices, approximated $4.6 billion and $4.0 billion, respectively. The fair value of the remaining debt was not practicable to estimate.

e. Investment in Company Owned Life Insurance (COLI) Products -

   In connection with some of our executive compensation plans, we have company owned life insurance policies on certain of our officers. As of December 31, 2003 and 2002, the carrying value of the underlying investments was approximately $36 million and $30 million, respectively, which approximates the market value.

f. Note Receivable from Holdings -

The fair value of our note receivable from Holdings with a carrying value of $193 million at December 31, 2003, approximated carrying value. The fair value was estimated based on anticipated future cash flows discounted at our current incremental rate of borrowing for similar liabilities.

Credit Exposure of Financial Instruments

We are exposed to credit losses in the event of non-performance by issuers of financial instruments. To manage credit risks, we select issuers based on credit ratings, limit our exposure to a single issuer under our defined guidelines and monitor the market position with each counterparty.

NOTE 8 - PREFERRED AND COMMON STOCK

Preferred Stock

We have 10 million shares of authorized preferred stock.

On November 15, 2000, we entered into a number of agreements with Northwest Airlines Corporation and some of its affiliates under which we would, among other things, repurchase approximately 6.7 million shares of our Class A common stock, owned by Northwest Airlines Corporation, reclassify all issued shares of Class A common stock into Class B common stock, make other adjustments to our corporate and alliance relationship with Northwest Airlines, Inc., and issue to Northwest Airlines, Inc. one share of preferred stock, designated as Series B preferred stock with blocking rights relating to certain change of control transactions involving us and certain matters relating to our stockholder rights plan (the "Rights Plan"). The transactions closed on January 22, 2001. As of December 31, 2003, 2002 and 2001, respectively, this one share of Series B preferred stock was outstanding. Some of the material provisions of the Series B preferred stock are listed below.

Ranking. The Series B preferred stock ranks junior to all classes of capital stock other than our common stock upon liquidation, dissolution or winding up of the company.

Dividends. No dividends are payable on the Series B preferred stock.

Voting Rights. The holder of the Series B preferred stock has the right to block certain actions we may seek to take, including:

- Certain business combinations and similar changes of control transactions involving us and a third party major air carrier;
- Certain amendments to our rights plan (or redemption of those rights);
- Any dividend or distribution of all or substantially all of our assets; and
- Certain reorganizations and restructuring transactions involving us.

Redemption. The Series B preferred stock is redeemable by us at a nominal price under the following circumstances:

- Northwest Airlines, Inc. transfers or encumbers the Series B preferred stock;
- There is a change of control of Northwest Airlines Corporation involving a third party major air carrier;
- Our alliance with Northwest Airlines Corporation terminates or expires (other than as a result of a breach by us); or
- Northwest Airlines Corporation materially breaches its standstill obligations to us or triggers our rights agreement.

Common Stock

We currently have one class of common stock issued and outstanding, Class B common stock. Each share of Class B common stock is entitled to one vote per share.

We began a stock repurchase program in 1998 under which we repurchased a total of 28.2 million shares of Class B common stock for a total of approximately $1.2 billion through December 31, 2001. We repurchased no shares of Class B common stock in 2003 or 2002.

Stockholder Rights Plan

Effective November 20, 1998, we adopted the Rights Plan in connection with the disposition by Air Partners, L.P. of its interest in Continental to Northwest Airlines Corporation. Effective January 22, 2001, we amended the Rights Plan to take into account, among other things, the effects of the recapitalization and to eliminate the status of the Northwest parties as exempt persons that would not trigger the provisions of the Rights Plan.

The rights become exercisable upon the earlier of (i) the tenth day following a public announcement or public disclosure of facts indicating that a person or group of affiliated or associated persons has acquired beneficial ownership of 15% (25%, or more in some cases, in the case of an Institutional Investor) or more of the total number of votes entitled to be cast generally by holders of our common stock then outstanding, voting together as a single class (such person or group being an "Acquiring Person"), or (ii) the tenth business day (or such later date as may be determined by action of our board of directors prior to such time as any person becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in any person becoming an Acquiring Person. Certain persons and entities related to us or Air Partners are exempt from the definition of "Acquiring Person."

The rights will expire on November 20, 2008, unless extended or unless the rights are earlier redeemed or exchanged by us.

Subject to certain adjustments, if any person becomes an Acquiring Person, each holder of a right, other than rights beneficially owned by the Acquiring Person and its affiliates and associates (which rights will thereafter be void), will thereafter have the right to receive, upon exercise thereof, that number of shares of Class B common stock having a market value of two times the exercise price ($200, subject to adjustment) of the right.

If at any time after a person becomes an Acquiring Person, (i) we merge into any other person, (ii) any person merges into us and all of our outstanding common stock does not remain outstanding after such merger, or (iii) we sell 50% or more of our consolidated assets or earning power, each holder of a right (other than the Acquiring Person and its affiliates and associates) will have the right to receive, upon the exercise thereof, that number of shares of common stock of the acquiring corporation (including us as successor thereto or as the surviving corporation) which at the time of such transaction will have a market value of two times the exercise price of the right.

At any time after any person becomes an Acquiring Person, and prior to the acquisition by any person or group of a majority of our voting power, our board of directors may exchange the rights (other than rights owned by such Acquiring Person, which will have become void), in whole or in part, at an exchange ratio of one share of Class B common stock per right (subject to adjustment).

At any time prior to any person becoming an Acquiring Person, our board of directors may redeem the rights at a price of $.001 per right. The Rights Plan may be amended by our board of directors without the consent of the holders of the rights, except that from and after the time that any person becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the rights (other than the Acquiring Person and its affiliates and associates). Until a right is exercised, its holder, as such, will have no rights as one of our stockholders, including the right to vote or to receive dividends.

NOTE 9 - STOCK PLANS AND AWARDS

Stock Options

Our stockholders have approved the following incentive plans, which, subject to adjustment as provided in the respective plans, permit the issuance of the number of shares of Class B common stock set forth below:

Incentive Plan 2000	3,000,000 shares
1998 Stock Incentive Plan	5,500,000 shares
1997 Stock Incentive Plan	2,000,000 shares
1994 Incentive Equity Plan	9,000,000 shares

The Incentive Plan 2000 provides for awards in the form of stock options, restricted stock, performance awards and incentive awards. Each of the other plans permits awards of either stock options or restricted stock. Each plan permits awards to be made to the non-employee directors of the company or the employees of the company or its subsidiaries. Stock issued under the plans may be originally issued shares, treasury shares or a combination thereof. The total shares remaining for award under the plans as of December 31, 2003 was approximately 890,000, although no new awards can be made under the 1994 Incentive Equity Plan.

Stock options are awarded under the plans with exercise prices equal to the fair market value of the stock on the date of grant and typically vest over a three to four-year period. Employee stock options generally have a five-year term, while outside director stock options have ten-year terms.

Under the terms of the Plans, a change in control would result in all outstanding options under these plans becoming exercisable in full and restrictions on restricted shares being terminated.

The table below summarizes stock option transactions pursuant to our Plans (share data in thousands).

2003		2002		2001	
Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price

Outstanding at Beginning of Year	6,871	$18.28	980	$36.34	7,468	$37.30
Granted	296	$15.00	6,079	$15.82	1,651	$49.47
Exercised	(306)	$15.62	(65)	$28.04	(1,612)	$31.48
Cancelled	(392)	$24.82	(123)	$35.45	(6,527)	$41.96
Outstanding at End of Year	6,469	$17.86	6,871	$18.28	980	$36.34
Options exercisable at end of year	5,018	$18.27	3,856	$19.61	711	$35.66

The following tables summarize the range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at December 31, 2003 (share data in thousands):

Options Outstanding

Range of Exercise Prices	Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$3.65-$15.77	263	5.04	$10.54
$15.78	5,493	3.08	$15.78
$16.84-$56.81	713	3.95	$36.57
$3.65-$56.81	6,469	3.26	$17.86

Options Exercisable

Range of Exercise Prices	Exercisable	Weighted Average Exercise Price
$3.65-$15.77	111	$ 9.74
$15.78	4,352	$15.78
$16.84-$56.81	555	$39.52
$3.65-$56.81	5,018	$18.27

In April 2002, we awarded 444,750 shares of restricted stock. The restricted stock was awarded pursuant to our equity incentive plans and had a fair value on the grant date of $12.5 million ($28.10 per share). The restricted stock is scheduled to vest in 25% increments on the first four anniversaries of the grant. In July 2000, we issued 150,000 shares of restricted stock under the Incentive Plan 2000, with a weighted average grant date fair value of $8 million and vesting over a three-year period. Compensation expense related to these awards is charged to earnings over the restriction periods and totaled approximately $6 million, $6 million and $4 million in 2003, 2002 and 2001, respectively.

Employee Stock Purchase Plan

All of our employees (including participating subsidiary employees) were eligible to participate in our employee stock purchase program under which they may purchase shares of Class B common stock at 85% of the lower of the fair market value on the first day of the option period or the last day of the option period. During 2002 and 2001, 2,076,745 and 710,394 shares, respectively, of Class B common stock were issued at prices ranging from $4.58 to $34.60 in 2002 and $13.40 to $38.30 in 2001. The employee stock purchase program has been suspended due to lack of shares and there were no issuances of stock during 2003.

SFAS 123 Assumptions

We account for our stock-based compensation plans under the recognition and measurement principles of APB 25. Pro forma information regarding net income and earnings per share disclosed in Note 1(o) has been determined as if we had accounted for our employee stock options and purchase rights under the fair value method of SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions indicated below for the year ended December 31:

	2003	2002	2001
Risk-free interest rates	2.5%	2.9%	4.8%
Dividend yields	0%	0%	0%
Expected market price volatility of our Class B common stock	77%	64%	46%
Weighted-average expected life of options (years)	3.2	2.0	4.9
Weighted-average fair value of options granted	$7.77	$5.73	$22.63

The fair value of the purchase rights under the stock purchase plans was also estimated using the Black-Scholes model with the following weighted-average assumptions indicated below for the year ended December 31:

	2003	2002	2001
Risk-free interest rates	N/A	1.7%	3.3%
Dividend yields	N/A	0%	0%
Expected market price volatility of our Class B common stock	N/A	63%	46%
Weighted-average expected life of the purchase rights (years)	N/A	0.25	0.25
Weighted-average fair value of purchase rights granted	N/A	$2.86	$5.12

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options and purchase rights have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options and purchase rights.

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive income (loss) (which are all net of applicable income taxes) are as follows (in millions):

	Minimum Pension Liability	Unrealized Gain/(Loss) on Derivative Instruments	Total
Balance at December 31, 2000	$ -	$ 13	$ 13
Current year net change in accumulated other comprehensive loss	(138)	(5)	(143)

Balance at December 31, 2001	(138)	8	(130)
Current year net change in accumulated other comprehensive loss	(250)	(15)	(265)
Balance at December 31, 2002	(388)	(7)	(395)
Current year net change in accumulated other comprehensive loss	(20)	(2)	(22)
Balance at December 31, 2003	$ (408)	$ (9)	$ (417)

The minimum pension liability recorded in other comprehensive income (loss) before applicable income taxes was $642 million and $611 million at December 31, 2003 and 2002, respectively.

NOTE 11 - EMPLOYEE BENEFIT PLANS

We have noncontributory defined benefit pension and defined contribution (including 401(k) savings) plans. Substantially all of our domestic employees are covered by one or more of these plans. The benefits under the active defined benefit pension plan are based on years of service and an employee's final average compensation. Our pension obligations are measured as of December 31 of each year.

The following table sets forth the defined benefit pension plan's change in projected benefit obligation (in millions) at December 31,

	2003	2002
Accumulated benefit obligation	$1,957	$1,587
Projected benefit obligation at beginning of year	$2,059	$1,543
Service cost	156	114
Interest cost	134	114
Plan amendments	5	14
Actuarial losses	193	399
Benefits paid	(188)	(125)
Projected benefit obligation at end of year	$2,359	$2,059

The following table sets forth the defined benefit pension plan's change in the fair value of plan assets (in millions) at December 31,

	2003	2002
Fair value of plan assets at beginning of year	$ 866	$ 956
Actual gain (loss) on plan assets	218	(115)
Employer contributions	384	150
Benefits paid	(188)	(125)
Fair value of plan assets at end of year	$1,280	$ 866

Pension cost recognized in the accompanying consolidated balance sheets at December 31 is computed as follows (in millions):

	2003	2002
Funded status of the plan - net underfunded	$(1,079)	$(1,193)

Unrecognized net actuarial loss	1,041	1,079
Unrecognized prior service cost	126	146
Net amount recognized	$ 88	$ 32

Accrued benefit liability	$ (678)	$ (723)
Intangible asset	124	144
Accumulated other comprehensive loss	642	611
Net amount recognized	$ 88	$ 32

The following actuarial assumptions were used to determine the actuarial present value of our projected benefit obligation at December 31:

	2003	2002
Weighted average assumed discount rate	6.25%	6.75%
Weighted average rate of compensation increase	2.87%	3.34%

Net periodic defined benefit pension expense for the year ended December 31 included the following components (in millions):

	2003	2002	2001
Service cost	$156	$114	$ 94
Interest cost	134	114	117
Expected return on plan assets	(72)	(95)	(118)
Amortization of prior service cost	20	19	22
Amortization of unrecognized net actuarial loss	90	33	12
Net periodic benefit expense	$328	$185	$127

Unrecognized prior service cost is expensed using a straight-line amortization of the cost over the average future service of employees expected to receive benefits under the plan.

The following actuarial assumptions were used to determine our net periodic benefit expense for the year ended December 31:

	2003	2002	2001
Weighted average assumed discount rate	6.75%	7.50%	8.00%
Expected long-term rate of return on plan assets	9.00%	9.50%	9.50%
Weighted average rate of compensation increase	3.34%	3.34%	3.34%

Plan assets consist primarily of equity and fixed-income securities. As of December 31, 2003, the plan held 4.5 million shares of Holdings common stock, which had a fair value of $67 million. As of December 31, the asset allocations by category were as follows:

	2003	2002
Equities	46%	45%

Fixed income	27	28
International equities	17	17
Other	10	10
Total	100%	100%

We develop our expected long-term rate of return assumption based on historical experience and by evaluating input from the trustee managing the plan's assets, including the trustee's review of asset class return expectations by several consultants and economists as well as long-term inflation assumptions. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. The plan strives to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. Our target allocation of assets (excluding the Holdings shares held by the plan) is as follows:

	Percent of Total	Expected Long-Term Rate of Return
Equities	50%	10.0
Fixed income	35	6.5
International equities	10	10.0
Other	5	13.0
Total	100%	

We believe that our long-term asset allocation on average will approximate the targeted allocation. We regularly review our actual asset allocation and periodically rebalance the pension plans' investments to our targeted allocation when considered appropriate.

Our 2004 minimum funding requirements are not expected to be significant. However, we currently intend to maintain the plan's funding at 90% of its current liability, which would result in our making contributions of approximately $300 million to our pension plan in 2004. Our policy is to fund the noncontributory defined benefit pension plans in accordance with Internal Revenue Service ("IRS") requirements.

Our defined contribution 401(k) employee savings plan covers substantially all domestic employees. Company matching contributions are made in cash. For the years ended December 31, 2003, 2002 and 2001, total expense for the defined contribution plan was $35 million, $36 million and $34 million, respectively.

We also have a profit sharing program under which an award pool consisting of 15% of our annual pre-tax earnings, subject to certain adjustments, is distributed each year to substantially all Continental employees (other than employees whose collective bargaining agreement provides otherwise or who participate in our management or officer bonus programs). We paid no profit sharing to Continental employees in 2003, 2002 or 2001.

NOTE 12 - INCOME TAXES

Income tax benefit (expense) for the years ended December 31 consists of the following (in millions):

	2003	2002	2001
Federal:			
Current	$ (7)	$ 40	$ -
Deferred	(94)	158	34
State:			
Current	(5)	(10)	(5)
Deferred	(7)	21	7
Foreign:			
Current	(1)	(1)	(1)

Total income tax benefit (expense)	$(114)	$ 208	$ 35

The reconciliations of income tax computed at the United States federal statutory tax rates to income tax benefit (expense) for the years ended December 31 are as follows (in millions):

	Amount			Percentage		
	2003	2002	2001	2003	2002	2001
Income tax (expense) benefit at United States statutory rates	$ (70)	$222	$46	35.0%	35.0 %	35.0 %
State income tax benefit (expense) (net of federal benefit)	(8)	8	2	3.8	1.3	1.8
Tax on equity in the income of subsidiary	(16)	(12)	- -	8.1	(1.9)	- -
Non-deductible loss on contribution of Holdings stock to defined benefit pension plan	(9)	- -	- -	4.4	-	- -
Meals and entertainment disallowance	(8)	(9)	(11)	3.9	(1.4)	(8.5)
Other	(3)	(1)	(2)	1.6	(0.1)	(1.7)
Income tax benefit (expense), net	$(114)	$ 208	$ 35	56.8%	32.9 %	26.6 %

Holdings' initial public offering caused it to separate from our consolidated tax group. As a result, we are required to accrue income tax expense on our share of Holdings' net income after its initial public offering in all periods where we consolidate Holdings' operations. The impact of this is reflected above in tax on equity in the income of subsidiary.

During 2003, we contributed 7.4 million shares of Holdings common stock valued at approximately $100 million to our defined benefit pension plan. For tax purposes, our deduction was limited to the market value of the shares contributed. Since our tax basis in the shares was higher than the market value at the time of the contribution, the nondeductible portion increased our tax expense by $9 million.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of our deferred tax liabilities and assets as of December 31 are as follows (in millions):

	2003	2002
Spare parts and supplies, fixed assets and intangibles	$1,196	$ 994
Deferred gain	63	69
Capital and safe harbor lease activity	123	115
Other, net	225	164
Gross deferred tax liabilities	1,607	1,342
Accrued liabilities	(351)	(386)
Net operating loss carryforwards	(1,077)	(729)
Intangible assets (1)	-	(353)

Basis in subsidiary stock	(105)	(225)
Minimum tax credit carryforward	(4)	(4)
Gross deferred tax assets	(1,537)	(1,697)
Valuation allowance	219	219
Valuation allowance - net tax agreement obligation (1)	-	384
Net deferred tax liability	289	248
Less: current deferred tax asset	(157)	(165)
Non-current deferred tax liability	$ 446	$ 413

1. There is no balance at December 31, 2003 due to the deconsolidation of Holdings.

In conjunction with Holdings' initial public offering, our tax basis in the stock of Holdings and the tax basis in ExpressJet's tangible and intangible assets were increased to fair value. The increased tax basis should result in additional tax deductions available to ExpressJet over a period of 15 years. To the extent ExpressJet generates taxable income sufficient to realize the additional tax deductions, our tax sharing agreement with ExpressJet provides that it will be required to pay us a percentage of the amount of tax savings actually realized, excluding the effect of any loss carrybacks. ExpressJet will be required to pay us 100% of the first third of the anticipated tax benefit, 90% of the second third and 80% of the last third. However, if the anticipated benefits are not realized by the end of 2018, ExpressJet will be obligated to pay us 100% of any benefits realized after that date. We do not recognize for accounting purposes the benefit of the savings associated with ExpressJet's asse t step-up until paid to us by ExpressJet due to the uncertainty of realization. ExpressJet paid us $17 million in 2003 related to the agreement, which is included in other nonoperating income.

At December 31, 2003, we had estimated tax NOLs of $3.0 billion for federal income tax purposes that will expire through 2023. Due to our ownership change on April 27, 1993, the ultimate utilization of our NOLs may be limited. Reflecting this limitation, we had a valuation allowance of $219 million at December 31, 2003 and 2002.

Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 4.74% for December 2003). Any unused annual limitation may be carried over to later years. The amount of the limitation may under certain circumstances be increased by certain built-in gains held by us at the time of the change that are recognized in the five-year period after the change. If we were to have an ownership change under current conditions, our annual NOL utilization cou ld be limited to approximately $51 million per year, before consideration of any built-in gains.

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

NOTE 13 - FLEET IMPAIRMENT LOSSES, SEVERANCE AND OTHER SPECIAL CHARGES

We recognized fleet impairment losses in 2003, 2002 and 2001, each of which was partially the result of the September 11, 2001 terrorist attacks and the related aftermath. As a result of the U.S. domestic airline industry environment and our continuing losses, we determined that indicators of impairment were present for certain fleet types in each year. We estimated undiscounted cash flows to be generated by each fleet type. Our cash flow estimates were based on historical results adjusted to reflect our best estimate of future market and operating conditions. The net carrying values of impaired aircraft and related items not recoverable were reduced to fair value. Our estimates of fair value represent our best estimate based on industry trends and reference to market rates.

In 2003, we recorded fleet impairment losses and other special charges of $100 million ($62 million after taxes). In the first quarter of 2003, we recorded fleet impairment losses and the special charges of $65 million ($41 million after taxes). This charge includes a $44 million additional impairment of our fleet of owned MD-80s, which was initially determined to be impaired and written down to then current fair value in 2002. The remainder of the charge consisted primarily of the write-down to market value of spare parts inventory for permanently grounded fleets. The first quarter 2003 charge reflects the impact of the war in Iraq and the resulting deterioration of the already weak revenue environment for the U.S. airline industry. These write-downs were necessary because the fair market values of the MD-80 and spare parts inventory had declined as a result of the difficult financial environment and further reductions in capacity by U.S. airlines, combined with the relatively short remaining li fe of that fleet.

In the second quarter of 2003, we recorded a special charge of $14 million ($8 million after taxes) relating to the deferral of aircraft deliveries. In December 2003, we determined five previously grounded leased MD-80 aircraft to be permanently grounded and recorded a charge of $21 million ($13 million after income taxes) associated with future obligations for rent and return conditions, net of estimated sublease income, on those aircraft. We will record similar charges as the remaining 17 leased MD-80 aircraft exit revenue service and are permanently grounded.

During 2002, we recorded special charges totaling $242 million ($153 million after taxes) primarily related to the impairment of owned aircraft and the accrual of future obligations for leased aircraft which have been permanently grounded or were to be permanently grounded within 12 months following the charge. The charge included $93 million for the impairment of owned MD-80s and ATR-42s and $149 million for the accrual of future lease payments, return conditions and storage costs for DC 10-30s, MD-80s, ATR-42s and EMB-120s.

In 2001, we recorded a $124 million charge ($79 million after taxes) for fleet impairment losses, severance and other special charges including a fleet impairment loss of approximately $61 million associated primarily with the impairment of various owned aircraft and spare engines. The fleet impairment loss relates to DC 10-30, ATR-42, EMB-120 and Boeing 747 and 727 aircraft that we determined were impaired. This impairment of these fleet types was directly related to grounding of a majority, or in some cases all, of our aircraft within each of these fleet types. The charge related to assets to be disposed of by sale. The remaining special charge in 2001 included $29 million related to costs associated with company-offered leaves of absence and severance for furloughed employees as a result of reduced operations following the September 11, 2001 terrorist attacks, $17 million of additional costs for remediation of environment contamination at various airport locations, $9 million for future contrac tual obligations for leased property that was either being abandoned or was unutilized, $7 million for bad debt expense related to potential uncollectible receivables from other companies affected by the attacks of September 11, 2001 and $1 million for legal and accounting costs related to the terrorists attacks.

Activity related to the accruals for severance/leave of absence costs, environmental reserves, allowance for future lease payments, return condition and storage costs and closure/under-utilization of facilities for the years ended December 31 are as follows (in millions):

	Beginning Balance	Accrual	Payments	Other	Ending Balance
2003					
Allowance for future lease payments, return conditions and storage costs	$107	$ 21	$(45)	$ -	$ 83
Closure/under-utilization of facilities	22	-	(5)	-	17
Environmental reserves	37	-	(1)	16	52
2002					
Allowance for future lease payments, return conditions and storage costs	$ 20	$142	$(45)	$(10)	$107
Closure/under-utilization of facilities	26	-	(4)	-	22
Severance/leave of absence costs	11	-	(11)	-	-
Environmental reserves	36	2	(1)	-	37
2001					
Allowance for future lease payments, return conditions and storage costs	$ 31	$ 5	$(16)	$ -	$ 20
Closure/under-utilization of facilities	23	9	(6)	-	26

Severance/leave of absence costs	-	29	(18)	-	11
Environmental reserves	11	17	-	8	36

We expect these accruals to be substantially paid by 2006.

Also in 2001, and as a consequence of the September 11, 2001 terrorist attacks, we recorded a special non-operating charge of $22 million ($13 million after taxes) related to the impairment of investments in two of our affiliates and the uncollectibility of related notes receivable. The affiliates were an internet travel agency that went out of business in late September 2001 and a small airline that was affected by the shutdown of all travel for several days following September 11, 2001. This charge is included in other nonoperating income in the accompanying consolidated statements of operations.

As of December 31, 2003, we had the following mainline aircraft out of service:

Aircraft Type	Total Aircraft	Owned	Leased
DC 10-30	5	2	3
MD-80	14	9	5
737-300	2	-	2
Total	21	11	10

The 11 owned out-of-service mainline aircraft are being carried at an aggregate fair market value of $22 million. As of December 31, 2003, we subleased two of the out-of-mainline service aircraft to third parties and we are currently exploring sublease or sale opportunities for the remaining out-of-service aircraft that do not have near-term lease expirations. The timing of any disposition of these aircraft is dependent upon the stabilization of the economic environment in the airline industry as well as our ability to find purchasers or sublessees for the aircraft, which is limited in part because of a large surplus of similar aircraft available in the market. We cannot predict when such stabilization will occur or if purchasers or sublessees can be found, and it is possible that our assets could suffer additional impairment. We will record charges for future obligations for rent and return conditions, net of estimated sublease income, as the remaining MD-80 aircraft exit revenue service and are permanently grounded.

Additionally, we have 18 Embraer 120 turboprop aircraft and 22 ATR 42 turboprop aircraft out of service. We lease 32 and own eight of these aircraft. The eight owned aircraft are being carried at an aggregate fair value of $11 million. We currently sublease five of the leased out-of-service turboprop aircraft to third parties and are exploring sublease or sale opportunities for the remaining out-of-service aircraft that do not have near-term lease expirations, subject to the same uncertainties as the out-of-service mainline aircraft discussed above.

NOTE 14 - SECURITY FEE REIMBURSEMENT

In May 2003, we received and recognized in earnings $176 million in cash from the United States government pursuant to the Emergency Wartime Supplemental Appropriations Act enacted in April 2003. This amount is reimbursement for our proportional share of passenger security and air carrier security fees paid or collected by U.S. air carriers as of the date of enactment of the legislation, together with other items. Highlights of the legislation are as follows:

- $2.3 billion was paid to carriers for reimbursement of airline security fees - both the passenger and the air carrier security fees - that had been paid or collected by the carriers as of the date of enactment. Additionally, the passenger security fees were not imposed from June 1, 2003 to September 30, 2003.
- $100 million was paid to carriers for reimbursement for the direct costs associated with installing strengthened flight deck doors and locks, of which we received $7 million.
- Aviation war risk insurance provided by the government was extended for one year to August 2004.
- Our two most highly compensated executives' total compensation is limited, during the 12-month period beginning April 1, 2003, to the annual salary paid to those officers with respect to fiscal year 2002 (and any violation of this limitation will require us to repay the government most of the $176 million reimbursement described above). We have entered into agreements with our two most highly compensated executives permitting us to reduce their total compensation to comply with the restrictions of the supplemental appropriations bill. However, there are limited situations, such as a change in control of the company, the termination of such executives' employment or the retirement or voluntary resignation of the executive during the restricted period, that could result in our being unable to comply with those restrictions and thus being required to repay to the government substantially all of the amount of our reimbursement. We believe that the likelihood of these situations occurring is remote.

NOTE 15 - STABILIZATION ACT GRANT

On September 21, 2001, Congress passed, and the President subsequently signed into law, the Air Transportation Safety and System Stabilization Act (the "Stabilization Act"), which provides, among other matters, for $5 billion in payments to compensate U.S. air carriers for losses incurred by the air carriers as a result of the September 11, 2001 terrorist attacks. The grant was for the direct losses incurred beginning on September 11, 2001, resulting from the FAA grounding and for incremental losses incurred through December 31, 2001 as a direct result of the attacks. We recognized a $417 million grant under the Stabilization Act for the year ended December 31, 2001. In 2002, we recorded a charge of $12 million to write down our receivable from the U.S. government based on our final application. Our total cash receipts under the grant were $405 million.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments. We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. As of December 31, 2003, we had firm commitments for 63 aircraft from Boeing, with an estimated cost of approximately $2.4 billion and options to purchase an additional 84 Boeing aircraft. During the second quarter of 2003, we agreed with Boeing to defer firm deliveries of 36 Boeing 737 aircraft that were originally scheduled for delivery in 2005, 2006 and 2007. These aircraft will now be delivered in 2008 and beyond. In connection with the deferrals, we recorded a second quarter special charge of $14 million. During the fourth quarter of 2003, we agreed with Boeing to substitute six 737-800 aircraft, to be delivered in the second half of 2005, for the final six 757-300 aircraft, originally scheduled for delivery in late 2004 and the first half of 2005. Additionally, we eliminated all remaining 757-300 and 767-200ER options, reduced our 777-200ER option count from three to one, and increased our 737 option positions by 12. As a result of these agreements with Boeing, we expect to take delivery of a total of 16 Boeing aircraft in 2004 (including five 757-300s), seven Boeing aircraft in 2005 and none in 2006 and 2007, with delivery of the remaining 40 aircraft occurring in 2008 and 2009.

We currently have agreements for the financing of six of the eleven 737-800 aircraft scheduled for delivery in 2004 and all five of the 757-300 aircraft scheduled for delivery in 2004, subject to customary conditions. We do not have backstop financing or any other financing currently in place for the remainder of the aircraft. Further financing will be needed to satisfy our capital commitments for our firm aircraft. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures.

As of December 31, 2003, ExpressJet had firm commitments for 50 regional jets from Empresa Brasileira de Aeronautica S.A. ("Embraer"), with an estimated cost of approximately $1.0 billion. ExpressJet currently anticipates taking delivery of 21 regional jets in 2004. ExpressJet does not have an obligation to take any of these firm Embraer aircraft that are not financed by a third party and leased to either ExpressJet or us. Under the capacity purchase agreement between us and ExpressJet, we have agreed to lease as lessee and sublease to ExpressJet the regional jets that are subject to ExpressJet's firm purchase commitments. In addition, under the capacity purchase agreement with ExpressJet, we generally are obligated to purchase all of the capacity provided by these new aircraft as they deliver to ExpressJet. We cannot predict whether passenger traffic levels will enable us to utilize fully regional jets scheduled for future delivery to ExpressJet.

Financings and Guarantees. We are the guarantor of approximately $1.6 billion aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon (excluding the City of Houston bonds and including the US Airways contingent liability, both discussed below). These bonds, issued by various airport municipalities, are payable solely from our rentals paid under long-term agreements with the respective governing bodies. These leasing arrangements are accounted for as operating leases in the consolidated financial statements.

In August 2001, the City of Houston completed the offering of $324 million aggregate principal amount of tax-exempt special facilities revenue bonds to finance the construction of Terminal E and a new international ticketing hall facility at Bush Intercontinental Airport. Upon completion of the entire project, Terminal E will contain 23 gates capable of both domestic and international operations. We began using seven gates for domestic operations in June 2003 and placed the remaining gates into service in early January 2004. In connection therewith, we entered into a long-term lease with the City of Houston requiring that upon completion of construction, with limited exceptions, we will make rental payments sufficient to service the related tax-exempt bonds through their maturity in 2029. Approximately $222 million of the bond proceeds had been expended as of December 31, 2003. During the construction period, we retain certain risks related to our own actions or inactions while managing portions of t he construction. Potential obligations associated with these risks are generally limited based upon certain percentages of construction costs incurred to date.

We have also entered into a binding corporate guaranty with the bond trustee for the repayment of the principal and interest on the bonds that becomes partially effective (based on a pro rata share of bond proceeds) upon the completion of construction of the terminal or of the international ticketing hall facility. The corporate guarantee would also become effective if we fail to comply with the lease agreement (which is within our control), or if we terminate the lease agreement. Further, we have not assumed any condemnation risk, any casualty event risk (unless caused by us), or risk related to certain overruns (and in the case of cost overruns, our liability for the project would be limited to 89.9% of the capitalized costs) during the construction period of each respective phase. Accordingly, we are not considered the owner of the project for financial reporting purposes and, therefore, have not capitalized the construction costs or recorded the debt obligation in our consolidated financial statem ents. However, our potential obligation under the guarantee is for payment of the principal of $324 million and related interest charges, at an average rate of 6.78%. We expect the guaranty to become effective for a portion of the bonds relating to the terminal, in the amount of $271 million, during the first quarter of 2004.

We remain contingently liable, for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of principal and interest on special facilities revenue bonds issued by the Port Authority with an outstanding balance of $174 million at December 31, 2003 and having a final scheduled maturity in 2015. If US Airways defaults on these obligations, we will be required to cure the default, and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

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

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

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

In our financing transactions that include loans from banks in which the interest rate is based on LIBOR, we typically agree to reimburse the lenders for certain increased costs that they incur in carrying these loans as a result of any change in law and for any reduced returns with respect to these loans due to any change in capital requirements. We had $1.4 billion of floating rate debt at December 31, 2003. In several financing transactions, with an aggregate carrying value of $975 million, involving loans from non-U.S. banks, export-import banks and certain other lenders secured by aircraft, we bear the risk of any change in tax laws that would subject loan payments thereunder to non-U.S. lenders to withholding taxes. In addition, in cross-border aircraft lease agreements for two 757 aircraft, we bear the risk of any change in U.S. tax laws that would subject lease payments made by us to a resident of Japan to U.S. taxes. Our lease obligations for these two aircraft totaled $68 million at Dece mber 31, 2003.

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

Employees. As of December 31, 2003, we had approximately 37,680 full-time equivalent employees, consisting of approximately 16,710 customer service agents, reservations agents, ramp and other airport personnel, 7,270 flight attendants, 5,850 management and clerical employees, 3,960 pilots, 3,790 mechanics and 100 dispatchers. While there can be no assurance that our generally good labor relations and high labor productivity will continue, we have established as a significant component of our business strategy the preservation of good relations with our employees, approximately 42% of whom are represented by unions.

Of those employees covered by collective bargaining agreements, approximately 94% presently have contracts under negotiation or becoming amendable in 2004. Our mechanics, represented by the Teamsters, ratified a new four-year collective bargaining agreement in December 2002 that made an adjustment to current pay and recognized current industry conditions. The agreement became amendable with respect to wages, pension and health insurance provisions on December 31, 2003. Negotiations commenced with the Teamsters regarding these subjects in December 2003 and are continuing. Work rules and other contractual items are established through 2006. The collective bargaining agreement between us and our dispatchers (who are represented by the TWU) became amendable in October 2003. Negotiations commenced with the TWU in September 2003 and are continuing. The collective bargaining agreement between us and our pilots (who are represented by the Air Line Pilots Association) became amendable in October 2002. After being deferred due to the economic uncertainty following the September 11, 2001 terrorist attacks, negotiations recommenced in September 2002 and are continuing. The collective bargaining agreement between us and our flight attendants (who are represented by the IAM) becomes amendable in October 2004. We continue to believe that mutually acceptable agreements can be reached with such employees, although the ultimate outcome of the negotiations is unknown at this time. Any labor disruptions which result in a prolonged significant reduction in flights could have a material adverse impact on our results of operations and financial condition.

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

Environmental Matters. We could potentially be responsible for environmental remediation costs primarily related to jet fuel and solvent contamination surrounding our aircraft maintenance hangar in Los Angeles. In 2001, the California Regional Water Quality Control Board mandated a field study of the site and it was completed in September 2001. We have established a reserve for estimated costs of environmental remediation at Los Angeles and elsewhere in our system, based primarily on third party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We have not recognized any receivables related to insurance recoveries at December 31, 2003.

We expect our total losses from environment matters to be $52 million, for which we were fully accrued at December 31, 2003. During 2003, we received insurance settlements totaling $16 million for future environmental claims. Although we believe, based on currently available information, that our reserves for potential environmental remediation costs are adequate, reserves could be adjusted as further information develops or circumstances change. However, we do not expect these items to materially impact our financial condition, liquidity or our results of operations.

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

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

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

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

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

We and/or certain of our subsidiaries are defendants in various other lawsuits, including suits relating to certain environmental claims, and proceedings arising in the normal course of business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on our financial position, results of operations and cash flows, it is our opinion, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 17 - RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions that occurred during 2003, 2002 and 2001, other than those discussed elsewhere in the Notes to Consolidated Financial Statements.

Northwest Airlines, Inc. holds the one share of our Series B preferred stock issued and outstanding. In November 1998, we began implementing a long-term global alliance with Northwest involving extensive codesharing, frequent flyer reciprocity and other cooperative activities. The services provided are considered normal to the daily operations of both airlines. As a result of these activities, we paid Northwest $43 million, $34 million and $36 million in 2003, 2002 and 2001, respectively, and Northwest paid us $24 million, $30 million and $22 million in 2003, 2002 and 2001, respectively.

Two of our directors, Mr. Bonderman and William Price, may be deemed to indirectly control approximately 54% of the voting power of America West Holdings Corporation. In 1994, we entered into a series of agreements with America West Airlines, Inc., a subsidiary of America West Holdings Corporation, related to codesharing and ground handling activities such as passenger check-in and ticketing and baggage handling and delivery. The services provided are considered normal to the daily operations of both airlines. As a result of these agreements, we paid America West Airlines $5 million, $18 million and $25 million in 2003, 2002 and 2001, respectively, and they paid us $16 million, $24 million and $30 million in 2003, 2002 and 2001, respectively. The majority of these agreements were terminated in 2002, although agreements for services at certain airports are continuing.

As of December 31, 2003, we had an approximate 9% equity interest in Orbitz, a comprehensive travel planning website, as more fully discussed in Note 7. We paid Orbitz approximately $5 million, $3 million and $2 million for services during 2003, 2002 and 2001, respectively. Consumers booked approximately $229 million, $171 million and $55 million of air travel on us via Orbitz in 2003, 2002 and 2001, respectively. Other airlines also own equity interests in Orbitz and distribute air travel tickets through Orbitz. The distribution services provided by Orbitz are considered normal to the daily operations of both Orbitz and us.

In 2002, we extended through January 7, 2006 our marketing agreement with Hotwire, Inc., a web-based travel services company, pursuant to which we make available to Hotwire tickets for air travel. Other airlines also sell air travel tickets to Hotwire. We sold Hotwire approximately $38 million, $33 million and $19 million of tickets during 2003, 2002 and 2001, respectively, and, in January 2002, we purchased $2 million of redeemable preferred stock of Hotwire in a transaction in which other airlines made similar investments. Prior to the sale of their indirect interests in Hotwire during 2003, Messrs. Bonderman and Price controlled approximately 27% of Hotwire's general voting power. We sold our interest in Hotwire for $42 million in cash in 2003, as more fully discussed in Note 7. The distribution services provided to us by Hotwire are considered normal to both their and our daily operations.

During each of 2003 and 2002, we paid approximately $43 million to Gate Gourmet International AG for catering services considered normal to the daily operations of both Gate Gourmet and us. Messrs. Bonderman and Price may be deemed to indirectly control substantially all of the voting securities of Gate Gourmet.

NOTE 18 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. Both reportable segments are engaged in the business of transporting passengers and cargo, but have different operating and economic characteristics which are separately reviewed by our management. The mainline segment involves flights to cities with larger capacity aircraft. The regional segment involves flights with smaller capacity aircraft from smaller cities to the mainline jet hubs to feed traffic into the mainline network. We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). Since certain assets can be readily moved between the two segments and are often shared, we do not report information about total assets or capital expenditures between the segments.

Financial information for the year ended December 31 by business segment is set forth below (in millions):

	2003	2002	2001
Operating Revenue:			
Mainline	$7,559	$7,432	$8,094
Regional	1,311	970	875
Total Consolidated	$8,870	$8,402	$8,969
Depreciation and amortization expense:			
Mainline	$ (416)	$ (403)	$ (426)
Regional	(28)	(41)	(41)
Total Consolidated	$ (444)	$ (444)	$ (467)
Special Charges (Note 13):			
Mainline	$ (91)	$ (184)	$ (91)
Regional	(9)	(58)	(33)
Total Consolidated	$ (100)	$ (242)	$ (124)
Stabilization Act grant (Note 15):			
Mainline	$ -	$ (13)	$ 392
Regional	-	1	25
Total Consolidated	$ -	$ (12)	$ 417
Operating Income (Loss):			
Mainline	$ 234	$ (154)	$ 303
Regional	(31)	(158)	(159)

Regional	([illegible])	([illegible])	([illegible])
Total Consolidated	$ 203	$ (312)	$ 144
Interest Expense:			
Mainline	$ (372)	$ (350)	$ (286)
Regional	(27)	(37)	(52)
Intercompany Eliminations	6	15	27
Total Consolidated	$ (393)	$ (372)	$ (311)

	2003	2002	2001
Interest Income:			
Mainline	$ 16	$ 22	$ 41
Regional	9	17	31
Intercompany Eliminations	(6)	(15)	(27)
Total Consolidated	$ 19	$ 24	$ 45
Income Tax Benefit (Expense):			
Mainline	$ (110)	$ 160	$ (27)
Regional	(4)	48	62
Total Consolidated	$ (114)	$ 208	$ 35
Net Income (Loss):			
Mainline	$ 131	$ (300)	$ 17
Regional	(93)	(151)	(112)
Total Consolidated	$ 38	$ (451)	$ (95)

The amounts presented above for the regional segment are not the same as the amounts reported in stand-alone financial statements of Holdings. The amounts presented above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue include a pro-rated share of our ticket revenue for segments flown by Holdings and expenses include all activity related to the regional operations, regardless of whether the costs were paid by us or by Holdings. Net income (loss) for the regional segment for 2003 and 2002 include a $49 million and $28 million, respectively, after tax reduction in earnings attributable to the minority interest that is reflected in our consolidated statement of operations.

Holdings' stand-alone financial statements and the calculation of our equity in Holdings' earnings (post deconsolidation) and minority interest (pre-deconsolidation) in our consolidated financial statements are based on Holdings' results of operations under the capacity purchase agreement which became effective January 1, 2001. Under this agreement, we pay Holdings for each scheduled block hour based on an agreed formula as discussed in Note 4. On this basis, selected Holdings' results of operations were as follows for the year ended December 31 (in millions):

	2003	2002	2001

Revenue	$1,311	$1,089	$980
Operating Income (Loss) Before Taxes and Dividends	175	139	80
Net Income	108	84	48
Capital Expenditures	49	55	53
Total Assets	510	434	430

Information concerning operating revenue for the year ended December 31 by principal geographic areas is as follows (in millions):

	2003	2002	2001
Domestic (U.S.)	$6,050	$5,570	$6,108
Atlantic	1,203	1,205	1,179
Latin America	1,050	1,016	1,024
Pacific	567	611	658
	$8,870	$8,402	$8,969

We attribute revenue among the geographical areas based upon the origin and destination of each flight segment. Our tangible assets and capital expenditures consist primarily of flight equipment, which is mobile across geographic markets and, therefore, has not been allocated.

NOTE 19 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited summarized financial data by quarter for 2003 and 2002 is as follows (in millions, except per share data):

	Three Months Ended			
	March 31	June 30	September 30	December 31
2003				
Operating revenue	$2,042	$2,216	$2,365	$2,248
Operating income (loss)	(224)	238	174	16
Nonoperating income (expense), net	(90)	(79)	87	80
Net income (loss)	(221)	79	133	47
Earnings (loss) per share (a):				
Basic	$(3.38)	$ 1.20	$ 2.04	$ 0.72
Diluted	$(3.38)	$ 1.10	$ 1.83	$ 0.67
2002				
Operating revenue	$1,993	$2,192	$2,178	$2,038
Operating income (loss)	(187)	(115)	46	(56)

Nonoperating expense, net	(71)	(83)	(77)	(88)
Net loss	(166)	(139)	(37)	(109)
Basic and diluted loss per share (a)	$(2.61)	$(2.18)	$(0.58)	$(1.67)

a. The sum of the four quarterly earnings per share amounts does not agree with the earnings per share as calculated for the full year due to the fact that the full year calculation uses a weighted average number of shares based on the sum of the four quarterly weighted average shares divided by four quarters.

The quarterly results are impacted by the following significant items:

During the first quarter of 2003, we recorded $65 million of special charges related to additional impairment of our fleet of owned MD-80s and the write-down to market value of spare parts inventory for permanently grounded fleet.

In the second quarter of 2003, we recorded $176 million income related to the security fee reimbursement received from the U.S. government and a special charge for $14 million related to the deferral of aircraft deliveries.

In the third quarter of 2003, we recognized gains of $173 million related to dispositions of Holdings stock.

In the fourth quarter of 2003, we recorded gains of $132 million related to our Hotwire and Orbitz investments, after related compensation expense and including an adjustment to fair value of the remaining investment in Orbitz, and a special charge of $21 million related to five permanently grounded MD-80 aircraft. Also in the fourth quarter of 2003, we adjusted our estimates of the frequent flyer mileage credits we expect to be redeemed for travel, resulting in a one-time increase in other revenue of $24 million.

During the first quarter of 2002, we recorded $90 million of special charges related to the permanent grounding of our DC 10-30 fleet.

During the second quarter of 2002, we recorded fleet disposition and impairment losses of $152 million, primarily related to the impairment and accrual of lease exit costs of our MD-80 and turboprop fleet, and a charge of $12 million to write down our receivable under the Stabilization Act.

ITEM 9. CHANGES IN AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There were no changes in or disagreements on any matters of accounting principles or financial statement disclosure between us and our independent auditors during our two most recent fiscal years or any subsequent interim period.

ITEM 9A. CONTROLS AND PROCEDURES.

Our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. They concluded that the controls and procedures were effective as of December 31, 2003 to ensure that material information was accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. During the three months ended December 31, 2003, we have made no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on March 12, 2004.

ITEM 11. EXECUTIVE COMPENSATION.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on March 12, 2004.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on March 12, 2004 and from Item 5. "Market for Registrant's Common Equity and Related Stockholder Matters" of this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on March 12, 2004.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on March 12, 2004.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

a. The following financial statements are included in Item 8. "Financial Statements and Supplementary Data":

Report of Independent Auditors
Consolidated Statements of Operations for each of the Three Years in the Period Ended December 31, 2003
Consolidated Balance Sheets as of December 31, 2003 and 2002
Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 2003
Consolidated Statements of Common Stockholders' Equity for each of the Three Years in the Period Ended December 31, 2003
Notes to Consolidated Financial Statements

b. Financial Statement Schedule:

Report of Independent Auditors
Schedule II - Valuation and Qualifying Accounts

All other schedules have been omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or notes thereto.

c. Reports on Form 8-K:

(i) Report dated October 1, 2003, reporting Item 5. "Other Events". No financial statements were filed with the report, which included a press release reporting our September 2003 performance and our estimated consolidated breakeven load factor for October 2003.

(ii) Report dated October 16, 2003, reporting Item 9. "Regulation FD Disclosure" and Item 12. "Results of Operation and Financial Condition". No financial statements were filed with the report, which included a press release announcing our financial results for the third quarter of 2003 and a letter to investors and analysts related to our financial and operational outlook for the remainder of 2003 and a capacity forecast for 2004.

(iii) Report dated November 3, 2003, reporting Item 5. "Other Events". No financial statements were filed with the report, which included a press release reporting our October 2003 performance and our estimated consolidated breakeven load factor for November 2003.

(iv) Report dated November 10, 2003, for the sole purpose of re-filing (1) Supplemental Agreement No. 28 to Purchase Agreement No. 1951 between Continental Airlines, Inc. and The Boeing Company, dated as of April 1, 2003, relating to the purchase of Boeing 737 aircraft, (2) Amendment No. 28 to Purchase Agreement No. GPJ-003/96, between Empresa Brasileira de Aeronautica S.A. and ExpressJet Airlines, Inc., dated as of February 20, 2003, relating to the purchase of EMB 145 aircraft, and (3) Amendment No. 29 to P.A. 3/96, dated as of February 26, 2003.

(v) Report dated November 12, 2003, reporting Item 9. "Regulation FD Disclosure". No financial statements were filed with the report, which included data presented by certain of our executive officers at a conference.

(vi) Report dated November 12, 2003, reporting Item 5. "Other Events". Report announcing that the combined amount of ExpressJet Holdings, Inc. ("XJT") owned by the Company and its pension plan had fallen below 41% of all outstanding XJT common stock resulting in deconsolidation of XJT from our financial statements, and including unaudited pro forma financial information reflecting the deconsolidation of XJT.

(vii) Report dated December 1, 2003, reporting Item 5. "Other Events". No financial statements were filed with the report, which included a press release reporting our November 2003 performance and our estimated consolidated breakeven load factor for December 2003.

(viii) Report dated December 10, 2003, reporting Item 9. "Regulation FD Disclosure". No financial statements were filed with the report, which included a letter to investors and analysts related to our financial and operational outlook for the remainder of 2003 and a capacity forecast for 2004.

(ix) Report dated December 10, 2003, reporting Item 7. "Financial Statements and Exhibits," for the sole purpose of filing exhibits to our Registration Statement on Form S-3 (File No. 333-67886) relating to the offering of our Pass-through Certificates, Series 2003-ERJ1.

(x) Report dated December 19, 2003, reporting Item 5. "Other Events". No financial statements were filed with the report, which included disclosure relating to our sale of approximately 28% of our investment in Orbitz in connection with its initial public offering.

d. See accompanying Index to Exhibits.

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements of Continental Airlines, Inc. (the "Company") as of December 31, 2003 and 2002, and for each of the three years in the period ended December 31, 2003, and have issued our report thereon dated January 20, 2004 (included elsewhere in this Form 10-K). Our audits also included the financial statement schedule listed in Item 15(b) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Houston, Texas
January 20, 2004

CONTINENTAL AIRLINES, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2003, 2002, and 2001
(In millions)

	Balance at Beginning of Year	Additions Charged to Expense	Deductions from Reserve	Other Adjustments		Balance at End of Year
2003						
Allowance for Doubtful Accounts	$ 30	$ 1	$(12)	$ -		$ 19
Allowance for Obsolescence	98	15	(5)	(10)	(1)	98
Valuation Allowance on Deferred Tax Asset	219	- -	- -	- -		219
Valuation Allowance - Net Tax Agreement Obligations	384	- -	- -	(384)	(1)	- -
2002						
Allowance for Doubtful Accounts	27	20	(18)	1		30
Allowance for Obsolescence	80	17	(4)	5		98
Valuation Allowance on Deferred Tax Asset	245	- -	(26)	- -		219
Valuation Allowance - Net Tax Agreement Obligation	- -	- -	- -	384		384
2001						
Allowance for Doubtful Accounts	20	9	(8)	6		27
Allowance for Obsolescence	67	25	(8)	(4)		80
Valuation Allowance on Deferred Tax Asset	263	- -	(18)	- -		245

1. Relates to the deconsolidation of ExpressJet Holdings, Inc. on November 12, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By /s/ JEFFREY J. MISNER

Jeffrey J. Misner

Senior Vice President and

Chief Financial Officer

(On behalf of Registrant)

Date: February 3, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities indicated on February 3, 2004.

Signature	Capacity
/s/ GORDON M. BETHUNE Gordon M. Bethune	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ JEFFREY J. MISNER Jeffrey J. Misner	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ CHRIS KENNY Chris Kenny	Vice President and Controller (Principal Accounting Officer)
THOMAS J. BARRACK, JR.* Thomas J. Barrack, Jr.	Director
DAVID BONDERMAN* David Bonderman	Director
KIRBYJON CALDWELL* Kirbyjon Caldwell	Director
PATRICK FOLEY* Patrick Foley	Director
/s/ LAWRENCE W. KELLNER Lawrence W. Kellner	Director

DOUGLAS McCORKINDALE*	Director
Douglas McCorkindale	
HENRY L. MEYER III*	Director
Henry L. Meyer III	
GEORGE G. C. PARKER*	Director
George G. C. Parker	
RICHARD W. POGUE*	Director
Richard W. Pogue	
WILLIAM S. PRICE III*	Director
William S. Price III	
KAREN HASTIE WILLIAMS*	Director
Karen Hastie Williams	
RONALD B. WOODARD*	Director
Ronald B. Woodard	
CHARLES A. YAMARONE*	Director
Charles A. Yamarone	

*By /s/ Jennifer L. Vogel

Jennifer L. Vogel
Attorney in fact
February 3, 2004

INDEX TO EXHIBITS OF
CONTINENTAL AIRLINES, INC.

3.1	Amended and Restated Certificate of Incorporation of Continental -- incorporated by reference to Exhibit 3.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 2000 (File no. 1-10323) (the "2000 10-K").
3.1(a)	Certificate of Designation of Series A Junior Participating Preferred Stock, included as Exhibit A to Exhibit 3.1.
3.1(a)(i)	Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323) (the "2001 10-K").

3.1(b)	Certificate of Designation of Series B Preferred Stock -- incorporated by reference to Exhibit 3.1(b) to the 2000 10-K.
3.1(c)	Corrected Certificate of Designations of Series B Preferred Stock -- incorporated by reference to the Exhibit 3.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File no. 1-10323) (the "2003 Q-1 10-Q").
3.2	Bylaws of Continental, as amended to date -- incorporated by reference to Exhibit 3.2 to the 2000 10-K.
3.2(a)	Bylaws of Continental, as amended through February 26, 2003 -- incorporated by reference to Exhibit 3.2 to the 2003 Q-1 10-Q.
4.1	Specimen Series B Preferred Stock Certificate of Continental -- incorporated by reference to Exhibit 3.1(c) to the 2000 10-K.
4.2	Specimen Class B Common Stock Certificate of Continental -- incorporated by reference to Exhibit 4.1 to Continental's Form S-1 Registration Statement (No. 33-68870) (the "1993 S-1").
4.3	Amended and Restated Rights Agreement, dated as of November 15, 2000, between Continental and ChaseMellon Shareholder Services, LLC -- incorporated by reference to Exhibit 99.11 to Continental's Current Report on Form 8-K dated November 15, 2000 (File no. 1-10323) (the "11/00 8-K").
4.3(a)	Form of Right Certificate, included as Exhibit B to Exhibit 4.3 -- incorporated by reference to Exhibit 99.11 to the 11/00 8-K.
4.4	Warrant Agreement dated as of April 27, 1993, between Continental and Continental as warrant agent -- incorporated by reference to Exhibit 4.7 to Continental's Current Report on Form 8-K, dated April 16, 1993 (File no. 1-10323). (No warrants remain outstanding under the agreement, but some of its terms are incorporated into Continental's stock option agreements.)
4.5	Continental hereby agrees to furnish to the Commission, upon request, copies of certain instruments defining the rights of holders of long-term debt of the kind described in Item 601(b)(4)(iii)(A) of Regulation S-K.
10.1	Agreement of Lease dated as of January 11, 1985, between the Port Authority of New York and New Jersey and People Express, Inc., regarding Terminal C (the "Terminal C Lease") -- incorporated by reference to Exhibit 10.61 to the Annual Report on Form 10-K (File no. 0-9781) of People Express, Inc. for the year ended December 31, 1984.
10.1(a)	Assignment of Lease with Assumption and Consent dated as of August 15, 1987, among the Port Authority of New York and New Jersey, People Express Airlines,

	Inc. and Continental -- incorporated by reference to Exhibit 10.2 to Continental's Annual Report on Form 10-K (File no. 1-8475) for the year ended December 31, 1987 (the "1987 10-K").
10.1(b)	Supplemental Agreement Nos. 1 through 6 to the Terminal C Lease -- incorporated by reference to Exhibit 10.3 to the 1987 10-K.
10.1(c)	Supplemental Agreement No. 7 to the Terminal C Lease -- incorporated by reference to Exhibit 10.4 to Continental's Annual Report on Form 10-K (File no. 1-10323) for the year ended December 31, 1988 (the "1988 10-K").
10.1(d)	Supplemental Agreements No. 8 through 11 to the Terminal C Lease -- incorporated by reference to Exhibit 10.10 to the 1993 S-1.
10.1(e)	Supplemental Agreements No. 12 through 15 to the Terminal C Lease -- incorporated by reference to Exhibit 10.2(d) to Continental's Annual Report on Form 10-K (File no. 1-10323) for the year ended December 31, 1995.
10.1(f)	Supplemental Agreement No. 16 to the Terminal C Lease -- incorporated by reference to Exhibit 10.1(e) to Continental's Annual Report on Form 10-K for the year ended December 31, 1997 (File no. 1-10323) (the "1997 10-K").
10.1(g)	Supplemental Agreement No. 17 to the Terminal C Lease -- incorporated by reference to Exhibit 10.1(f) to Continental's Annual Report on Form 10-K for the year ended December 31, 1999 (File no. 1-10323) (the "1999 10-K").
10.1(h)	Supplemental Agreement No. 18 to the Terminal C Lease -- as incorporated by reference to Exhibit 10.2 to the 2003 Q-1 10-Q.
10.1(i)	Supplemental Agreement No. 19 to the Terminal C Lease -- incorporated by reference to Exhibit 10.4 to the 2003 Q-3 10-Q.
10.1(j)	Supplemental Agreement No. 20 - to the Terminal C Lease -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File no. 1-10323) (the "2003 Q-3 10-Q").
10.2	Airport Use and Lease Agreement dated as of January 1, 1998 between Continental and the City of Houston, Texas ("Houston") regarding George Bush Intercontinental Airport -- incorporated by reference to Exhibit 10.30 to the 1998 10-K.
10.2(a)	Special Facilities Lease Agreement dated as of March 1, 1997 between Continental and Houston regarding an automated people mover project at Bush Intercontinental -- incorporated by reference to Exhibit 10.30(a) to the 1998 10-K.
10.2(b)	Amended and Restated Special Facilities Lease Agreement dated as of

10.2(b)	Amended and Restated Special Facilities Lease Agreement dated as of December 1, 1998 by and between Continental and Houston regarding certain terminal improvements projects at Bush Intercontinental -- incorporated by reference to Exhibit 10.30(b) to the 1998 10-K.
10.2(c)	Amended and Restated Special Facilities Lease Agreement dated December 1, 1998 by and between Continental and Houston regarding certain airport improvement projects at Bush Intercontinental -- incorporated by reference to Exhibit 10.30(c) to the 1998 10-K.
10.2(d)	Terminal E Lease and Special Facilities Lease Agreement dated as of August 1, 2001 between Continental and Houston regarding Bush Intercontinental -- incorporated by reference to Exhibit 10.8 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File no. 1-10323) (the "2001 Q-3 10-Q").
10.2(e)	Supplement to Terminal E Lease and Special Facilities Lease Agreement dated as of August 1, 2001 -- incorporated by reference to Exhibit 10.2(e) to Continental's Annual Report on Form 10-K for the year ended December 31, 2002 (File no. 1-10323) (the "2002 10-K").
10.3	Agreement and Lease dated as of May 1987, as supplemented, between Continental and the City of Cleveland, Ohio ("Cleveland") regarding Hopkins International Airport -- incorporated by reference to Exhibit 10.6 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (File no. 1-10323).
10.3(a)	Special Facilities Lease Agreement dated as of October 24, 1997 by and between Continental and Cleveland regarding certain concourse expansion projects at Hopkins International (the "1997 SFLA") -- incorporated by reference to Exhibit 10.31(a) to the 1998 10-K.
10.3(b)	First Supplemental Special Facilities Lease Agreement dated as of March 1, 1998, and relating to the 1997 SFLA -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File no. 1-10323) (the "1999 Q-1 10-Q").
10.3(c)	Special Facilities Lease Agreement dated as of December 1, 1989 by and between Continental and Cleveland regarding Hopkins International (the "1989 SFLA") -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 (File no. 1-10323) (the "1999 Q-3 10-Q").
10.3(d)	First Supplemental Special Facilities Lease Agreement dated as of March 1, 1998, and relating to the 1989 SFLA -- incorporated by reference to Exhibit 10.1(a) to the 1999 Q-3 10-Q.
10.3(e)	Second Supplemental Special Facilities Lease Agreement dated as of March 1, 1998, and relating to the 1989 SFLA -- incorporated by reference to Exhibit 10.1(b) to the 1999 Q-3 10-Q.

10.4*	Employment Agreement between Continental and Gordon M. Bethune, dated as of July 25, 2000 -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (File no. 1-10323) (the "2000 Q-3 10-Q").
10.4(a)*	Letter Agreement between Continental and Mr. Bethune, dated as of April 9, 2002 -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File no. 1-10323) (the "2002 Q-2 10-Q").
10.4(b)*	Agreement between the Company and Gordon M. Bethune, dated May 19, 2003 -- incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report for the quarter ended June 30, 2003 (File no. 1-10323) (the "2003 Q-2 10-Q").
10.5*	Employment Agreement dated as of July 25, 2000 between Continental and Lawrence W. Kellner -- incorporated by reference to Exhibit 10.3 to the 2000 Q-3 10-Q.
10.5(a)*	Letter Agreement between Continental and Mr. Kellner, dated as of April 9, 2002 -- incorporated by reference to Exhibit 10.2 to the 2002 Q-2 10-Q.
10.5(b)*	Agreement between Continental and Lawrence Kellner, dated May 19, 2003 -- incorporated by reference to Exhibit 10.3 to the 2003 Q-3 10-Q.
10.6*	Employment Agreement dated as of July 25, 2000 between Continental and Janet Wejman. (3)
10.6(a)*	Letter Agreement between Continental and Ms. Wejman, dated as of April 9, 2002. (3)
10.6(b)*	Early Retirement Agreement between Continental and Janet Wejman effective as of January 1, 2004. (3)
10.7*	Employment Agreement dated as of July 25, 2000 between Continental and Jeffery A. Smisek -- incorporated by reference to Exhibit 10.5 to the 2000 Q-3 10-Q.
10.7(a*)	Letter Agreement between Continental and Mr. Smisek, dated as of April 9, 2002 -- incorporated by reference to Exhibit 10.4 to the 2002 Q-2 10-Q.
10.8*	Employment Agreement dated as of July 25, 2000 between Continental and Michael H. Campbell -- incorporated by reference to Exhibit 10.7 to the 2001 10-K.
10.8(a)*	Letter Agreement between Continental and Mr. Campbell, dated as of April 9, 2002 -- incorporated by reference to Exhibit 10.5 to the 2002 Q-2 10-Q.

10.9*	Employment Agreement dated as of July 25, 2000 between Continental and David Grizzle. (3)
10.9(a)*	Letter Agreement between Continental and Mr. Grizzle dated as of April 9, 2002. (3)
10.10*	Continental Airlines, Inc. 1994 Incentive Equity Plan ("1994 Incentive Plan") -- incorporated by reference to Exhibit 4.3 to the Company's Form S-8 Registration Statement (No. 33-81324).
10.10(a)*	Form of Employee Stock Option Grant pursuant to the 1994 Incentive Plan -- incorporated by reference to Exhibit 10.10(e) to the 1997 10-K.
10.10(b)*	Form of Outside Director Stock Option Grant pursuant to the 1994 Incentive Plan -- incorporated by reference to Exhibit 10.10(f) to the 1997 10-K.
10.11*	Continental Airlines, Inc. 1997 Stock Incentive Plan ("1997 Incentive Plan") -- incorporated by reference to Exhibit 4.3 to Continental's Form S-8 Registration Statement (No. 333-23165).
10.11(a)*	Form of Employee Stock Option Grant pursuant to the 1997 Incentive Plan -- incorporated by reference to Exhibit 10.1 to the 2001 Q-3 10-Q.
10.11(b)*	Form of Outside Director Stock Option Grant pursuant to the 1997 Incentive Plan -- incorporated by reference to Exhibit 10.11(c) to the 1997 10-K.
10.11(c)*	Form of Restricted Stock Agreement pursuant to the 1997 Incentive Plan -- incorporated by reference to Exhibit 10.9 to the 2002 Q-2 10-Q.
10.12*	Amendment and Restatement of the 1994 Incentive Plan and the 1997 Incentive Plan -- incorporated by reference to Exhibit 10.19 to the 1998 10-K.
10.13*	Continental Airlines, Inc. 1998 Stock Incentive Plan ("1998 Incentive Plan") -- incorporated by reference to Exhibit 4.3 to Continental's Form S-8 Registration Statement (No. 333-57297).
10.13(a)*	Amendment No. 1 to 1998 Incentive Plan, 1997 Incentive Plan and 1994 Incentive Plan -- incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File no. 1-10323) (the "2001 Q-2 10-Q").
10.13(b)*	Form of Employee Stock Option Grant pursuant to the 1998 Incentive Plan, as amended -- incorporated by reference to Exhibit 10.2 to the 2001 Q-3 10-Q.
10.13(c)*	Form of Restricted Stock Agreement pursuant to the 1998 Incentive Plan -- incorporated by reference to Exhibit 10.10 to the 2002 Q-2 10-Q.

10.14*	Continental Airlines, Inc. Incentive Plan 2000, as amended and restated ("Incentive Plan 2000") -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File no. 1-10323) (the "2002 Q-1 10-Q").
10.14(a)*	Form of Employee Stock Option Agreement pursuant to the Incentive Plan 2000 -- incorporated by reference to Exhibit 10.3 to the 2001 Q-3 10-Q.
10.14(b)*	Form of Outside Director Stock Option Agreement pursuant to the Incentive Plan 2000 -- incorporated by reference to Exhibit 10.14(b) to the 2000 10-K.
10.14(c)*	Form of Restricted Stock Agreement pursuant to the Incentive Plan 2000 -- incorporated by reference to Exhibit 10.4 to the 2001 Q-3 10-Q.
10.15*	Continental Airlines, Inc. Executive Bonus Performance Award Program, as amended and restated -- incorporated by reference to Exhibit 10.2 to the 2002 Q-1 10-Q.
10.15(a)*	Form of Executive Bonus Performance Award Notice -- incorporated by reference to Exhibit 10.15(a) to the 2000 10-K.
10.15(b)*	Amendment to Executive Bonus Performance Award Program, effective as of December 10, 2003. (3)
10.16*	Special Bonus Program for Key Management for the First Quarter of 2002 -- incorporated by reference to Exhibit 10.6 to the 2002 Q-2 10-Q.
10.16(a)*	Special Bonus Program for Key Management for the Second, Third and Fourth Quarters of 2002 -- incorporated by reference to Exhibit 10.7 to the 2002 Q-2 10-Q.
10.16(b)*	Special Bonus Program for Key Management for 2003 -- incorporated by reference to Exhibit 10.2 to the 2003 Q-1 10-Q.
10.17*	Continental Airlines, Inc. Long Term Incentive Performance Award Program as amended and restated through February 10, 2003 -- incorporated by reference to Exhibit 10.2 to the 2003 Q-1 10-Q.
10.17(a)*	Form of Long Term Incentive Performance Award Notice -- incorporated by reference to Exhibit 10.16(a) to the 2000 10-K.
10.17(b)*	Amendment to Long-Term Incentive Performance Award Program, effective as of December 10, 2003. (3)

10.18*	Continental Airlines, Inc. Officer Retention and Incentive Award Program, as amended -- incorporated by reference to Exhibit 10.7(a) to the 2001 Q-3 10-Q.
10.18(a)*	Form of Officer Retention and Incentive Award Notice -- incorporated by reference to Exhibit 10.7 to the 2001 Q-3 10-Q.
10.19*	Form of Letter Agreement relating to certain flight benefits between the Company and each of its non-employee directors -- incorporated by reference to Exhibit 10.18 to the 2000 10-K.
10.20*	Letter agreement dated September 26, 2001 between the Company and Gordon M. Bethune -- incorporated by reference to Exhibit 10.9 to the 2001 Q-3 10-Q.
10.21*	Letter agreement dated September 26, 2001 between the Company and Lawrence W. Kellner -- incorporated by reference to Exhibit 10.10 to the 2001 Q-3 10-Q.
10.22	Purchase Agreement No. 1783, including exhibits and side letters, between the Company and The Boeing Company ("Boeing"), effective April 27, 1993, relating to the purchase of Boeing 757 aircraft ("P.A. 1783") -- incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 (File no. 1-10323). (1)
10.22(a)	Supplemental Agreement No. 4 to P.A. 1783, dated March 31, 1995 -- incorporated by reference to Exhibit 10.12(a) to Continental's Annual Report on Form 10-K for the year ended December 31, 1994 (File no. 1-10323). (1)
10.22(b)	Supplemental Agreement No. 6 to P.A. 1783, dated June 13, 1996 -- incorporated by reference to Exhibit 10.6 to Continental's Quarterly Report on Form 10-Q for the quarter ending June 30, 1996 (File no. 1-10323) (the "1996 Q-2 10-Q"). (1)
10.22(c)	Supplemental Agreement No. 7 to P.A. 1783, dated July 23, 1996 -- incorporated by reference to Exhibit 10.6(a) to the 1996 Q-2 10-Q. (1)
10.22(d)	Supplemental Agreement No. 8 to P.A. 1783, dated October 27, 1996 -- incorporated by reference to Exhibit 10.11(d) to Continental's Annual Report on Form 10-K for the year ended December 31, 1996 (File no. 1-10323) (the "1996 10-K"). (1)
10.22(e)	Letter Agreement No. 6-1162-GOC-044 to P.A. 1783, dated March 21, 1997 -- incorporated by reference to Exhibit 10.4 to Continental's Quarterly Report on Form 10-Q for the quarter ending March 31, 1997 (File no. 1-10323) (the "1997 Q1 10-Q"). (1)
10.22(f)	Supplemental Agreement No. 9 to P.A. 1783, dated August 13, 1997 -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 (File no. 1-10323). (1)

10.22(g)	Supplemental Agreement No. 10, including side letters, to P.A. 1783, dated October 10, 1997 -- incorporated by reference to Exhibit 10.13(g) to the 1997 10-K. (1)
10.22(h)	Supplemental Agreement No. 11, including exhibits and side letters, to P.A. 1783, dated July 30, 1998 -- incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (File no. 1-10323) (the "1998 Q-3 10-Q"). (1)
10.22(i)	Supplemental Agreement No. 12, including side letter, to P.A. 1783, dated September 29, 1998 -- incorporated by reference to Exhibit 10.23(i) to the 1998 10-K. (1)
10.22(j)	Supplemental Agreement No. 13 to P.A. 1783, dated November 16, 1998 -- incorporated by reference to Exhibit 10.23(j) to the 1998 10-K. (1)
10.22(k)	Supplemental Agreement No. 14, including side letter, to P.A. 1783, dated December 17, 1998 -- incorporated by reference to Exhibit 10.23(k) to the 1998 10-K. (1)
10.22(l)	Supplemental Agreement No. 15, including side letter, to P.A. 1783, dated February 18, 1999 -- incorporated by reference to Exhibit 10.3 to the 1999 Q-1 10-Q. (1)
10.22(m)	Supplemental Agreement No. 16, including side letter, to P.A. 1783, dated July 2, 1999 -- incorporated by reference to Exhibit 10.7 to the 1999 Q-3 10-Q. (1)
10.23	Purchase Agreement No. 1951, including exhibits and side letters thereto, between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 737 aircraft ("P.A. 1951") -- incorporated by reference to Exhibit 10.8 to the 1996 Q-2 10-Q. (1)
10.23(a)	Supplemental Agreement No. 1 to P.A. 1951, dated October 10, 1996 -- incorporated by reference to Exhibit 10.14(a) to the 1996 10-K. (1)
10.23(b)	Supplemental Agreement No. 2 to P.A. 1951, dated March 5, 1997 -- incorporated by reference to Exhibit 10.3 to the 1997 Q1 10-Q. (1)
10.23(c)	Supplemental Agreement No. 3, including exhibit and side letter, to P.A. 1951, dated July 17, 1997 -- incorporated by reference to Exhibit 10.14(c) to the 1997 10-K. (1)
10.23(d)	Supplemental Agreement No. 4, including exhibits and side letters, to P.A. 1951, dated October 10, 1997 -- incorporated by reference to Exhibit 10.14(d) to the 1997 10-K. (1)
10.23(e)	

	Supplemental Agreement No. 5, including exhibits and side letters, to P.A. 1951, dated October 10, 1997 -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File no. 1-10323). (1)
10.23(f)	Supplemental Agreement No. 6, including exhibits and side letters, to P.A. 1951, dated July 30, 1998 -- incorporated by reference to Exhibit 10.1 to the 1998 Q-3 10-Q. (1)
10.23(g)	Supplemental Agreement No. 7, including side letters, to P.A. 1951, dated November 12, 1998 -- incorporated by reference to Exhibit 10.24(g) to the 1998 10-K. (1)
10.23(h)	Supplemental Agreement No. 8, including side letters, to P.A. 1951, dated December 7, 1998 -- incorporated by reference to Exhibit 10.24(h) to the 1998 10-K. (1)
10.23(i)	Letter Agreement No. 6-1162-GOC-131R1 to P.A. 1951, dated March 26, 1998 -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (File no. 1-10323). (1)
10.23(j)	Supplemental Agreement No. 9, including side letters, to P.A. 1951, dated February 18, 1999 -- incorporated by reference to Exhibit 10.4 to the 1999 Q-1 10-Q. (1)
10.23(k)	Supplemental Agreement No. 10, including side letters, to P.A. 1951, dated March 19, 1999 -- incorporated by reference to Exhibit 10.4(a) to the 1999 Q-1 10-Q. (1)
10.23(l)	Supplemental Agreement No. 10, including side letters, to P.A. 1951, dated March 19, 1999 -- incorporated by reference to Exhibit 10.4(a) to the 1999 Q-1 10-Q. (1)
10.23(m)	Supplemental Agreement No. 12, including side letters, to P.A. 1951, dated July 2, 1999 -- incorporated by reference to Exhibit 10.8 to the 1999 Q-3 10-Q. (1)
10.23(n)	Supplemental Agreement No. 13 to P.A. 1951, dated October 13, 1999 -- incorporated by reference to Exhibit 10.25(n) to the 1999 10-K. (1)
10.23(o)	Supplemental Agreement No. 14 to P.A. 1951, dated December 13, 1999 -- incorporated by reference to Exhibit 10.25(o) to the 1999 10-K. (1)
10.23(p)	Supplemental Agreement No. 15, including side letters, to P.A. 1951, dated January 13, 2000 -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 (File no. 1-10323) (the "2000 Q-1 10-Q"). (1)
10.23(q)	Supplemental Agreement No. 16, including side letters, to P.A. 1951, dated March 17, 2000 -- incorporated by reference to the 2000 Q-1 10-Q. (1)

10.23(r)	Supplemental Agreement No. 17, including side letters, to P.A. 1951, dated May 16, 2000 -- incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (File no. 1-10323). (1)
10.23(s)	Supplemental Agreement No. 18, including side letters, to P.A. 1951, dated September 11, 2000 -- incorporated by reference to Exhibit 10.6 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (File no. 1-10323). (1)
10.23(t)	Supplemental Agreement No. 19, including side letters, to P.A. 1951, dated October 31, 2000 -- incorporated by reference to Exhibit 10.20(t) to the 2000 10-K. (1)
10.23(u)	Supplemental Agreement No. 20, including side letters, to P.A. 1951, dated December 21, 2000 -- incorporated by reference to Exhibit 10.20(u) to the 2000 10-K. (1)
10.23(v)	Supplemental Agreement No. 21, including side letters, to P.A. 1951, dated March 30, 2001 -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (File no. 1-10323) (the "2001 Q-1 10-Q"). (1)
10.23(w)	Supplemental Agreement No. 22, including side letters, to P.A. 1951, dated May 23, 2001 -- incorporated by reference to Exhibit 10.3 to the 2001 Q-2 10-Q. (1)
10.23(x)	Supplemental Agreement No. 23, including side letters, to P.A. 1951, dated June 29, 2001 -- incorporated by reference to Exhibit 10.4 to the 2001 Q-2 10-Q. (1)
10.23(y)	Supplemental Agreement No. 24, including side letters, to P.A. 1951, dated August 31, 2001 -- incorporated by reference to Exhibit 10.11 to the 2001 Q-3 10-Q. (1)
10.23(z)	Supplemental Agreement No. 25, including side letters, to P.A. 1951, dated December 31, 2001 -- incorporated by reference to Exhibit 10.22(z) to the 2001 10-K. (1)
10.23(aa)	Supplemental Agreement No. 26, including side letters, to P.A. 1951, dated March 29, 2002 -- incorporated by reference to Exhibit 10.4 to the 2002 Q-1 10-Q. (1)
10.23(ab)	Supplemental Agreement No. 27, including side letters, to P.A. 1951, dated November 6, 2002 -- incorporated by reference to Exhibit 10.4 to the 2002 Q-1 10-Q. (1)

10.23(ac)	Supplemental Agreement No. 28, including side letters, to P.A. 1951, dated April 1, 2003 -- as incorporated by reference to Exhibit 10.2 to the 2003 Q-1 10-Q. (1)
10.23(ad)	Supplemental Agreement No. 29, including side letters, to P.A. 1951, dated August 19, 2003 - as incorporated by reference to Exhibit 10.2 to the 2003 Q-3 10-Q. (1)
10.23(ae)	Supplemental Agreement No. 30 to P.A. 1951, dated as of November 4, 2003. (2)(3)
10.24	Aircraft General Terms Agreement between the Company and Boeing, dated October 10, 1997 -- incorporated by reference to Exhibit 10.15 to the 1997 10-K. (1)
10.24(a)	Letter Agreement No. 6-1162-GOC-136 between the Company and Boeing, dated October 10, 1997, relating to certain long-term aircraft purchase commitments of the Company -- incorporated by reference to Exhibit 10.15(a) to the 1997 10-K. (1)
10.25	Purchase Agreement No. 2060, including exhibits and side letters, between the Company and Boeing, dated October 10, 1997, relating to the purchase of Boeing 767 aircraft ("P.A. 2060") -- incorporated by reference to Exhibit 10.16 to the 1997 10-K. (1)
10.25(a)	Supplemental Agreement No. 1 to P.A. 2060 dated December 18, 1997 -- incorporated by reference to Exhibit 10.16(a) to the 1997 10-K. (1)
10.25(b)	Supplemental Agreement No. 2 to P.A. 2060 dated June 8, 1999 -- incorporated by reference to Exhibit 10.8 to the 1999 Q-2 10-Q. (1)
10.25(c)	Supplemental Agreement No. 3 to P.A. 2060 dated October 31, 2000 -- incorporated by reference to Exhibit 10.22(c) to the 2000 10-K. (1)
10.25(d)	Supplemental Agreement No. 4 to P.A. 2060 dated December 1, 2000 -- incorporated by reference to Exhibit 10.22(d) to the 2000 10-K. (1)
10.25(e)	Supplemental Agreement No. 5 to P.A. 2060, dated February 14, 2001 -- incorporated by reference to Exhibit 10.2 to the 2001 Q-1 10-Q. (1)
10.25(f)	Supplemental Agreement No. 6 to P.A. 2060, dated July 11, 2001 -- incorporated by reference to Exhibit 10.12 to the 2001 Q-3 10-Q. (1)
10.25(g)	Supplemental Agreement No. 7 to P.A. 2060, dated August 31, 2001 -- incorporated by reference to Exhibit 10.13 to the 2001 Q-3 10-Q. (1)

10.25(h)	Supplemental Agreement No. 8 to P.A. 2060, dated December 31, 2001 -- incorporated by reference to Exhibit 10.24(h) to the 2001 10-K. (1)
10.25(i)	Supplemental Agreement No. 9 to P.A. 2060, dated August 5, 2002 -- incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report for the quarter ended September 30, 2002 (File no. 1-10323) (the "2002 Q-3 10-Q"). (1)
10.26	Purchase Agreement No. 2061, including exhibits and side letters, between the Company and Boeing, dated October 10, 1997, relating to the purchase of Boeing 777 aircraft ("P.A. 2061") -- incorporated by reference to Exhibit 10.17 to the 1997 10-K. (1)
10.26(a)	Supplemental Agreement No. 1 to P.A. 2061 dated December 18, 1997 -- incorporated by reference to Exhibit 10.17(a) as to the 1997 10-K. (1)
10.26(b)	Supplemental Agreement No. 2, including side letter, to P.A. 2061, dated July 30, 1998 -- incorporated by reference to Exhibit 10.27(b) to the 1998 10-K. (1)
10.26(c)	Supplemental Agreement No. 3, including side letter, to P.A. 2061, dated September 25, 1998 -- incorporated by reference to Exhibit 10.27(c) to the 1998 10-K. (1)
10.26(d)	Supplemental Agreement No. 4, including side letter, to P.A. 2061, dated February 3, 1999 -- incorporated by reference to Exhibit 10.5 to the 1999 Q-1 10-Q. (1)
10.26(e)	Supplemental Agreement No. 5, including side letter, to P.A. 2061, dated March 26, 1999 -- incorporated by reference to Exhibit 10.5(a) to the 1999 Q-1 10-Q. (1)
10.26(f)	Supplemental Agreement No. 6 to P.A. 2061, dated June 25, 2002 -- incorporated by reference to Exhibit 10.12 to the 2002 Q-2 10-Q. (1)
10.26(g)	Supplemental Agreement No. 7, including side letter, to P.A. 2061, dated October 31, 2000 -- incorporated by reference to Exhibit 10.23(g) to the 2000 10-K. (1)
10.26(h)	Supplemental Agreement No. 8, including a side letter, to P.A. 2061, dated June 29, 2001 -- incorporated by reference to Exhibit 10.5 to the 2001 Q-2 10-Q. (1)
10.26(i)	Supplemental Agreement No. 9 to P.A. 2061, dated June 25, 2002 -- incorporated by reference to Exhibit 10.12 to the 2002 Q-2 10-Q. (1)
10.26(j)	Supplemental Agreement No. 10 to P.A. 2061, dated as of November 4, 2003. (2)(3)
10.27	Purchase Agreement No. 2211, including exhibits and side letters thereto

10.27	Purchase Agreement No. 2211, including exhibits and side letters thereto, between the Company and Boeing, dated November 16, 1998, relating to the purchase of Boeing 767 aircraft ("P.A. 2211") -- incorporated by reference to Exhibit 10.28 to the 1998 10-K. (1)
10.27(a)	Supplemental Agreement No. 1, including side letters to P.A. 2211, dated July 2, 1999 -- incorporated by reference to Exhibit 10.9 to the 1999 Q-2 10-Q. (1)
10.27(b)	Supplemental Agreement No. 2, including side letters to P.A. 2211, dated October 31, 2000 -- incorporated by reference to Exhibit 10.24(b) to the 2000 10-K. (1)
10.27(c)	Supplemental Agreement No. 3, including side letters, to P.A. 2211, dated February 14, 2001 -- incorporated by reference to Exhibit 10.3 to the 2001 Q-1 10-Q. (1)
10.27(d)	Supplemental Agreement No. 4, including side letters, to P.A. 2211, dated April 20, 2001 -- incorporated by reference to Exhibit 10.6 to the 2001 Q-2 10-Q. (1)
10.27(e)	Supplemental Agreement No. 5, including side letters, to P.A. 2211, dated August 31, 2001 -- incorporated by reference to Exhibit 10.14 to the 2001 Q-3 10-Q. (1)
10.27(f)	Supplemental Agreement No. 6 to P.A. 2211, dated August 5, 2002 -- incorporated by reference to Exhibit 10.1 to the 2002 Q-3 10-Q. (1)
10.27(g)	Supplemental Agreement No. 7 to P.A. 2211, dated as of November 4, 2003. (2) (3)
10.28	Purchase Agreement No. 2333, including exhibits and side letters thereto, between the Company and Boeing, dated December 29, 2000, relating to the purchase of Boeing 757 aircraft ("P.A. 2333") -- incorporated by reference to Exhibit 10.25 to the 2000 10-K.
10.28(a)	Supplemental Agreement No. 1, including exhibits and side letters, to P.A. 2333, dated March 29, 2002 -- incorporated by reference to Exhibit 10.5 to the 2002 Q-1 10-Q. (1)
10.28(b)	Supplemental Agreement No. 2 to P.A. 2333, dated as of November 4, 2003. (2) (3)
10.29	Letter Agreement 6-1162-CHL-048 between the Company and Boeing, dated February 8, 2002, amending P.A. 1951, 2333, 2211, 2060 and 2061 -- incorporated by reference to Exhibit 10.44 to the 2001 10-K. (1)
10.30	

	Letter Agreement No. 11 between the Company and General Electric Company, dated December 22, 1997, relating to certain long-term engine purchase commitments of the Company -- incorporated by reference to Exhibit 10.23 to the 1997 10-K. (1)
10.31	Standstill Agreement dated as of November 15, 2000 among the Company, Northwest Airlines Holdings Corporation, Northwest Airlines Corporation and Northwest Airlines, Inc. -- incorporated by reference to Exhibit 99.8 to the 11/00 8-K.
10.32	Amended and Restated Capacity Purchase Agreement among Continental, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. dated April 17, 2002 -- incorporated by reference to Exhibit 10.11 to the 2002 Q-2 10-Q. (1)
10.32(a)	First Amendment to Amended and Restated Capacity Purchase Agreement among Continental, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. and dated as of March 27, 2003 -- incorporated by reference to Exhibit 10.1 to the 2003 Q-1 10-Q.
10.32(b)	Second Amendment to Amended and Restated Capacity Purchase Agreement among Continental, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. dated as of December 9, 2003. (2)(3)
10.33	Purchase Agreement No. GPJ-003/96, between Empresa Brasileira de Aeronautica S.A. ("Embraer") and ExpressJet Airlines, Inc. (successor in interest to Continental Express, Inc.) ("ExpressJet") dated August 5, 1996 relating to the purchase of EMB 145 aircraft ("P.A. 3/96") -- incorporated by reference to Exhibit 10.3 to Amendment No. 1 to Embraer's Form F-1 Registration Statement (No. 333-12220) (the "Embraer F-1"). (1)
10.33(a)	Amendment No. 1 to P.A. 3/96 dated September 26, 1996 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(b)	Amendment No. 2 to P.A. 3/96 dated May 22, 1997 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(c)	Amendment No. 3 to P.A. 3/96 dated August 20, 1997 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(d)	Amendment No. 4 to P.A. 3/96 dated October 1, 1997 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(e)	Amendment No. 5 to P.A. 3/96 dated November 12, 1997 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(f)	Amendment No. 6 to P.A. 3/96 dated August 19, 1998 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(g)	Amendment No. 7 to P.A. 3/96 dated February 19, 1999 -- incorporated by

10.33(g)	Amendment No. 7 to P.A. 3/96 dated February 19, 1999 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(h)	Amendment No. 8 to P.A. 3/96 dated March 31, 1999 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(i)	Amendment No. 9 to P.A. 3/96 dated October 29, 1999 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(j)	Amendment No. 10 to P.A. 3/96 dated October 20, 1999 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(k)	Amendment No. 11 to P.A. 3/96 dated December 15, 1999 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(l)	Amendment No. 12 to P.A. 3/96 dated February 18, 2000 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(m)	Amendment No. 13 to P.A. 3/96 dated April 28, 2000 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(n)	Amendment No. 14 to P.A. 3/96 dated April 28, 2000 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.33(o)	Amendment No. 15 to P.A. 3/96 dated July 25, 2000 -- incorporated by reference to Exhibit 10.33(o) to the 2000 10-K. (1)
10.33(p)	Amendment No. 16 to P.A. 3/96 dated July 24, 2000 -- incorporated by reference to Exhibit 10.33(p) to the 2000 10-K. (1)
10.33(q)	Amendment No. 17 to P.A. 3/96 dated November 7, 2000 -- incorporated by reference to Exhibit 10.33(q) to the 2000 10-K. (1)
10.33(r)	Amendment No. 18 to P.A. 3/96 dated November 17, 2000 -- incorporated by reference to Exhibit 10.33(r) to the 2000 10-K. (1)
10.33(s)	Amendment No. 19 to P.A. 3/96 dated July 31, 2001 -- incorporated by reference to Exhibit 10.35(s) to the 2001 10-K. (1)
10.33(t)	Amendment No. 20 to P.A. 3/96 dated July 31, 2001 -- incorporated by reference to Exhibit 10.35(t) to the 2001 10-K. (1)
10.33(u)	

	Amendment No. 21 to P.A. 3/96 dated October 10, 2001 -- incorporated by reference to Exhibit 10.35(u) to the 2001 10-K. (1)
10.33(v)	Amendment No. 22 to P.A. 3/96 dated January 24, 2002 -- incorporated by reference to Exhibit 10.35(v) to the 2001 10-K. (1)
10.33(w)	Amendment No. 23 to P.A. 3/96 dated February 28, 2002 -- incorporated by reference to Exhibit 10.6 to the 2002 Q-1 10-Q. (1)
10.33(x)	Amendment No. 24 to P.A. 3/96 dated March 28, 2002 -- incorporated by reference to Exhibit 10.7 to the 2002 Q-1 10-Q. (1)
10.33(y)	Amendment No. 25 to P.A. 3/96 dated July 9, 2002 -- incorporated by reference to Exhibit 10.3 to the 2002 Q-3 10-Q. (1)
10.33(z)	Amendment No. 26 to P.A. 3/96 dated August 30, 2002 -- incorporated by reference to Exhibit 10.4 to the 2002 Q-3 10-Q. (1)
10.33(aa)	Amendment No. 27 to P.A. 3/96 dated December 28, 2002 -- incorporated by reference to Exhibit 10.4 to the 2002 Q-3 10-Q. (1)
10.33(ab)	Amendment No. 28 to P.A. 3/96 dated February 20, 2003 -- as incorporated by reference to Exhibit 10.2 to the 2003 Q-1 10-Q. (1)
10.33(ac)	Amendment No.29 to P.A. 3/96 dated February 26, 2003 -- as incorporated by reference to Exhibit 10.2 to the 2003 Q-1 10-Q.
10.34	Letter of Agreement No. GPJ-004/96 dated August 5, 1996 between Embraer and ExpressJet ("L.A. 4/96") -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.34(a)	Amendment No. 1 to L.A. 4/96 dated August 31, 1996 -- incorporated by reference to Exhibit 10.34(a) to the 2000 10-K.
10.34(b)	Amendment No. 2 to L.A. 4/96 and Amendment No. 1 to L.A. 4A/96 (defined below) dated August 31, 1996 between Embraer and ExpressJet -- incorporated by reference to Exhibit 10.34(b) to the 2000 10-K. (1)
10.34(c)	Amendment No. 3 to L.A. 4/96 and Amendment No. 1 to L.A. 4A/96 (defined below) dated January 24, 2002 between Embraer and ExpressJet -- incorporated by reference to Exhibit 10.36(c) to the 2001 10-K. (1)
10.35	Letter of Agreement No. PCJ-004A/96 dated August 31, 1996 among Continental, ExpressJet and Embraer ("L.A. 4A/96") -- incorporated by reference to Exhibit 10.3 to the Embraer F-1.
10.36	Letter Agreement DCT-058/2000 dated October 27, 2000 between ExpressJet

10.36	Letter Agreement DCT 059/2000 dated October 27, 2000 between ExpressJet and Embraer -- incorporated by reference to Exhibit 10.36 to the 2000 10-K. (1)
10.37	Purchase Agreement No. DCT-054/98 dated December 23, 1998 between Embraer and ExpressJet ("P.A. 54/98") -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.37(a)	Amendment No. 1 to P.A. 54/98 dated July 30, 1999 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.37(b)	Amendment No. 2 to P.A. 54/98 dated July 30, 1999 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.37(c)	Amendment No. 3 to P.A. 54/98 dated October 21, 1999 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.37(d)	Amendment No. 4 to P.A. 54/98 dated January 31, 2000 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.37(e)	Amendment No. 5 to P.A. 54/98 dated February 15, 2000 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.37(f)	Amendment No. 6 to P.A. 54/98 dated April 17, 2000 -- incorporated by reference to Exhibit 10.3 to the Embraer F-1. (1)
10.37(g)	Amendment No. 7 to P.A. 54/98 dated July 24, 2000 -- incorporated by reference to Exhibit 10.37(g) to the 2000 10-K. (1)
10.37(h)	Amendment No. 8 to P.A. 54/98 dated November 7, 2000 -- incorporated by reference to Exhibit 10.37(h) to the 2000 10-K. (1)
10.37(i)	Amendment No. 9 to P.A. 54/98 dated September 20, 2000 -- incorporated by reference to Exhibit 10.37(i) to the 2000 10-K. (1)
10.37(j)	Amendment No. 10 to P.A. 54/98 dated November 17, 2000 -- incorporated by reference to Exhibit 10.37(j) to the 2000 10-K. (1)
10.37(k)	Amendment No. 11 to P.A. 54/98 dated July 31, 2001 -- incorporated by reference to Exhibit 10.39(k) to the 2001 10-K. (1)
10.37(l)	Amendment No. 12 to P.A. 54/98 dated July 31, 2001 -- incorporated by reference to Exhibit 10.39(l) to the 2001 10-K. (1)
10.37(m)	Amendment No. 13 to P.A. 54/98 dated October 10, 2001 -- incorporated by

10.37(m)	Amendment No. 13 to P.A. 54/98 dated October 16, 2001 -- incorporated by reference to Exhibit 10.39(m) to the 2001 10-K. (1)
10.37(n)	Amendment No. 14 to P.A. 54/98 dated January 24, 2002 -- incorporated by reference to Exhibit 10.39(n) to the 2001 10-K.
10.38	Letter of Agreement DCT-055/98 dated December 23, 1998 between ExpressJet and Embraer ("L.A. 55/98") -- incorporated by reference to Exhibit 10.38 to the 2000 10-K. (1)
10.38(a)	Amendment No. 1 to L.A. 55/98 dated July 24, 2000 -- incorporated by reference to Exhibit 10.38(a) to the 2000 10-K. (1)
10.39	EMB-135 Financing Letter of Agreement dated March 23, 2000 among Continental, ExpressJet and Embraer ("L.A. 135") -- incorporated by reference to Exhibit 10.39 to the 2000 10-K. (1)
10.39(a)	Amendment No. 1 to L.A. 135 -- incorporated by reference to Exhibit 10.39(a) to the 2000 10-K. (1)
10.39(b)	Amendment No. 2 to L.A. 135 -- incorporated by reference to Exhibit 10.39(b) to the 2000 10-K. (1)
10.39(c)	Amendment No. 3 to L.A. 135 dated October 27, 2000 -- incorporated by reference to Exhibit 10.39(c) to the 2000 10-K. (1)
10.40	Letter Agreement DCT-058/2000 dated October 27, 2000 between Embraer and ExpressJet -- incorporated by reference to Exhibit 10.40 to the 2000 10-K. (1)
10.41	Agreement between the Company and the United States of America, acting through the Transportation Security Administration, dated May 7, 2003 -- incorporated by reference to Exhibit 10.1 to the "2003 Q-2 10-Q").
21.1	List of Subsidiaries of Continental. (3)
23.1	Consent of Ernst & Young LLP. (3)
24.1	Powers of attorney executed by certain directors and officers of Continental. (3)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. (3)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. (3)
32	Section 1350 Certifications. (3)

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

1. The Commission has granted confidential treatment for a portion of this exhibit.
2. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.
3. Filed herewith.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between **CONTINENTAL AIRLINES, INC.**, a Delaware corporation ("Company"), and **JANET WEJMAN** ("Executive"), and is dated and effective as of July 25, 2000 (the "Effective Date").

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 September 16, 1999 (the "Existing Agreement"), which expires on September 16, 2002; and

WHEREAS, the Human Resources Committee of the Board of Directors of Company ("HR Committee") has deemed it advisable and in the best interests of Company and its stockholders to assure management continuity for Company and, consistent therewith, has authorized the execution, delivery and performance by Company of this Agreement;

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

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

ARTICLE 1: EMPLOYMENT AND DUTIES

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

1.2 **Position**. Company shall employ Executive in the position of Senior Vice President and Chief Information 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 for a three-year period beginning on the Effective Date. Said term of employment shall be extended automatically for an additional successive three-year period as of the third anniversary of the Effective Date and as of the last day of each successive three-year period of time thereafter that this Agreement is in effect; provided, however, that if, prior to the date which is six months before the last day of any such three-year term of employment, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on the last day of the three-year term of employment during which such notice is given.

2.2 **Company's Right to Terminate**. Notwithstanding the provisions of paragraph 2.1, Company, acting pursuant to an express resolution of the Board of Directors of Company (the "Board of Directors") or 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 HR 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) $315,000.00 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; provided, however, that Company shall not change, amend or discontinue Executive's Flight Benefits without his prior written consent.

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 24 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, 2000 ("Actual Years of Service"), (2) an additional one year of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 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) $315,000.00 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 E xecutive dated as of April 14, 1998, (iii) any Termination Payment paid to Executive under this Agreement, (iv) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (v) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company, and (vi) 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 to Executive, at the written election of Executive made at least 15 days prior to the first payment of benefits under the Plan, in either (1) the form of a single life annuity for the life of Executive, or (2) the form of a joint and survivor annuity that is actuarially equivalent to the benefit that would have been payable under the Plan to Executive if Executive was not married on such date, with Executive's spouse as of the date benefit payments commence being entitled during such spouse's lifetime after Executive's death to a benefit equal to 50% of the benefit payable to Executive during their joint lifetimes. If Executive fails to make such election, Executive will be deemed to have elected a joint and survivor annuity.

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, elected a joint and survivor annuity and began to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Da te; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive elected a joint and survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. 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 tr ustee 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 ge neral 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, except that (A) the benefits described in paragraph 3.5 shall continue to be payable, Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, Executive and his eligible dependents shall be provided Continuation Coverage (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, and (B) if such termination shall result from Company's delivery of the written notice described in paragraph 2.1, then Company shall (i) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination, (ii) pay Executive on or before the effective date of such termination a lump-sum, cash payment in an amount equal to the Termination Payment, (iii) provide Executive with Outplacement Services (as such term is defined in paragraph 4.7), and (iv) pay any amounts owed but unpaid to Executive under any plan, policy or program of Company as of the date of termination at the time provided by, and in accordance with the terms of, such plan, policy or program.

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

i. if such termination shall be for any reason other than those encompassed by paragraphs 2.2(i), (ii), (iii) or (iv), then Company shall provide Executive with the payments and benefits described in clauses (i) through (iv) of paragraph 4.1, and Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime; and

ii. if such termination shall be for a reason encompassed by paragraphs 2.2(i) or (ii), then Company shall (1) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days (or such longer period as provided for under the circumstances in applicable option awards) after such termination, and (2) if such termination shall be for a reason encompassed by paragraph 2.2(ii), provide Flight Benefits (as such term is defined in paragraph 4.7) to Executive for the remainder of Executive's lifetime.

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, Executive and his eligible dependents shall be provided Continuation Coverage 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 (i) through (iv) of paragraph 4.1.

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

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

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

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

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

(ii) "Change in Control" shall have the meaning assigned to such term in Company's Incentive Plan 2000 in effect on May 23, 2000;

(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 the coverage to Executive (or the receipt of equivalent benefits) shall be provided under one or more insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive, and provided further that the coverage to Executive under a particular welfare benefit plan (or the receipt of equivalent benefits) shall be suspended during any period that Executive receives co mparable benefits from a subsequent employer, and shall be reinstated upon Executive ceasing to so receive comparable benefits and notifying Company thereof;

(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 b y Executive, Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's names 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 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 or unpublished fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare, or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of t he actual fare class booked or flown, or as otherwise required by law) or resulting from any other flight benefits extended to Executive as a result of Executive's service as an executive of the Company;

i. "Outplacement Services" shall mean 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);

(vi) "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

(vii) "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 Execut ive 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 cha nge 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 or unpublished fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law, and reported to Executive as required by applicable law. With respect to any period for which the Company is obligated to provide the tax gross up described above, Executive will provide to the Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit the Company to calculate accurately the amount to be paid to Executive.

Executive will be issued a UATP card (or Similar Card), Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's names, 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 : Janet Wejman

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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) and any awards under the Company's stock incentive plans or programs, Long Term Incentive Performance Award Program, Officer Retention and Incentive Award Program, Executive Bonus Performance Award Program or similar plans or programs, and (ii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement, as of the Effective Date, will constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement is hereby terminated and without any further force or effect. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charge d.

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

5.14 **Certain Change in Control Matters**. Executive agrees that any recapitalization, conversion, reclassification or similar transaction involving Class A common stock of Company owned by Northwest Airlines Corporation or its affiliates, or any acquisition by Company of Class A common stock owned by Northwest Airlines Corporation or its affiliates (whether or not involving other outstanding shares of Class A common stock), which results in a person who is an Institutional Investor (as defined in that certain Rights Agreement dated November 20, 1998, as amended by First Amendment to Rights Agreement dated as of February 8, 2000, between Company and Harris Trust and Savings Bank, as in effect on the date hereof) as of the date hereof and as of the date of any such recapitalization, conversion, reclassification, acquisition or similar transaction being or becoming the beneficial owner of securities of Company sufficient to otherwise trigger a Change in Control pursu ant to clause (aa) of Section 12 (c) of Company's Incentive Plan 2000, as in effect on the date hereof, shall not constitute a Change in Control for purposes of this Agreement, or for purposes of Company's stock incentive plans or programs, Long Term Incentive Performance Award Program, Officer Retention and Incentive Award Program, Executive Bonus Performance Award Program or similar plans or programs.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

CONTINENTAL AIRLINES, INC.

By: /s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President - Human Resources

and Labor Relations

"EXECUTIVE"

/s/ Janet Wejman

Janet Wejman

EXHIBIT 10.6(a)

CONTINENTAL AIRLINES, INC.

1600 SMITH

HOUSTON, TX 77002

April 9, 2002

Dear Ms. Wejman:

You currently have Flight Benefits and a supplemental executive retirement plan pursuant to your employment agreement with Continental Airlines, Inc. (the "Company") or a subsidiary of the Company.

The Human Resources Committee of the Board of Directors has authorized the amendment of your Flight Benefits and your supplemental executive retirement plan as set forth in this letter agreement.

Your Flight Benefits and your supplemental executive retirement benefits are modified as follows:

1. The Company agrees that each of your spouse and your children will receive lifetime Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in their names for use on the CO system, and (subject to the terms and conditions of membership, including minimum age requirements) lifetime membership in the Company's President's Club (or any successor program maintained in the CO system).
2. Upon your death, your surviving spouse and children will be permitted, in the aggregate, to continue to use (in the proportions specified in your last will and testament or, if not so specified or if you die intestate, in equal proportions) your Flight Benefits on the CO system (out of any amounts unused by you at the date of your death) for up to a total amount of $50,000 in value of flights (in any fare class) on the CO system, valued identically to the valuation of flights as currently contained in your Flight Benefits, which amount shall adjust automatically upon any change in the valuation methodology, from and after the date hereof, for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of the date hereof), so as to preserve the benefit of $50,000 of flights relative to the valuations resulting from the valuation methodology used by the Company as of the date hereof (e.g., if a change in the valuation methodology results, o n average, in such flights being valued 10% higher than the valuation that would result using the valuation methodology used by the Company as of the date hereof, then such amount would be increased by 10% to $55,000). The Company will promptly notify you in writing of any adjustments to such amount.
3. You agree that your Flight Benefits are intended to be used principally for personal reasons and may not be used for business purposes (other than business purposes on behalf of the Company, and other than business usage that is incidental or de minimus, defined as amounting to less than 10% of the total value (valued as described in paragraph 2 above) of flights on the CO System charged to your UATP card (or any Similar Card) during any year), and that credit availability on your UATP card (or any Similar Card) may be suspended if your UATP card (or any Similar Card) is used for business purposes other than as described above and, after receiving written notice from the Company to cease such usage, you continue to use your UATP card (or any Similar Card) for such business purposes.
4. Section 3.5 of your employment agreement (your 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 24 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, 2000 ("Actual Years of Service"), (2) an additional one year of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginnin g 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) $315,000.00 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, (iii) any Termination Payment paid to Executive under this Agreement, (iv) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (v) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company, and (vi) any cash bonus paid under a long term incentive plan or program adopted by Company. Executive shall be vested immediately with respect to benefits due under the Plan.

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

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

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

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive, at such spouse's written election made within 90 days after Executive's death, either (A) a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, elected a joint and survivor annuity and began to receive Executive's Plan ben efit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive elected a joint and survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to

Executive's death, or (B) a Spousal Lump-Sum Payment less 10% of such sum (provided, however, that the HR Committee may, in its sole and absolute discretion, waive all or any part of such 10% reduction), which shall be paid as a lump-sum in cash on the date that the first payment of the single life annuity described in clause (A) of this sentence would have been paid if the surviving spouse had elected to receive such single life annuity. As used herein, "Spousal Lump-Sum Payment" shall mean the lump-sum actuarial equivalent of the value of the single life annuity described in clause (A) of the foregoing sentence, based on the actuarial assumptions set forth in paragraph 3.5(vi i) and adjusted for the actual time of payment. Payment of such survivor annuity, if so elected, shall begin on the first day of the month following the later of (1) Executive's date of death or (2) the Retirement Date; provided, however, that if Executive was eligible to elect an Early Retirement Benefit as of the date of Executive's death, then Executive's surviving spouse shall be entitled to elect to receive the Spousal Lump-Sum Payment or commence to receive such survivor annuity as of the first day of the month next following the date of Executive's death, or as the first day of any subsequent month preceding the Retirement Date. Notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the benefit or payment of the Spousal Lump-Sum Payment, as the case may be, and each payment of such survivor annuity, or the amount of the Spousal Lump-Sum Payment, as the case may be, shall be reduced based on the principles used for the reductions descri bed in clauses (2) and (3) of the proviso to the third sentence of paragraph 3.5(iii). If such surviving spouse fails to make an election to receive a Spousal Lump-Sum Payment, the surviving spouse will be deemed to have elected to receive the survivor annuity.

(vi) <u>Unfunded Benefit</u>. 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 tr ustee 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 gen eral creditor of Company.

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

(viii) <u>Medicare Payroll Taxes</u>. 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."

Capitalized terms (and the term "CO system") used in this letter agreement are used with the same meanings ascribed to them in your employment agreement.

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

Sincerely,

CONTINENTAL AIRLINES, INC.

By: /s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President - Human

Resources and Labor Relations

Agreed:

/s/ Janet Wejman

Janet Wejman

EXHIBIT 10.6(b)

EARLY RETIREMENT AGREEMENT

This Early Retirement Agreement ("Agreement") is entered into between JANET WEJMAN ("Executive") and Continental Airlines, Inc. ("Continental" or the "Company"), and is effective on the Effective Date as defined below.

WHEREAS, Executive desires to retire; and

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

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

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

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

The terms of this Agreement are in addition to the terms contained in the Employment Agreement, and nothing herein shall affect any of Executive's or Continental's rights or obligations under the Employment Agreement, except as expressly set forth herein. Each of Executive and Continental agree that Executive's separation from employment with Continental is voluntary and shall be treated as a resignation by Executive pursuant to paragraph 2.3(vii) under the Employment Agreement, and as a retirement under Executive's outstanding stock option, restricted stock and Officer Retention and Incentive Award Program ("Retention Program") awards, with the date of such retirement being the Effective Date, but not as a retirement under the Continental Retirement Plan, unless Executive is otherwise eligible for retirement thereunder. Accordingly, pursuant to the Employment Agreement, Executive (and her spouse and eligible dependents, including future eligible dependents) shall, subject to the terms of the Employ ment Agreement, be provided Flight Benefits (as such term is defined in the Employment Agreement) for Executive's lifetime, and Executive and her spouse and eligible dependents, including future eligible dependents, shall be provided Continuation Coverage (as such term is defined in the Employment Agreement) for the remainder of Executive's lifetime.

In addition, Continental shall pay Executive the amount of $978,410 in a lump sum on the Effective Date, or if not a business day, on the next following business day (less applicable taxes).

In addition, Continental shall pay Executive the amount of her annual bonus for 2003 (based on the bonus program currently applicable to Executive, without any reduction), less applicable taxes, payable only if and when the Company's 2003 annual bonus is paid, and Continental shall pay executive the amount of her Long Term Incentive Performance Award Program compensation for the three-year Performance Period ending December 31, 2003 (without any reduction), less applicable taxes, payable only if and when the Company pays amounts under such Program for such Performance Period.

In addition, Continental shall provide Executive with credited years of service under the supplemental executive retirement plan described in paragraph 3.5 of the Employment Agreement ("SERP"), as if Executive had worked at Continental one additional year after the Effective Date. This will result in Executive receiving a total of two additional credited years of service under the SERP. Executive hereby elects, pursuant to paragraph 3.5(iii) of the Employment Agreement, to take an Early Retirement Benefit under the SERP in the form of a Lump-Sum Payment (as such terms are defined in the SERP) payable on the first day of the month following the Effective Date, and the Company hereby waives (i) the requirement that it receive such written election from Executive at least 15 days prior to the date of payment, and (ii) the 10% reduction in the amount of such payment otherwise provided for in the SERP. Executive shall be permitted to take an Early Retirement Benefit under the SERP as if Executive were a ge 55; however, the amount of the Lump-Sum Payment shall be actuarially adjusted to reflect Executive's actual age and actual time of payment in accordance with the terms of the SERP and based on the actuarial assumptions set forth in paragraph 3.5(vii) of the Employment Agreement.

In addition, Continental shall, at no expense to Executive, during her lifetime provide a parking space at Chicago O'Hare airport (ORD), for as long as Continental serves ORD and has such parking available to it.

Executive agrees that all her outstanding option grants, restricted stock grants and PARs awards under the Retention Program are listed on Exhibit A hereto. As provided in the applicable option grant documents, all options will vest effective on the Effective Date and Executive will have until the close of business one year after the Effective Date to exercise her options. At the close of business on the date that is one year after the Effective Date, all of Executive's options will expire whether or not exercised.

As provided in the applicable grant documents with respect to Executive's restricted stock, all shares of Executive's restricted stock will vest on the Effective Date.

As provided in the applicable award documents and the terms of the Retention Program, Executive's nonvested PARs under the Retention Program will vest on the Effective Date.

Except as otherwise provided in paragraph 3 above, no amounts will be payable to Executive with respect to her outstanding awards under the Company's Long Term Incentive Performance Award Program.

Executive represents and agrees that she will keep the terms, amount and fact of this Agreement completely confidential, and that she will not hereafter disclose any information concerning this Agreement to anyone, including, but not limited to, any past, present, or prospective employee or applicant for employment of the Company, except as required by law. Notwithstanding the foregoing, Executive may disclose the nature and terms of this Agreement to her legal or financial advisors and reveal its financial terms in credit or loan applications, and the like. Both parties agree that this Agreement is not and shall not be construed as an admission of any wrongdoing or liability on the part of either party.

Executive agrees, upon reasonable notice, to furnish such information and assistance, including but not limited to the provision of informal information, testimony at deposition and/or at trial, to Continental and its affiliates as Continental reasonably requests in connection with any potential or actual litigation in which it or any of its affiliates is, or may become, a party. Continental shall pay Executive an amount per day of assistance as the parties may reasonably agree, not to exceed an amount equal to Executive's base salary at Continental at December 11, 2003 divided by 250, and shall reimburse Executive for her reasonable expenses incurred in connection with rendering such assistance.

Executive agrees not to make any public statement concerning Continental or its subsidiaries or affiliates or its or their respective stockholders, officers, directors, employees or agents unless the statement is approved in advance in writing by Continental's public relations and legal departments. Executive agrees not to make any derogatory comments or references about Continental or its subsidiaries or affiliates, or their respective stockholders, officers, directors, employees or agents.

Executive acknowledges and agrees that Executive would not be entitled to certain of the payments and benefits provided for in this Agreement, including in paragraph 2 and paragraphs 4 through 8 of this Agreement (the "Separation Benefits"), upon Executive's voluntary termination of employment with the Company on the Effective Date in the absence of this Agreement.

In consideration of the Separation Benefits, Executive hereby releases Continental and each of its subsidiaries and affiliates and their respective stockholders, officers, directors, employees, representatives, agents and attorneys (collectively, "Releasees") from any and all claims or liabilities, known or unknown, of any kind, including, without limitation, any and all claims and liabilities relating to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, or relating to the cessation of such employment or under the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 1981, the Texas Commission on Human Rights Act, and any other statutory, tort, contract or common law cause of action, other than claims or liabilities arising from a breach by Continental of this Agreement or the Employment Agreement or of its obligations under Executive's outstanding award for the three-year Performance Period ending December 31, 2003 under the Company's Long Term Incentive Performance Award Program or grants of stock options or restricted stock or awards under the Retention Program. Continental hereby releases Executive from any and all claims or liabilities, known or unknown, of any kind in any way relating to or pertaining to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, other than fraud or intentional malfeasance harmful to Continental or any Releasee or claims arising from a breach by Executive of this Agreement or the Employment Agreement or Executive's obligations under Executive's outstanding award for the three-year Performance Period ending December 31, 2003 under the Company's Long Term Incentive Performance Award Program or Executive's outstanding grants of stock options or restricted stock or awards under the Retention Program. These releases are to be broadly constr ued in favor of the released persons. The releases in this paragraph do not apply to any rights or claims that may arise after the date of execution of this Agreement by Executive.

Notwithstanding the foregoing, the obligations created by this Agreement, the Employment Agreement, Executive's outstanding award for the three-year Performance Period ending December 31, 2003 under the Company's Long Term Incentive Performance Award Program and Executive's outstanding option grants, grants of restricted stock and awards under the Retention Program (PARs) are not released. Executive further agrees that the amounts and covenants contained herein are of greater value than anything to which Executive is already entitled, and Executive will not file or permit to be filed on her behalf any claim or lawsuit relating to her employment or its termination, other than to enforce the provisions of this Agreement, the Employment Agreement, Executive's outstanding award for the three-year Performance Period ending December 31, 2003 under the Company's Long Term Incentive Performance Award Program, the option grants, grants of restricted stock or the awards to Executive under the Retention Program . Executive understands and agrees that, except for any vested benefits she may have pursuant to the Employee Retirement Income Security Act, she will not be entitled to any other compensation beyond that which Continental has agreed to provide herein, in the Employment Agreement or pursuant to Executive's outstanding award for the three-year Performance Period under the Company's Long Term Incentive Performance Award Program, the option grants, grants of restricted stock or the awards to Executive under the Retention Program.

Executive has twenty-one (21) days to review and consider this Agreement. This Agreement will become effective, enforceable and irrevocable seven days after the date on which Executive signs it, or if later, January 1, 2004 (the "Effective Date"). During the seven-day period after Executive signs this Agreement, Executive may revoke this Agreement in writing addressed to the undersigned. Of course, if Executive exercises her right to revoke, this Agreement shall be null and void and she will forfeit her right to receive amounts or other benefits that would otherwise be paid or provided to her hereunder.

Executive represents and agrees that she has been advised to and had the opportunity to thoroughly discuss all aspects of this Agreement with her private attorney, that she has carefully read and fully understands all of the provisions of this Agreement, and that she is knowingly and voluntarily entering into this Agreement.

The parties acknowledge that, in the event of a breach of this Agreement, damages would not provide an adequate remedy and that the non-breaching party may seek specific performance of any provision contained herein. If any party to this Agreement brings legal action to enforce the terms of this Agreement, the party which prevails in such legal action, in addition to the remedy or relief obtained in such action, shall be entitled to recover its or her expenses incurred in connection with such legal action, including without limitation, costs of court and attorneys' fees.

The Company may withhold all applicable taxes from payments to be made hereunder.

Executive agrees to hold in confidence and not disclose to any person or otherwise misuse business plans, trade secrets, financial information, or any other Confidential or Proprietary Information of Continental or its subsidiaries or affiliates. "Confidential or Proprietary Information" means any information not generally known in the relevant trade or industry which was learned, discovered, developed, conceived, originated or prepared during Executive's employment with Continental or its subsidiaries or affiliates.

The terms and conditions of this Agreement constitute the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersede any and all prior agreements and understandings, written or oral, between the parties with respect thereto. This Agreement shall be governed by the laws of the State of Texas.

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

Date of execution by Executive: EXECUTIVE

January 16, 2003 /s/ Janet Wejman

Janet Wejman

CONTINENTAL AIRLINES, INC.

By: /s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President

Human Resources & Labor Relations

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between **CONTINENTAL AIRLINES, INC.**, a Delaware corporation ("Company"), and **J. DAVID GRIZZLE** ("Executive"), and is dated and effective as of July 25, 2000 (the "Effective Date").

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 September 16, 1999 (the "Existing Agreement"), which expires on September 16, 2002; and

WHEREAS, the Human Resources Committee of the Board of Directors of Company ("HR Committee") has deemed it advisable and in the best interests of Company and its stockholders to assure management continuity for Company and, consistent therewith, has authorized the execution, delivery and performance by Company of this Agreement;

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

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

ARTICLE 1: EMPLOYMENT AND DUTIES

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

1.2 **Position**. Company shall employ Executive in the position of Senior Vice President - Corporate Development, 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 for a three-year period beginning on the Effective Date. Said term of employment shall be extended automatically for an additional successive three-year period as of the third anniversary of the Effective Date and as of the last day of each successive three-year period of time thereafter that this Agreement is in effect; provided, however, that if, prior to the date which is six months before the last day of any such three-year term of employment, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on the last day of the three-year term of employment during which such notice is given.

2.2 **Company's Right to Terminate**. Notwithstanding the provisions of paragraph 2.1, Company, acting pursuant to an express resolution of the Board of Directors of Company (the "Board of Directors") or 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 HR 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) $315,000.00 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; provided, however, that Company shall not change, amend or discontinue Executive's Flight Benefits without his prior written consent.

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 24 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, 2000 ("Actual Years of Service"), (2) an additional one year of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 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) $315,000.00 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 E xecutive dated as of April 14, 1998, (iii) any Termination Payment paid to Executive under this Agreement, (iv) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (v) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company, and (vi) 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 to Executive, at the written election of Executive made at least 15 days prior to the first payment of benefits under the Plan, in either (1) the form of a single life annuity for the life of Executive, or (2) the form of a joint and survivor annuity that is actuarially equivalent to the benefit that would have been payable under the Plan to Executive if Executive was not married on such date, with Executive's spouse as of the date benefit payments commence being entitled during such spouse's lifetime after Executive's death to a benefit equal to 50% of the benefit payable to Executive during their joint lifetimes. If Executive fails to make such election, Executive will be deemed to have elected a joint and survivor annuity.

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, elected a joint and survivor annuity and began to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Da te; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive elected a joint and survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. 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 tr ustee 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 ge neral 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, except that (A) the benefits described in paragraph 3.5 shall continue to be payable, Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, Executive and his eligible dependents shall be provided Continuation Coverage (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, and (B) if such termination shall result from Company's delivery of the written notice described in paragraph 2.1, then Company shall (i) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination, (ii) pay Executive on or before the effective date of such termination a lump-sum, cash payment in an amount equal to the Termination Payment, (iii) provide Executive with Outplacement Services (as such term is defined in paragraph 4.7), and (iv) pay any amounts owed but unpaid to Executive under any plan, policy or program of Company as of the date of termination at the time provided by, and in accordance with the terms of, such plan, policy or program.

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

i. if such termination shall be for any reason other than those encompassed by paragraphs 2.2(i), (ii), (iii) or (iv), then Company shall provide Executive with the payments and benefits described in clauses (i) through (iv) of paragraph 4.1, and Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime; and

ii. if such termination shall be for a reason encompassed by paragraphs 2.2(i) or (ii), then Company shall (1) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days (or such longer period as provided for under the circumstances in applicable option awards) after such termination, and (2) if such termination shall be for a reason encompassed by paragraph 2.2(ii), provide Flight Benefits (as such term is defined in paragraph 4.7) to Executive for the remainder of Executive's lifetime.

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, Executive and his eligible dependents shall be provided Continuation Coverage 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 (i) through (iv) of paragraph 4.1.

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

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

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

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

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

(ii) "Change in Control" shall have the meaning assigned to such term in Company's Incentive Plan 2000 in effect on May 23, 2000;

(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 the coverage to Executive (or the receipt of equivalent benefits) shall be provided under one or more insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive, and provided further that the coverage to Executive under a particular welfare benefit plan (or the receipt of equivalent benefits) shall be suspended during any period that Executive receives co mparable benefits from a subsequent employer, and shall be reinstated upon Executive ceasing to so receive comparable benefits and notifying Company thereof;

(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 b y Executive, Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's names 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 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 or unpublished fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare, or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of t he actual fare class booked or flown, or as otherwise required by law) or resulting from any other flight benefits extended to Executive as a result of Executive's service as an executive of the Company;

i. "Outplacement Services" shall mean 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);

(vi) "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

(vii) "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 Execut ive 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 cha nge 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 or unpublished fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law, and reported to Executive as required by applicable law. With respect to any period for which the Company is obligated to provide the tax gross up described above, Executive will provide to the Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit the Company to calculate accurately the amount to be paid to Executive.

Executive will be issued a UATP card (or Similar Card), Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's names, 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: <u>MISCELLANEOUS</u>

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 : J. David Grizzle

____

____

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 **<u>Entire Agreement</u>.** Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.4(iii) and any awards under the Company's stock incentive plans or programs, Long Term Incentive Performance Award Program, Officer Retention and Incentive Award Program, Executive Bonus Performance Award Program or similar plans or programs, and (ii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement, as of the Effective Date, will constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement is hereby terminated and without any further force or effect. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charge d.

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

5.14 **<u>Certain Change in Control Matters</u>**. Executive agrees that any recapitalization, conversion, reclassification or similar transaction involving Class A common stock of Company owned by Northwest Airlines Corporation or its affiliates, or any acquisition by Company of Class A common stock owned by Northwest Airlines Corporation or its affiliates (whether or not involving other outstanding shares of Class A common stock), which results in a person who is an Institutional Investor (as defined in that certain Rights Agreement dated November 20, 1998, as amended by First Amendment to Rights Agreement dated as of February 8, 2000, between Company and Harris Trust and Savings Bank, as in effect on the date hereof) as of the date hereof and as of the date of any such recapitalization, conversion, reclassification, acquisition or similar transaction being or becoming the beneficial owner of securities of Company sufficient to otherwise trigger a Change in Control pursu ant to clause (aa) of Section 12 (c) of Company's Incentive Plan 2000, as in effect on the date hereof, shall not constitute a Change in Control for purposes of this Agreement, or for purposes of Company's stock incentive plans or programs, Long Term Incentive Performance Award Program, Officer Retention and Incentive Award Program, Executive Bonus Performance Award Program or similar plans or programs.

****

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

CONTINENTAL AIRLINES, INC.

By: <u>/s/ Michael H. Campbell</u>

Michael H. Campbell

Senior Vice President - Human Resources

and Labor Relations

"EXECUTIVE"

<u>/s/ J. David Grizzle</u>

J. David Grizzle

EXHIBIT 10.9(a)

CONTINENTAL AIRLINES, INC.

1600 SMITH

HOUSTON, TX 77002

April 9, 2002

Dear Mr. Grizzle:

You currently have Flight Benefits and a supplemental executive retirement plan pursuant to your employment agreement with Continental Airlines, Inc. (the "Company") or a subsidiary of the Company.

The Human Resources Committee of the Board of Directors has authorized the amendment of your Flight Benefits and your supplemental executive retirement plan as set forth in this letter agreement.

Your Flight Benefits and your supplemental executive retirement benefits are modified as follows:

1. The Company agrees that each of your spouse and your children will receive lifetime Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in their names for use on the CO system, and (subject to the terms and conditions of membership, including minimum age requirements) lifetime membership in the Company's President's Club (or any successor program maintained in the CO system).
2. Upon your death, your surviving spouse and children will be permitted, in the aggregate, to continue to use (in the proportions specified in your last will and testament or, if not so specified or if you die intestate, in equal proportions) your Flight Benefits on the CO system (out of any amounts unused by you at the date of your death) for up to a total amount of $50,000 in value of flights (in any fare class) on the CO system, valued identically to the valuation of flights as currently contained in your Flight Benefits, which amount shall adjust automatically upon any change in the valuation methodology, from and after the date hereof, for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of the date hereof), so as to preserve the benefit of $50,000 of flights relative to the valuations resulting from the valuation methodology used by the Company as of the date hereof (e.g., if a change in the valuation methodology results, o n average, in such flights being valued 10% higher than the valuation that would result using the valuation methodology used by the Company as of the date hereof, then such amount would be increased by 10% to $55,000). The Company will promptly notify you in writing of any adjustments to such amount.
3. You agree that your Flight Benefits are intended to be used principally for personal reasons and may not be used for business purposes (other than business purposes on behalf of the Company, and other than business usage that is incidental or de minimus, defined as amounting to less than 10% of the total value (valued as described in paragraph 2 above) of flights on the CO System charged to your UATP card (or any Similar Card) during any year), and that credit availability on your UATP card (or any Similar Card) may be suspended if your UATP card (or any Similar Card) is used for business purposes other than as described above and, after receiving written notice from the Company to cease such usage, you continue to use your UATP card (or any Similar Card) for such business purposes.
4. Section 3.5 of your employment agreement (your supplemental executive retirement plan) is hereby amended to read in its entirety as follows:

"3.5 <u>Supplemental Executive Retirement Plan</u>.

(i) <u>Base Benefit</u>. 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 24 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, 2000 ("Actual Years of Service"), (2) an additional one year of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginnin g 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) $315,000.00 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, (iii) any Termination Payment paid to Executive under this Agreement, (iv) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (v) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company, and (vi) any cash bonus paid under a long term incentive plan or program adopted by Company. Executive shall be vested immediately with respect to benefits due under the Plan.

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

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

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

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive, at such spouse's written election made within 90 days after Executive's death, either (A) a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, elected a joint and survivor annuity and began to receive Executive's Plan ben efit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive elected a joint and survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to

Executive's death, or (B) a Spousal Lump-Sum Payment less 10% of such sum (provided, however, that the HR Committee may, in its sole and absolute discretion, waive all or any part of such 10% reduction), which shall be paid as a lump-sum in cash on the date that the first payment of the single life annuity described in clause (A) of this sentence would have been paid if the surviving spouse had elected to receive such single life annuity. As used herein, "Spousal Lump-Sum Payment" shall mean the lump-sum actuarial equivalent of the value of the single life annuity described in clause (A) of the foregoing sentence, based on the actuarial assumptions set forth in paragraph 3.5(vi i) and adjusted for the actual time of payment. Payment of such survivor annuity, if so elected, shall begin on the first day of the month following the later of (1) Executive's date of death or (2) the Retirement Date; provided, however, that if Executive was eligible to elect an Early Retirement Benefit as of the date of Executive's death, then Executive's surviving spouse shall be entitled to elect to receive the Spousal Lump-Sum Payment or commence to receive such survivor annuity as of the first day of the month next following the date of Executive's death, or as the first day of any subsequent month preceding the Retirement Date. Notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the benefit or payment of the Spousal Lump-Sum Payment, as the case may be, and each payment of such survivor annuity, or the amount of the Spousal Lump-Sum Payment, as the case may be, shall be reduced based on the principles used for the reductions descri bed in clauses (2) and (3) of the proviso to the third sentence of paragraph 3.5(iii). If such surviving spouse fails to make an election to receive a Spousal Lump-Sum Payment, the surviving spouse will be deemed to have elected to receive the survivor annuity.

(vi) Unfunded Benefit. The Plan is intended to constitute an unfunded, unsecured plan of deferred compensation. Further, it is the intention of Company that the Plan be unfunded for purposes of the Internal Revenue Code of 1986, as amended, and Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan constitutes a mere promise by Company to make benefit payments in the future. Plan benefits hereunder provided are to be paid out of Company's general assets, and Executive shall have the status of, and shall have no better status than, a general unsecured creditor of Company. Executive understands that he must rely upon the general credit of Company for payment of benefits under the Plan. Company shall establish a "rabbi" trust to assist Company in meeting its obligations under the Plan. The trustee of such trust shall be a nationally-recognized and solvent bank or trust company that is not affiliated with Company. Company shall transfer to the tr ustee 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 gen eral creditor of Company.

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

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

Capitalized terms (and the term "CO system") used in this letter agreement are used with the same meanings ascribed to them in your employment agreement.

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

Sincerely,

CONTINENTAL AIRLINES, INC.

By: /s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President - Human

Resources and Labor Relations

Agreed:

/s/ J. David Grizzle

J. David Grizzle

EXHIBIT 10.15(b)

RESOLUTION OF THE

HUMAN RESOURCES COMMITTEE

DECEMBER 10, 2003

Amendment of Executive Bonus Performance Award Program

RESOLVED, pursuant to section 8 of the Company's Executive Bonus Performance Award Program, as amended (the "Turbo Program"), that section 2 of the Turbo Program is hereby amended to add the following sentence at the end of such section 2:

> "Notwithstanding the foregoing, there shall be no Participants in the Program with respect to fiscal year 2004."

it being the intent of this Committee that no Performance Award (as such term is defined in the Company's Incentive Plan 2000) shall be made under the Turbo Program to any person with respect to fiscal year 2004.

EXHIBIT 10.17(b)

RESOLUTION OF THE

HUMAN RESOURCES COMMITTEE

DECEMBER 10, 2003

Amendment of Long Term Incentive Performance Award Program

RESOLVED, pursuant to section 7.2 of the Company's Long Term Incentive Performance Award Program, as amended (the "LTIP Program"), that section 4.1 of the LTIP Program is hereby amended to add the following sentence at the end of such section 4.1:

> "Notwithstanding the foregoing, there shall be no Award made under the Program with respect to the Performance Period commencing January 1, 2004 and ending December 31, 2006."

it being the intent of this Committee that no Award (as such term is defined in the LTIP Program) shall be made under the LTIP Program for the Performance Period commencing on January 1, 2004 and ending December 31, 2006.

EXHIBIT 10.23(ae)

Supplemental Agreement No. 30

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 Nov 4, 2003, by and between THE BOEING COMPANY (Boeing) and Continental Airlines, Inc. (Buyer);

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

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]**

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]**

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

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

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

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]**

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]**

WHEREAS, Boeing and Customer have mutually agreed to 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 concurrently amend the Purchase Agreement, Purchase Agreement Number 2061, Purchase Agreement Number 2211 and Purchase Agreement Number 2333 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. <u>Table of Contents, Articles, Tables and Exhibits</u>:

1.1 Remove and replace, in its entirety, the "<u>Table of Contents</u>", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 30.

1.2 Remove and replace, in its entirety, page T-2-2 of Table 1 entitled, "Aircraft Deliveries and Descriptions, Model 737-700 Aircraft", with revised page T-2-2 Table 1, attached hereto, to reflect 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-3-3 and page T-3-4 of Table 1 entitled, "Aircraft Deliveries and Descriptions, Model 737-800 Aircraft", with revised page T-3-3 and page T-3-4 of Table 1, attached hereto, to reflect the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

1.4 Remove and replace, in its entirety, page T-5-2 of Table 1 entitled, "Aircraft Deliveries and Descriptions, Model 737-900 Aircraft", with revised pages T-5-2 of Table 1, attached hereto, to reflect the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2. Letter Agreements:

2.1 Remove and replace, in its entirety, Letter Agreement 1951-3R17, "Option Aircraft - Model 737-824 Aircraft", with the revised Letter Agreement 1951-3R18 attached hereto, to reflect the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2.2 Remove and replace, in its entirety, Letter Agreement 1951-9R14, "Option Aircraft - Model 737-724 Aircraft", with the revised Letter Agreement 1951-9R15 attached hereto, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2.3 Remove and replace, in its entirety, Letter Agreement 1951-12R4, "Option Aircraft - Model 737-924 Aircraft", with the revised Letter Agreement 1951-12R5 attached hereto, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2.4 Letter Agreement 6-1162-CHL-195, "Restructure Agreement for Model 737NG and 757-300 Aircraft" is hereby incorporated.

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/ Michael S. Anderson By: /s/ Gerald Laderman

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

Finance and Treasurer

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Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-700 Aircraft

[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

[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

[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 737-900 Aircraft

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

1951-9R15

November 4, 2003

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 77002

Subject: Letter Agreement No. 1951-9R15 to Purchase Agreement No. 1951 - Option Aircraft - Model 737-724 Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-724 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-9R14 dated April 1, 2003.

All terms used and not defined herein shall have the same meaning as in the Agreement.

In consideration of Buyer's purchase of the Aircraft, Boeing hereby agrees to manufacture and sell up to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** additional Model 737-724 Aircraft (the Option Aircraft) to Buyer, on the same terms and conditions set forth in the Agreement, except as otherwise described in Attachment A hereto, and subject to the terms and conditions set forth below.

1. Delivery.

The Option Aircraft will be delivered to Buyer during or before the months set forth in the following schedule:

Month and Year Number of

of Delivery_ Option Aircraft

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

2. Price.

The basic price of the Option Aircraft shall be the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, Buyer has paid a deposit to Boeing of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for each Option Aircraft (the Option Deposit) prior to the date of this Letter Agreement. If Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Agreement.

If Buyer does not exercise its option to purchase a particular Option Aircraft pursuant to the terms and conditions set forth herein, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

4. Option Exercise.

To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

Option Aircraft Option Exercise Date

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

5. Contract Terms.

Within thirty (30) days after Buyer exercises an option to purchase Option Aircraft pursuant to paragraph 4 above, Boeing and Buyer will use their best reasonable efforts to enter into a supplemental agreement amending the Agreement to add the applicable Option Aircraft to the Agreement as a firm Aircraft (the Option Aircraft Supplemental Agreement).

If the parties have not entered into such an Option Aircraft Supplemental Agreement within the time period contemplated herein, either party shall have the right, exercisable by written or telegraphic notice given to the other within ten (10) days after such period, to cancel the purchase of such Option Aircraft.

6. Cancellation of Option to Purchase.

Either Boeing or Buyer may cancel the option to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this Letter Agreement, or in the Agreement, as the case may be:

(i) purchase of the Aircraft under the Agreement for any reason not attributable to the cancelling party;

(ii) payment by Buyer of the Option Deposit with respect to such Option Aircraft pursuant to paragraph 3 herein; or

(iii) exercise of the option to purchase such Option Aircraft pursuant to the terms hereof.

Any cancellation of an option to purchase by Boeing which is based on the termination of the purchase of an Aircraft under the Agreement shall be on a one-for-one basis, for each Aircraft so terminated.

Cancellation of an option to purchase provided by this letter agreement shall be caused by either party giving written notice to the other within ten (10) days after the respective date in question. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the option to purchase has been cancelled shall thereupon terminate.

If an option is cancelled as provided above, Boeing shall promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft. Boeing shall be entitled to retain the Option Deposit unless cancellation is attributable to Boeing's fault, in which case the Option Deposit shall also be returned to Buyer without interest.

7. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft that are added to the Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Agreement.

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/ Michael S. Anderson

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: Nov 4, 2003

CONTINENTAL AIRLINES, INC.,

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment

Model 737-724 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification D6-38808-42 Revision A, dated as of November 1, 1998, as amended and revised pursuant to the Agreement.

1.2 Changes. The Option Aircraft Detail Specification shall be revised to include:

(1) Changes applicable to the basic Model 737-700 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of a Supplemental Agreement for the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

1.3 Effect of Changes. Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

2. Price Description.

2.1 Price Adjustments.

2.1.1 Base Price Adjustments. The Base Airplane Price (pursuant to Article 3 of the Agreement) of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then-current prices as of the date of execution of the Supplemental Agreement for the Option Aircraft.

2.1.2 Special Features. The price for Special Features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the Supplemental Agreement for the Option Aircraft **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2.1.3 Escalation Adjustments. The Base Airframe and Special Features price will be escalated according to the applicable airframe and engine manufacturer escalation provisions contained in Exhibit D of the Agreement.

2.1.4 Price Adjustments for Changes. Boeing may adjust the Aircraft Basic Price and the Advance Payment Base Prices for Option Aircraft for any changes mutually agreed upon by Buyer and Boeing subsequent to the date that Buyer and Boeing enter into the Supplemental Agreement for the Option Aircraft.

2.1.5 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Detail Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** of such price.

3. Advance Payments.

3.1 If Buyer exercises its right under this letter agreement to acquire an Option Aircraft, Buyer shall pay to Boeing advance payments for such Option Aircraft pursuant to the schedule for payment of advance payments provided in the Agreement.

1951-12R5

November 4, 2003

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Option Aircraft - Model 737-924 Aircraft

Reference: Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-924 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-12R4 dated March 29, 2002.

Boeing agrees to manufacture and sell to Buyer up to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** additional Model 737-924 aircraft (the Option Aircraft), on the same terms and conditions set forth in the Agreement, subject to the terms and conditions set forth below. 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 737 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of the supplemental agreement to purchase the Option Aircraft;

(ii) Changes required to obtain required regulatory certificates; and

(iii)Changes mutually agreed upon.

1.3 Effect of Changes: Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

2. Price.

2.1 The pricing elements of the Option Aircraft are listed in the Attachment.

2.2 Price Adjustments.

2.2.1 Special Features. The price for Special Features selected for the Option Aircraft will be adjusted to Boeing's current prices as of the date of execution of the supplemental agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. The Base Airplane Price and the price of Special Features for Option Aircraft delivering before **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** will be escalated on the same basis as the Aircraft.

2.2.3 Base Price Adjustments. The Base Airplane Price of the Option Aircraft delivering before **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** will be adjusted to Boeing's then current prices as of the date of execution of the supplemental agreement for the Option Aircraft.

3. Payment.

3.1 Buyer has paid a deposit to Boeing in the amount shown in the Attachment for each Option Aircraft (the Option Deposit) prior to the date of this Letter Agreement. If Buyer exercises an option, the Option Deposit applicable to such aircraft will be credited against the first advance payment due for such aircraft. If Buyer does not exercise an option, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

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.

4.1 To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

Option Aircraft Option Exercise Date

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

4.2 If Boeing must make production decisions which are dependent on Buyer exercising an option earlier than the Option Exercise Date, Boeing may accelerate the Option Exercise Date in which case Boeing shall give Buyer prior written notice thereof and such acceleration shall be subject to Buyer's agreement. If Boeing and Buyer fail to agree to a revised Option Exercise Date, either party may terminate the option **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

5. Contract Terms.

Boeing and Buyer 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 a supplemental agreement to the Agreement, and other terms and conditions as may be agreed upon. In the event the parties have not entered into a supplemental 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]**

6. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft that are added to the Agreement by an Option Aircraft supplemental agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Agreement.

Very truly yours,

THE BOEING COMPANY

By /s/ Michael S. Anderson

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: November 4, 2003

CONTINENTAL AIRLINES, INC.

By /s/Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment

Attachment to

Letter Agreement 1951-12R5 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]

6-1162-CHL-195

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Restructure Agreement for Model 737NG and 757-300 Aircraft

Reference: Purchase Agreement Nos. 1951, 2061, 2211 and 2333 (the Purchase Agreement or the Purchase Agreements) between The Boeing Company (Boeing) and Continental Airlines, Inc. relating to Model 737-700, 737-800, 737-900 and 757-300 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreements. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreements.

1. Rescheduled Delivery and Substitution of Aircraft.

Customer has requested and Boeing has agreed to a further reschedule of the delivery dates for certain Aircraft and substitution of certain Aircraft (collectively referred to as the Restructured Aircraft hereinafter) as set forth in Attachment A and the Supplemental Agreements to the respective Purchase Agreements. Customer shall take delivery of each Restructured Aircraft in accordance with the terms of the respective Purchase Agreement and the revised delivery dates specified in Table 1 to the respective Purchase Agreement.

2. Rescheduled Model 737 Aircraft Charges.

Customer shall pay Boeing Thirteen Million Five Hundred Thousand Dollars ($13,500,000) in consideration of the costs for rescheduling the Model 737 Aircraft. Customer shall pay this amount in accordance with the following schedule:

[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. Advance Payment Matters.

4.1 Advance Payments Adjustments for Restructured Aircraft. Advance Payment Base Prices and advance payment schedules for the Restructured Aircraft will be adjusted to reflect the revised delivery schedule and use the latest escalation factors available to Boeing. Boeing will retain all advance payments received to date for these Restructured Aircraft and shall apply these retained advance payments to Customer's advance payment requirements as mutually agreed to by Customer and Boeing.

4.2 Option Deposit Allocation for Cancelled 757-300 Option Aircraft. Boeing will retain all Option Deposits received to date for the eleven (11) cancelled 757-300 Option Aircraft and shall apply these retained Option Deposits to Customer's advance payment requirements as mutually agreed to by Customer and Boeing.

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

7. Right of First Refusal for Additional Aircraft Requirements.

In recognition of the significant financial impact to Boeing resulting from rescheduling and substitution of these Restructured Aircraft, Customer hereby agrees to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. The foregoing right of first refusal shall not be construed to apply to the following aircraft or transactions:

a. aircraft acquired by Customer through a merger with or acquisition of a certified air carrier (or all or substantially all of such air carrier's assets so long as a material portion of the assets being acquired consist of assets other than aircraft) operating such aircraft at the time of merger or acquisition, or having firm purchase agreements for the acquisition thereof; or
b. the renegotiation by Customer of aircraft leases with unexpired lease terms whereby Customer chooses to replace older leased aircraft with newer leased aircraft provided by one or more third parties or to reduce the number of leased aircraft in Customer's fleet, so long as after giving effect to such transactions, there is no material net increase in the lease term or the number of leased aircraft in Customer's fleet or a resulting adverse impact on Customer's acquisition of the Restructured Aircraft; or
c. aircraft currently leased by the Customer or any of its subsidiaries (including any extensions of the lease term or purchase of such aircraft).

8. BFE/SPE and Vendor Charges.

Customer shall be solely responsible for payment of any BFE/SPE or vendor price changes resulting from the substitution and rescheduling of these Restructured Aircraft.

9. Option Aircraft.

9.1 Customer's Model 737 Option Aircraft delivery positions are hereby revised in accordance with the schedule in Attachment B to this Letter Agreement to accommodate Customer's request and changes to Boeing's production schedules necessitated by the rescheduling of the Restructured Aircraft.

9.2 Boeing and Customer hereby agree to substitute twelve (12) Model 737-900 Option Aircraft for two (2) Model 777-200ER Option Aircraft and two (2) Model 767-200ER Option Aircraft as specified in Attachment B. Option Deposits on the

Model 777-200ER and Model 767-200ER Option Aircraft totaling One Million Two Hundred Thousand Dollars ($1,200,000) will be applied to the Model 737-900 Option Aircraft at One Hundred Thousand Dollars ($100,000) per Aircraft.

10. Confidential Treatment.

Customer understands that Boeing considers certain commercial and financial information contained in this Letter Agreement and the attachments hereto as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, 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; provided that the Customer may disclose this Letter Agreement to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for the purpose of obtaining its consent (if any such consent is required) under the Credit Agreement dated as of January 12, 2001.

Very truly yours,

THE BOEING COMPANY

By /s/ Charles H. Leach

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: November 4, 2003

Continental airlines, inc.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

RESCHEDULED AIRCRAFT

Model 737-724 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	31664		
2	31637		
3	32827		
4	31638	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
5	32826		
6	31639		
7	31665		
8	33456		
9	31666		
10	33457		
11	32828		
12	33459		
13	33458		
14	33460		
15	32829		

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Model 737-824 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	33453	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	34000		
3	34001		
4	34002		
5	34003		
6	34004		
7	34005		
8	31602		
9	33461		
10	32834		
11	31603		
12	31604		
13	32832		
14	31605		
15	31633		
16	32833		
17	32835		
18	32836		
19	33527		
20	33528		
21	33529		
22	33530		
23	33531		
24	33532		
25	33533		
26	33534		
27	33535		
28	33536		
29	33537		

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Model 737-924 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	30130	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	30131		
3	30132		

Model 757-324 Aircraft

	Manufacturer's Serial	Original Schedule	Revised Schedule

	No.	Month	Month
1	32815	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	32816		
3	32817		
4	32818		
5	32819		
6	32820		
7	32821		
8	32822		
9	32823		
10	32824		

Notes:

Pursuant to Customer's request, six (6) 737-824 Aircraft were added as substitutions for six (6) 757-324 Aircraft.

OPTION AIRCRAFT

Model 737-724 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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Model 737-824 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1			
2	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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<u>Model 737-924 Option Aircraft</u>

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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<u>Model 757-324 Option Aircraft</u>

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH**		
2	**THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A**		
3	**REQUEST FOR CONFIDENTIAL TREATMENT]**		
4			
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11			

Model 767-224 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH**		
2	**THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		

Model 777-224 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH**		
2	**THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		

Notes:

Pursuant to Customer's request, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

EXHIBIT 10.26(j)

Supplemental Agreement No. 10

to

Purchase Agreement No. 2061

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 777 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of Nov. 4, 2003, by and between THE BOEING COMPANY (Boeing) and Continental Airlines, inc. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2061 dated October 10, 1997, (the Purchase Agreement) relating to Boeing Model 777-200ER Aircraft, (the Aircraft); and

WHEREAS, Boeing and Customer have mutually agreed to substitute into seven (7) 737-900 option aircraft and out of two (2) 777-200ER Option Aircraft; and

WHEREAS, Boeing and Customer have mutually agreed to concurrently amend the Purchase Agreement, Purchase Agreement Number 1951, Purchase Agreement Number 2211 and Purchase Agreement Number 2333 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, Table and Exhibit:

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. 10.

2. Letter Agreements:

2.1 Remove and replace, in its entirety, Letter Agreement 2061-1R6 "Option Aircraft", with the revised Letter Agreement 2061-1R7 attached hereto, to reflect **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2.2 Letter Agreement 6-1162-CHL-195, "Restructure Agreement for Model 737NG and 757-300 Aircraft" which describes the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

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/Michael S. Anderson By: /s/ Gerald Laderman

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

Finance and Treasurer

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

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Nov. 4, 2003

2061-1R7

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Option Aircraft

Reference: Purchase Agreement No. 2061 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 777-200ER 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. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 2061-1R6 dated June 25, 2002.

Boeing agrees to manufacture and sell to Customer additional Model 777-200ER 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 777 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

i. 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 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 June, 2007, will be escalated on the same basis as the Aircraft.

The engine manufacturer's current escalation provisions, are not listed in this Purchase Agreement. The engine escalation provisions will be revised to reflect the engine manufacturer's current escalation provisions at signing of the 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 June, 2007, 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 777-200ER aircraft and engines for delivery from June, 2007 and thereafter. When prices and the pricing bases are established for the Model 777-200ER aircraft delivering from June, 2007 and thereafter, the information listed in the Attachment will be appropriately amended.

3. Payment.

3.1 Customer has paid a deposit to Boeing in the amount shown in the Attachment opposite the caption "Non-Refundable Deposit per Aircraft" for each Option Aircraft (the Option Deposit), prior to the date of this Letter Agreement. If Customer exercises an option, the Option Deposit will be credited against the first advance payment due. If Customer does not exercise an option, Boeing will retain the Option Deposit for that Option Aircraft.

3.2 Following option exercise, advance payments in the amounts and at the times listed in the Attachment in the columns under the caption "Advance Payment Per Aircraft" 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 18 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 if Customer execises its option to acquire such 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. If 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/Michael S. Anderson

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: Nov. 4, 2003

Continental Airlines, Inc.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment

Attachment to Letter Agreement 2061-1R7

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]

6-1162-CHL-195

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Restructure Agreement for Model 737NG and 757-300 Aircraft

Reference: Purchase Agreement Nos. 1951, 2061, 2211 and 2333 (the Purchase Agreement or the Purchase Agreements) between The Boeing Company (Boeing) and Continental Airlines, Inc.

relating to Model 737-700, 737-800, 737-900 and 757-300 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreements. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreements.

1. Rescheduled Delivery and Substitution of Aircraft.

Customer has requested and Boeing has agreed to a further reschedule of the delivery dates for certain Aircraft and substitution of certain Aircraft (collectively referred to as the Restructured Aircraft hereinafter) as set forth in Attachment A and the Supplemental Agreements to the respective Purchase Agreements. Customer shall take delivery of each Restructured Aircraft in accordance with the terms of the respective Purchase Agreement and the revised delivery dates specified in Table 1 to the respective Purchase Agreement.

2. Rescheduled Model 737 Aircraft Charges.

Customer shall pay Boeing Thirteen Million Five Hundred Thousand Dollars ($13,500,000) in consideration of the costs for rescheduling the Model 737 Aircraft. Customer shall pay this amount in accordance with the following schedule:

[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. Advance Payment Matters.

4.1 Advance Payments Adjustments for Restructured Aircraft. Advance Payment Base Prices and advance payment schedules for the Restructured Aircraft will be adjusted to reflect the revised delivery schedule and use the latest escalation factors available to Boeing. Boeing will retain all advance payments received to date for these Restructured Aircraft and shall apply these retained advance payments to Customer's advance payment requirements as mutually agreed to by Customer and Boeing.

4.2 Option Deposit Allocation for Cancelled 757-300 Option Aircraft. Boeing will retain all Option Deposits received to date for the eleven (11) cancelled 757-300 Option Aircraft and shall apply these retained Option Deposits to Customer's advance payment requirements as mutually agreed to by Customer and Boeing.

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

7. Right of First Refusal for Additional Aircraft Requirements.

In recognition of the significant financial impact to Boeing resulting from rescheduling and substitution of these Restructured Aircraft, Customer hereby agrees to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. The foregoing right of first refusal shall not be construed to apply to the following aircraft or transactions:

a. aircraft acquired by Customer through a merger with or acquisition of a certified air carrier (or all or substantially all of such air carrier's assets so long as a material portion of the assets being acquired consist of assets other than aircraft) operating such aircraft at the time of merger or acquisition, or having firm purchase agreements for the acquisition thereof; or
b. the renegotiation by Customer of aircraft leases with unexpired lease terms whereby Customer chooses to replace older leased aircraft with newer leased aircraft provided by one or more third parties or to reduce the number of leased aircraft in Customer's fleet, so long as after giving effect to such transactions, there is no material net increase in the lease term or the number of leased aircraft in Customer's fleet or a resulting adverse impact on Customer's acquisition of the Restructured Aircraft; or
c. aircraft currently leased by the Customer or any of its subsidiaries (including any extensions of the lease term or purchase of such aircraft).

8. BFE/SPE and Vendor Charges.

Customer shall be solely responsible for payment of any BFE/SPE or vendor price changes resulting from the substitution and rescheduling of these Restructured Aircraft.

9. Option Aircraft.

9.1 Customer's Model 737 Option Aircraft delivery positions are hereby revised in accordance with the schedule in Attachment B to this Letter Agreement to accommodate Customer's request and changes to Boeing's production schedules necessitated by the rescheduling of the Restructured Aircraft.

9.2 Boeing and Customer hereby agree to substitute twelve (12) Model 737-900 Option Aircraft for two (2) Model 777-200ER Option Aircraft and two (2) Model 767-200ER Option Aircraft as specified in Attachment B. Option Deposits on the Model 777-200ER and Model 767-200ER Option Aircraft totaling One Million Two Hundred Thousand Dollars ($1,200,000) will be applied to the Model 737-900 Option Aircraft at One Hundred Thousand Dollars ($100,000) per Aircraft.

10. Confidential Treatment.

Customer understands that Boeing considers certain commercial and financial information contained in this Letter Agreement and the attachments hereto as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, 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; provided that the Customer may disclose this Letter Agreement to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for the purpose of obtaining its consent (if any such consent is required) under the Credit Agreement dated as of January 12, 2001.

Very truly yours,

THE BOEING COMPANY

By /s/ Charles H. Leach

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: November 4, 2003

Continental airlines, inc.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

RESCHEDULED AIRCRAFT

Model 737-724 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	31664		
2	31637		
3	32827		
4	31638	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
5	32826		
6	31639		
7	31665		
8	33456		
9	31666		
10	33457		
11	32828		
12	33459		
13	33458		
14	33460		
15	32829		

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Model 737-824 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	33453	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	
2	34000		
3	34001		
4	34002		
5	34003		
6	34004		
7	34005		
8	31602		
9	33461		
10	32834		
11	31603		
12	31604		
13	32832		
14	31605		
15	31633		
16	32833		
17	32835		
18	32836		
19	33527		
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22	33530		
23	33531		
24	33532		
25	33533		
26	33534		
27	33535		
28	33536		
29	33537		

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Model 737-924 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	30130	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	
2	30131		
3	30132		

Model 757-324 Aircraft

	Manufacturer's Serial No.	**Original Schedule Month**	**Revised Schedule Month**
1	32815	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	32816		
3	32817		
4	32818		
5	32819		
6	32820		
7	32821		
8	32822		
9	32823		
10	32824		

Notes:

Pursuant to Customer's request, six (6) 737-824 Aircraft were added as substitutions for six (6) 757-324 Aircraft.

OPTION AIRCRAFT

Model 737-724 Option Aircraft

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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Model 737-824 Option Aircraft

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1			
2	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A**		
3			

REQUEST FOR CONFIDENTIAL TREATMENT]

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Model 737-924 Option Aircraft

Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**

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

Model 757-324 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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Model 767-224 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
2			

Model 777-224 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
2			

Notes:

Pursuant to Customer's request, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

EXHIBIT 10.27(g)

Supplemental Agreement No. 7

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 November 4, 2003, by and between THE BOEING COMPANY (Boeing) and Continental Airlines, Inc. (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 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 concurrently amend the Purchase Agreement and Purchase Agreement Number 1951 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 revised "Table of Contents", attached hereto, to reflect the changes made by this Supplemental Agreement No. 7.

2. Letter Agreements:

2.1 Letter Agreement 2211-01R4, "Option Aircraft" is hereby deleted to reflect the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2.2 Letter Agreement 6-1162-CHL-195, "Restructure Agreement for Model 737NG and 757-300 Aircraft" which describes **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

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/ Charles H. Leach By:/s/ Gerald Laderman

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

and Treasurer

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6-1162-JMG-0090 Promotion Support

6-1162-JMG-0092R2 Special Matters SA No. 4

6-1162-CHL-034 **[CONFIDENTIAL MATERIAL** SA No. 5

OMITTED AND FILED SEPARATELY

WITH THE SECURITIES AND EXCHANGE

COMMISSION PURSUANT TO A REQUEST

FOR CONFIDENTIAL TREATMENT]

6-1162-CHL-048 Rescheduled Aircraft Agreement SA No. 6

6-1162-CHL-195 Restructure Agreement for Model SA No. 7

737NG and 757-300 Aircraft

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<u>SUPPLEMENTAL AGREEMENTS</u> <u>Dated as of:</u>

Supplemental Agreement No. 1 July 2, 1999

Supplemental Agreement No. 2 October 31, 2000

Supplemental Agreement No. 3 February 14, 2001

Supplemental Agreement No. 4 April 10, 2001

Supplemental Agreement No. 5 August 31, 2001

Supplemental Agreement No. 6 August 5, 2002

Supplemental Agreement No. 7 November 4, 2003

6-1162-CHL-195

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Restructure Agreement for Model 737NG and 757-300 Aircraft

Reference: Purchase Agreement Nos. 1951, 2061, 2211 and 2333 (the Purchase Agreement or the Purchase Agreements) between The Boeing Company (Boeing) and Continental Airlines, Inc. relating to Model 737-700, 737-800, 737-900 and 757-300 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreements. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreements.

1. Rescheduled Delivery and Substitution of Aircraft.

Customer has requested and Boeing has agreed to a further reschedule of the delivery dates for certain Aircraft and substitution of certain Aircraft (collectively referred to as the Restructured Aircraft hereinafter) as set forth in Attachment A and the Supplemental Agreements to the respective Purchase Agreements. Customer shall take delivery of each Restructured Aircraft in accordance with the terms of the respective Purchase Agreement and the revised delivery dates specified in Table 1 to the respective Purchase Agreement.

2. Rescheduled Model 737 Aircraft Charges.

Customer shall pay Boeing Thirteen Million Five Hundred Thousand Dollars ($13,500,000) in consideration of the costs for rescheduling the Model 737 Aircraft. Customer shall pay this amount in accordance with the following schedule:

[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. Advance Payment Matters.

4.1 Advance Payments Adjustments for Restructured Aircraft. Advance Payment Base Prices and advance payment schedules for the Restructured Aircraft will be adjusted to reflect the revised delivery schedule and use the latest escalation factors available to Boeing. Boeing will retain all advance payments received to date for these Restructured Aircraft and shall apply these retained advance payments to Customer's advance payment requirements as mutually agreed to by Customer and Boeing.

4.2 Option Deposit Allocation for Cancelled 757-300 Option Aircraft. Boeing will retain all Option Deposits received to date for the eleven (11) cancelled 757-300 Option Aircraft and shall apply these retained Option Deposits to Customer's advance payment requirements as mutually agreed to by Customer and Boeing.

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

7. Right of First Refusal for Additional Aircraft Requirements.

In recognition of the significant financial impact to Boeing resulting from rescheduling and substitution of these Restructured Aircraft, Customer hereby agrees to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. The foregoing right of first refusal shall not be construed to apply to the following aircraft or transactions:

a. aircraft acquired by Customer through a merger with or acquisition of a certified air carrier (or all or substantially all of such air carrier's assets so long as a material portion of the assets being acquired consist of assets other than aircraft) operating such aircraft at the time of merger or acquisition, or having firm purchase agreements for the acquisition thereof; or
b. the renegotiation by Customer of aircraft leases with unexpired lease terms whereby Customer chooses to replace older leased aircraft with newer leased aircraft provided by one or more third parties or to reduce the number of leased aircraft in Customer's fleet, so long as after giving effect to such transactions, there is no material net increase in the lease term or the number of leased aircraft in Customer's fleet or a resulting adverse impact on Customer's acquisition of the Restructured Aircraft; or
c. aircraft currently leased by the Customer or any of its subsidiaries (including any extensions of the lease term or purchase of such aircraft).

8. BFE/SPE and Vendor Charges.

Customer shall be solely responsible for payment of any BFE/SPE or vendor price changes resulting from the substitution and rescheduling of these Restructured Aircraft.

9. Option Aircraft.

9.1 Customer's Model 737 Option Aircraft delivery positions are hereby revised in accordance with the schedule in Attachment B to this Letter Agreement to accommodate Customer's request and changes to Boeing's production schedules necessitated by the rescheduling of the Restructured Aircraft.

9.2 Boeing and Customer hereby agree to substitute twelve (12) Model 737-900 Option Aircraft for two (2) Model 777-200ER Option Aircraft and two (2) Model 767-200ER Option Aircraft as specified in Attachment B. Option Deposits on the Model 777-200ER and Model 767-200ER Option Aircraft totaling One Million Two Hundred Thousand Dollars ($1,200,000) will be applied to the Model 737-900 Option Aircraft at One Hundred Thousand Dollars ($100,000) per Aircraft.

10. Confidential Treatment.

Customer understands that Boeing considers certain commercial and financial information contained in this Letter Agreement and the attachments hereto as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, 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; provided that the Customer may disclose this Letter Agreement to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for the purpose of obtaining its consent (if any such consent is required) under the Credit Agreement dated as of January 12, 2001.

Very truly yours,

THE BOEING COMPANY

By /s/ Charles H. Leach

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: November 4, 2003

Continental airlines, inc.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

RESCHEDULED AIRCRAFT

Model 737-724 Aircraft

	Manufacturer's Serial No.	**Original Schedule Month**	**Revised Schedule Month**
1	31664	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	31637		
3	32827		
4	31638		
5	32826		
6	31639		
7	31665		
8	33456		
9	31666		
10	33457		
11	32828		

12	33459		
13	33458		
14	33460		
15	32829		

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Model 737-824 Aircraft

	Manufacturer's Serial No.	**Original Schedule Month**	**Revised Schedule Month**
1	33453	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	34000		
3	34001		
4	34002		
5	34003		
6	34004		
7	34005		
8	31602		
9	33461		
10	32834		
11	31603		
12	31604		
13	32832		
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27	33535		
28	33536		
29	33537		

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Model 737-924 Aircraft

	Manufacturer's Serial No.	**Original Schedule Month**	**Revised Schedule Month**
1	30130	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE**	
2	30131		
3	30132		

COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Model 757-324 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	32815	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	32816		
3	32817		
4	32818		
5	32819		
6	32820		
7	32821		
8	32822		
9	32823		
10	32824		

Notes:

Pursuant to Customer's request, six (6) 737-824 Aircraft were added as substitutions for six (6) 757-324 Aircraft.

OPTION AIRCRAFT

Model 737-724 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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Model 737-824 Option Aircraft

Original Delivery Date	Revised Delivery Date	Revised Option

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1			
2	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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Model 737-924 Option Aircraft

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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Model 757-324 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
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Model 767-224 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
2			

Model 777-224 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
2			

Notes:

Pursuant to Customer's request, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

EXHIBIT 10.28(b)

Supplemental Agreement No. 2

to

Purchase Agreement No. 2333

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 757-300 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of November 4, 2003, by and between THE BOEING COMPANY(Boeing) and Continental Airlines, Inc. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2333 dated December 29, 2000, (the Purchase Agreement) relating to Boeing Model 757-300 aircraft (Aircraft); and

WHEREAS, Boeing and Customer have mutually agreed to 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 the cancellation of all Option Aircraft; and

WHEREAS, Boeing and Customer have mutually agreed to concurrently amend the Purchase Agreement and Purchase Agreement Number 1951 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:

Table of Contents and Table 1:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the revised "Table of Contents" attached hereto, to reflect the changes made by this Supplemental Agreement No. 2.

1.2 Remove and replace, in its entirety, Table 1 entitled, "Purchase Agreement No. 2333 Aircraft Delivery, Description, Price and Advance Payments" with revised Table 1 attached hereto, to reflect the changes in the delivery schedule and the effects thereof.

Letter Agreements:

2.1 Letter Agreement 2333-04R1, "Option Aircraft" is hereby deleted in its entirety.

2.2 Letter Agreement 6-1162-CHL-195, "Restructure Agreement for Model 737NG and 757-300 Aircraft" which describes the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

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/ Charles H. Leach By: Gerald Laderman

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

and Treasurer

PURCHASE AGREEMENT NUMBER 2333

between

THE BOEING COMPANY

and

Continental Airlines, Inc.

Relating to Boeing Model 757-324 Aircraft

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757-300 Aircraft

-

SUPPLEMENTAL AGREEMENTS Dated as of:

Supplemental Agreement No. 1 March 29, 2002

Supplemental Agreement No. 2 November 4, 2003

Table 1 to

Purchase Agreement No. 2333

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]

Table 1 to

Purchase Agreement No. 2333

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]

6-1162-CHL-195

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Restructure Agreement for Model 737NG and 757-300 Aircraft

Reference: Purchase Agreement Nos. 1951, 2061, 2211 and 2333 (the Purchase Agreement or the Purchase Agreements) between The Boeing Company (Boeing) and Continental Airlines, Inc. relating to Model 737-700, 737-800, 737-900 and 757-300 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreements. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreements.

1. Rescheduled Delivery and Substitution of Aircraft.

Customer has requested and Boeing has agreed to a further reschedule of the delivery dates for certain Aircraft and substitution of certain Aircraft (collectively referred to as the Restructured Aircraft hereinafter) as set forth in Attachment A and the Supplemental Agreements to the respective Purchase Agreements. Customer shall take delivery of each Restructured Aircraft in accordance with the terms of the respective Purchase Agreement and the revised delivery dates specified in Table 1 to the respective Purchase Agreement.

2. Rescheduled Model 737 Aircraft Charges.

Customer shall pay Boeing Thirteen Million Five Hundred Thousand Dollars ($13,500,000) in consideration of the costs for rescheduling the Model 737 Aircraft. Customer shall pay this amount in accordance with the following schedule:

[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. Advance Payment Matters.

4.1 Advance Payments Adjustments for Restructured Aircraft. Advance Payment Base Prices and advance payment schedules for the Restructured Aircraft will be adjusted to reflect the revised delivery schedule and use the latest escalation factors available to Boeing. Boeing will retain all advance payments received to date for these Restructured Aircraft and shall apply these retained advance payments to Customer's advance payment requirements as mutually agreed to by Customer and Boeing.

4.2 Option Deposit Allocation for Cancelled 757-300 Option Aircraft. Boeing will retain all Option Deposits received to date for the eleven (11) cancelled 757-300 Option Aircraft and shall apply these retained Option Deposits to Customer's advance payment requirements as mutually agreed to by Customer and Boeing.

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

7. Right of First Refusal for Additional Aircraft Requirements.

In recognition of the significant financial impact to Boeing resulting from rescheduling and substitution of these Restructured Aircraft, Customer hereby agrees to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH**

THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The foregoing right of first refusal shall not be construed to apply to the following aircraft or transactions:

a. aircraft acquired by Customer through a merger with or acquisition of a certified air carrier (or all or substantially all of such air carrier's assets so long as a material portion of the assets being acquired consist of assets other than aircraft) operating such aircraft at the time of merger or acquisition, or having firm purchase agreements for the acquisition thereof; or
b. the renegotiation by Customer of aircraft leases with unexpired lease terms whereby Customer chooses to replace older leased aircraft with newer leased aircraft provided by one or more third parties or to reduce the number of leased aircraft in Customer's fleet, so long as after giving effect to such transactions, there is no material net increase in the lease term or the number of leased aircraft in Customer's fleet or a resulting adverse impact on Customer's acquisition of the Restructured Aircraft; or
c. aircraft currently leased by the Customer or any of its subsidiaries (including any extensions of the lease term or purchase of such aircraft).

8. BFE/SPE and Vendor Charges.

Customer shall be solely responsible for payment of any BFE/SPE or vendor price changes resulting from the substitution and rescheduling of these Restructured Aircraft.

9. Option Aircraft.

9.1 Customer's Model 737 Option Aircraft delivery positions are hereby revised in accordance with the schedule in Attachment B to this Letter Agreement to accommodate Customer's request and changes to Boeing's production schedules necessitated by the rescheduling of the Restructured Aircraft.

9.2 Boeing and Customer hereby agree to substitute twelve (12) Model 737-900 Option Aircraft for two (2) Model 777-200ER Option Aircraft and two (2) Model 767-200ER Option Aircraft as specified in Attachment B. Option Deposits on the Model 777-200ER and Model 767-200ER Option Aircraft totaling One Million Two Hundred Thousand Dollars ($1,200,000) will be applied to the Model 737-900 Option Aircraft at One Hundred Thousand Dollars ($100,000) per Aircraft.

10. Confidential Treatment.

Customer understands that Boeing considers certain commercial and financial information contained in this Letter Agreement and the attachments hereto as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, 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; provided that the Customer may disclose this Letter Agreement to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for the purpose of obtaining its consent (if any such consent is required) under the Credit Agreement dated as of January 12, 2001.

Very truly yours,

THE BOEING COMPANY

By /s/ Charles H. Leach

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: November 4, 2003

Continental airlines, inc.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

RESCHEDULED AIRCRAFT

Model 737-724 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	31664		
2	31637		
3	32827		
4	31638	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
5	32826		
6	31639		
7	31665		
8	33456		
9	31666		
10	33457		
11	32828		
12	33459		
13	33458		
14	33460		
15	32829		

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Model 737-824 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	33453	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	34000		
3	34001		
4	34002		
5	34003		
6	34004		
7	34005		
8	31602		
9	33461		
10	32834		
11	31603		
12	31604		
13	32832		
14	31605		
15	31633		
16	32833		
17	32835		
18	32836		
19	33527		
20	33528		
21	33529		
22	33530		
23	33531		
24	33532		
25	33533		
26	33534		
27	33535		
28	33536		
29	33537		

-

Model 737-924 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	30130	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	30131		
3	30132		

Model 757-324 Aircraft

	Manufacturer's Serial No.	Original Schedule Month	Revised Schedule Month
1	32815	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**	
2	32816		
3	32817		
4	32818		
5	32819		
6	32820		
7	32821		
8	32822		
9	32823		
10	32824		

Notes:

Pursuant to Customer's request, six (6) 737-824 Aircraft were added as substitutions for six (6) 757-324 Aircraft.

OPTION AIRCRAFT

Model 737-724 Option Aircraft

	Original Delivery Date	Revised Delivery Date	Revised Option Exercise Date
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
2			
3			
4			
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11			
12			
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14			

15
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24

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Model 737-824 Option Aircraft

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1			
2			
3			
4			
5			
6			
7			
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9			
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11			
12			
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34			
35			

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

-

Model 737-924 Option Aircraft

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1			
2			
3			

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

4			
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19			
20			
21			
22			
23			
24			

Model 757-324 Option Aircraft

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			

Model 767-224 Option Aircraft

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
2			

Model 777-224 Option Aircraft

	Original Delivery Date	**Revised Delivery Date**	**Revised Option Exercise Date**
1	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
2			

Notes:

Pursuant to Customer's request, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

EXHIBIT 10.32(b)

SECOND AMENDMENT TO

AMENDED AND RESTATED

CAPACITY PURCHASE AGREEMENT

among

Continental Airlines, Inc.,

ExpressJet Holdings, Inc.,

XJT Holdings, Inc.,

and

ExpressJet Airlines, Inc.

Dated as of December 9, 2003

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Section 4.6. **Entire Agreement** *

Section 4.7. **Governing Law** *

SECOND AMENDMENT TO

AMENDED AND RESTATED

CAPACITY PURCHASE AGREEMENT

This **SECOND AMENDMENT TO AMENDED AND RESTATED CAPACITY PURCHASE AGREEMENT** (this "Agreement"), dated as of December 9, 2003, is among Continental Airlines, Inc., a Delaware corporation ("Continental"), ExpressJet Holdings, Inc., a Delaware corporation ("Holdings"), XJT Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of Holdings ("XJT"), and ExpressJet Airlines, Inc., a Delaware corporation and a subsidiary of XJT ("ExpressJet").

RECITALS:

WHEREAS, Continental, Holdings, XJT, and ExpressJet are parties to that certain Amended and Restated Capacity Purchase Agreement, dated as of April 17, 2002, as amended by that certain First Amendment to Amended and Restated Capacity Purchase Agreement, dated as of March 27, 2003 (the "Capacity Purchase Agreement");

WHEREAS, Continental, Holdings, XJT, and ExpressJet desire to amend certain provisions of the Capacity Purchase Agreement as more fully set forth herein; and

WHEREAS, Section 11.04 of the Capacity Purchase Agreement permits such agreement to be amended in a written agreement signed by Continental, Holdings, XJT, and ExpressJet;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and obligations hereinafter contained, the parties agree to amend the Capacity Purchase Agreement as follows:

I.
DEFINITIONS; INTERPRETATION

1. Definitions

. Capitalized terms used in this Agreement that are not otherwise defined shall have the meanings set forth in the Capacity Purchase Agreement, as amended hereby.

2. **Interpretation**

. Section 11.06 of the Capacity Purchase Agreement is hereby incorporated by reference herein in its entirety and shall govern the interpretation of this Agreement.

II.
AMENDMENTS TO CAPACITY PURCHASE AGREEMENT

The Capacity Purchase Agreement is hereby amended as follows:

1. **Amendments to Section 3.02**

. Section 3.02 of the Capacity Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Section 3.02 *Periodic Adjustment of Base and Incentive Compensation*.

The initial rates under this Agreement (including the initial Block Hour Rates) set forth in Paragraphs A(1) and A(2)(c) of Schedule 3 hereto shall remain in effect through December 31, 2004, with certain limited adjustments as are provided in Schedule 3. The Block Hour Rates and the fee described in Paragraph A(2)(c) of Schedule 3 shall be subject to further adjustment on January 1, 2005 and each January 1 thereafter during the Term. Continental and Contractor hereby agree to meet promptly after July 1, 2004, September 1, 2005 and each September 1 thereafter during the Term in order to review and revise the Block Hour Rates and the fee described in Paragraph A(2)(c) of Schedule 3, as appropriate, for the subsequent year based on the methodology (including the Cost Factor) for setting the initial Block Hour Rates and such fee as set forth in Schedule 3. Should the parties be unable to agree on such revised Block Hour Rates and the fee described in Paragraph A(2)(c) of Schedule 3 by October 1, 2004 for the year beginning January 1, 2005 or by November 1 in any subsequent year for the year beginning on the subsequent January 1, then the parties shall submit the disagreement to arbitration pursuant to Section 11.08."

2. **Amendments to Section 3.06**

. Section 3.06 of the Capacity Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Section 3.06. Billing and Payment; Reconciliation.

(a) *Billing and Payment*. On the next Business Day after Contractor receives the Final Monthly Schedule from Continental pursuant to Section 2.01(b), Contractor shall present a reasonably detailed written invoice for amounts due under this Agreement in respect of the Base Compensation and per passenger fees (based on the Forecasted Passengers) for the Scheduled Flights during the month to which such Final Monthly Schedule pertains. Continental shall pay Contractor the amount due under such invoice (the "Invoiced Amount"), subject to Continental's right to dispute any calculations set forth on such invoice that do not comply with the terms of this Agreement, net of amounts owed by Contractor to Continental under the Administrative Support and Information Services Provisioning Agreement, the Master Facility and Ground Handling Agreement, the Fuel Purchasing Agreement and/or any Covered Aircraft Sublease or Uncovered Aircraft Sublease, any amounts to be pr epaid to Continental pursuant to Section 3.06(c) during the month covered by the Final Monthly Schedule, any Insurance costs paid by Continental on Contractor's behalf covering the month covered by the Final Monthly Schedule pursuant to Schedule 3 and/or any other amounts as mutually agreed to by both Contractor and Continental, as follows:

i. One-quarter of the Invoiced Amount shall be payable by Continental to Contractor, by electronic transfer of funds to a bank account designated by Contractor, available on or before the first day of the month (or if such day is not a Business Day, the next Business Day) to which such invoice relates;

ii. One-quarter of the Invoiced Amount shall be payable by Continental to Contractor, by electronic transfer of funds to a bank account designated by Contractor, available on or before the 8th day of the month (or if such day is not a Business Day, the next Business Day) to which the invoice relates;

iii. One-quarter of the Invoiced Amount shall be payable by Continental to Contractor, by electronic transfer of funds to a bank account designated by Contractor, available on or before the 15th day of the month (or if such day is not a Business Day, the next Business Day) to which the invoice relates; and

iv. One-quarter of the Invoiced Amount shall be payable by Continental to Contractor, by electronic transfer of funds to a bank account designated by Contractor, available on or before the 22nd day of the month (or if such day is not a Business Day, the next Business Day) to which the invoice relates.

a. *Reconciliation*. Not later than 14 days following the end of each month, Contractor and Continental shall reconcile actual amounts due in respect of such month with the estimated amounts included in the Invoiced Amount for such items for such month in accordance with the terms and conditions set forth in Schedule 3. On or before the 15th day following the end of such month (or if such day is not a Business Day, the next Business Day), such reconciled amounts for such month to the extent applicable: (a) shall be paid by Continental to Contractor, together with any payment to be made by Continental pursuant to Section 3.06(a)(iii) above, or (b) shall be paid by Contractor to Continental or set off by Continental against any other amounts owing to Contractor. Further reconciliations shall be made on or prior to the 22nd day following the end of such month (or if such day is no t a Business Day, the next Business Day) to the extent necessary as a result of Continental's review of financial information provided by Contractor in respect of such month. Such further reconciled amounts for such month to the extent applicable (x) shall be paid by Continental to Contractor, together with any other payment to be made by Continental pursuant to Section 3.06(a)(iv) above, or (y) shall be paid by Contractor to Continental or set off by Continental against any other amounts owing to Contractor. If, subsequent to any reconciliation payments or set-off, as the case may be, Contractor's financial statements, maintained as provided in Section 3.05(a), are restated, amended or otherwise adjusted for any month or Performance Period, then the reconciled amounts for such period shall be recalculated in accordance with the terms and conditions set forth in Schedule 3, and the parties shall make further payments or set off further amounts as appropriate in respect of such rec alculations.

b. *Prepayments*. Contractor and Continental may mutually agree from time to time for Contractor to make cash payments in advance for estimated amounts due to Continental under this Agreement."

3. **Amendment to Schedule 3**

.

a. Amendment to Introductory Clause of Paragraph A of Schedule 3. The introductory clause of Paragraph A of Schedule 3 is hereby amended and restated in its entirety to read as follows:

"A. *Base and Incentive Compensation.* Paragraphs (A)(1) and (A)(2)(c) of this Schedule 3 shall apply for all applicable periods through December 31, 2004 and Paragraphs A(2)(a) and (b) and Paragraph (A)(3) of this Schedule 3 shall apply for the Term."

b. Amendment to Paragraph A(2)(c) of Schedule 3. Paragraph A(2)(c) of Schedule 3 is hereby amended and restated in its entirety to read as follows:

"c. *Appendix 10 Fee.* Contractor will receive a fee equal to the Appendix 10 invoice rate set forth in Appendix 10 for the applicable month multiplied by the number of Forecasted Passengers for the applicable month, which fee represents payment for **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. This incentive compensation will be reconciled, in the monthly reconciliation described in Section 3.06(b) of the Agreement. If the Actual Passengers for such calendar month is greater than the Forecasted Passengers, then the reconciliation for such period shall include a payment by Continental to Contractor in an amount equal to the product of (i) the difference in the number of such passengers, multiplied by (ii) the Appendix 10 reconciliation rate set forth in Appendix 10 for the applicable month, which fee represents the same categories of expense as represented by the per passenger invoice rate, other than passenger liability insurance and third-party security and screening (Contractor Airports only), which category of expense is reconciled pursuant to Paragraph B(9)(a). If the Forecasted Passengers for such calendar month is greater than the Actual Passengers, the reconciliation for such period shall include a payment by Contractor to Continental in an amount equal to the product of (i) the difference in such number of passengers multiplied by (ii) the Appendix 10 reconciliation rate set forth in Appendix 10 for the applicable month."

c. Amendment to Paragraph A(3)(b) of Schedule 3. Paragraph A(3)(b) of Schedule 3 is hereby amended and restated in its entirety to read as follows:

"b. Expenses set forth in columns 4, 6, 9, 11, 12 and 13 of Appendix 1 for each applicable month will be reduced by an amount equal to the product of (i) the amount of each of such expenses included in Appendix 1 Expenses (after giving effect to any previous adjustments thereto pursuant to this Paragraph A(3)(b)) and (ii) the quotient of (1) the number of aircraft so withdrawn from the Agreement (after giving effect to any previous adjustments pursuant to this Paragraph A(3)(b)) and (2) the number of aircraft constituting Delivered Covered Aircraft immediately prior to such withdrawal."

d. Amendment to Paragraph A(3)(c) of Schedule 3. Clauses I and II of Paragraph A(3)(c) of Schedule 3 are hereby amended and restated in their entirety to read as follows:

"I. For the first **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** aircraft (other than Turboprop Aircraft) to be withdrawn from the Agreement (taking into account all withdrawals under the Agreement), the remainder of the Appendix 1 Expenses after giving effect to any other adjustments provided in this Paragraph A(3) will be reduced by the product of (a) such remainder of the Appendix 1 Expenses, multiplied by (b) **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** multiplied by (c) the quotient of (1) the number of aircraft so withdrawn and (2) the number of aircraft constituting Delivered Covered Aircraft immediately prior to such withdrawal.

II. For the next **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** aircraft (other than Turboprop Aircraft) to be withdrawn from the Agreement (taking into account all withdrawals from the Agreement), the remainder of the Appendix 1 Expenses after giving effect to any other adjustments provided in this Paragraph A(3) will be reduced by the product of (a) such remainder of the Appendix 1 Expenses, multiplied by (b) **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** multiplied by (c) the quotient of (1) the number of aircraft so withdrawn and (2) the number of aircraft constituting Delivered Covered Aircraft immediately prior to such withdrawal."

e. Amendment to Paragraph B(1) of Schedule 3. Paragraph B(1) of Schedule 3 is hereby amended and restated in its entirety to read as follows:

"1. *Passenger and Cargo Revenue-Related Expenses*. With respect to Scheduled Flights, passenger and cargo revenue-related expenses, including but not limited to commissions, taxes and fees related to the transportation of passengers or cargo, food and beverage costs, charges for fare or tariff filings, sales and advertising costs, computer reservation system fees, credit card discount fees, reservation costs, revenue accounting costs, including costs associated with ticket sales reporting and unreported sales, OnePass participation costs and Continental Currencies, shall be incurred directly by Continental."

f. Amendment to Paragraph B(4)(a) of Schedule 3. Paragraph B(4)(a) of Schedule 3 is hereby amended and restated in its entirety to read as follows:

"a. *Administrative Costs*. The Appendix 3 Block Hour Rates, the Appendix 1 Expenses, Appendix 22 and Appendix 22a include allocations of administrative compensation costs. The parties hereto have entered into the Administrative Support and Information Services Provisioning Agreement, pursuant to which Continental has agreed to provide Contractor with certain administrative services. Pursuant to the Administrative Support and Information Services Provisioning Agreement, the parties hereto have agreed to enter into a transition plan, which plan will provide for the termination of the services provided by Continental to Contractor thereunder over a certain period of time. As a result, certain of such services may be terminated during the term of this Agreement. Contractor and Continental hereby agree that in connection with the transition plan Contractor and Continental shall meet and confer to adjust the Appendix 3 Block Hour Rates, Appendix 1 Expenses, Appendix 22 and Appendix 22a to reasonably reflect any increases or decreases in Contractor's administrative compensation costs or other administrative costs and the costs payable to Continental pursuant to the Administrative Support and Information Services Provisioning Agreement as a result of Contractor's having to replace any of such terminated services."

g. Amendment to Paragraphs B(5)(a) and (b) of Schedule 3. Paragraphs B(5)(a) and (b) of Schedule 3 are hereby amended and restated in their entirety to read as follows:

"a. With respect to Scheduled Flights, for any calendar month Contractor's actual block hours flown for any particular aircraft type exceeds the end of month scheduled block hours for such aircraft type for such calendar month, then the reconciliation for such period shall include a payment for such aircraft type by Continental to Contractor in an amount equal to the product of (i) the First Incremental Cost Rate set forth on Appendix 11 with respect to such aircraft type and such month, multiplied by (ii) the quotient of (1) the difference between such actual number of block hours and such number of end of month scheduled block hours divided by (2) such number of end of month scheduled block hours (such quotient being the "Overfly Rate", which, when used in other Paragraphs of this Schedule 3, may be a negative number), multiplied by (iii) the number of scheduled block hours for such aircraft type as set forth on the Final Monthly Schedule multiplied by (iv) the First Benchmark Factor for such calendar month.

b. With respect to Scheduled Flights, for any calendar month the end of month scheduled block hours for any particular aircraft type exceeds Contractor's actual block hours flown for such aircraft type for such calendar month, then the reconciliation for such period shall include a payment for such aircraft type by Contractor to Continental in an amount equal to the product of (i) the Second Incremental Cost Rate, set forth on Appendix 12 with respect to such aircraft type and month, multiplied by (ii) the quotient of (1) the difference between such number of end of month scheduled block hours and such actual number of block hours, divided by (2) such number of end of month scheduled block hours, multiplied by (iii) the number of scheduled block hours for such aircraft type as set forth on the Final Monthly Schedule multiplied by (iv) the First Benchmark Factor for such calendar month."

h. Amendment to Paragraph B(6)(a), (b), (c), (d) and (e) of Schedule 3. Paragraphs (B)(6)(a), (b), (c), (d) and (e) are hereby amended and restated in their entirety to read as follows:

"a. If the product of the total number of Scheduled Flights for a particular aircraft type during a calendar month as set forth in the Final Monthly Schedule multiplied by the First Cancellation Rate exceeds the product of the actual Uncontrollable Cancellation Rate and the total number of Scheduled Flights of such aircraft type in such calendar month as set forth in the Final Monthly Schedule (such excess number of flights of such aircraft type being the "First Cancellation Number" for such aircraft type), then the reconciliation for such period shall include a payment by Continental to Contractor in an amount equal to the product of (i) the First Incremental Cost Rate, as set forth on Appendix 11 for such aircraft type and such month, multiplied by (ii) the First Cancellation Number for such aircraft type, multiplied by (iii) the scheduled block hours per departure for such aircraft type for such calendar month as set forth in the Final Monthly Schedule, multiplied by (iv) the sum of 1 and the Overfly Rate for such aircraft type for such calendar month.

The "Uncontrollable Cancellation Rate" for a particular aircraft type equals the actual Uncontrollable Cancellations for such aircraft type divided by the actual end of month scheduled departures for such aircraft type.

b. If the product of the actual Uncontrollable Cancellation Rate and the total number of Scheduled Flights for a particular aircraft type during a calendar month as set forth in the Final Monthly Schedule exceeds the product of the total number of Scheduled Flights as set forth in the Final Monthly Schedule for such aircraft type during such calendar month multiplied by the First Cancellation Rate (such excess number of flights of such aircraft type being the "Second Cancellation Number" for such aircraft type), then the reconciliation for such period shall include a payment by Contractor to Continental in an amount equal to the product of (i) the Second Incremental Cost Rate, as set forth on Appendix 12 for such aircraft type and such month, multiplied by (ii) the Second Cancellation Number for such aircraft type, multiplied by (iii) the scheduled block hours per departure for such aircraft type for such calendar month as set forth in the

Final Monthly Schedule, multiplied by (i v) the sum of 1 and the Overfly Rate for such aircraft type for such calendar month.

c. If the product of the total number of Scheduled Flights for a particular aircraft type as set forth in the Final Monthly Schedule during a calendar month multiplied by the Second Cancellation Rate exceeds the product of the actual Controllable Cancellation Rate and the total number of Scheduled Flights for such aircraft type in such calendar month as set forth in the Final Monthly Schedule (such excess number of flights of such aircraft type being the "Third Cancellation Number" for such aircraft type), then the reconciliation for such period shall include a payment by Continental to Contractor in an amount equal to the product of (i) the Third Incremental Cost Rate multiplied by (ii) the Third Cancellation Number for such aircraft type, multiplied by (iii) the scheduled block hours per departure for such aircraft type for such calendar month as set forth in the Final Monthly Schedule, multiplied by (iv) the sum of 1 and the Overfly Rate for such aircraft type for such calenda r month.

The "Controllable Cancellation Rate" for a particular aircraft type equals the actual Controllable Cancellations for such aircraft type divided by the actual end of month scheduled departures for such aircraft type.

The "Third Incremental Cost Rate" for a particular aircraft type equals the Fourth Incremental Cost Rate for such aircraft type plus the Fifth Incremental Cost Rate for such aircraft type.

The "Fourth Incremental Cost Rate" for a particular aircraft type and for a particular month equals the product of (i) the sum of (a) the applicable Appendix 13 Incremental Cost Rate set forth on Appendix 13 for such aircraft type and month, minus the sum of (1) the Appendix 14 Block Hour Rate set forth on Appendix 14 for such aircraft type and month plus (2) the Appendix 5 Block Hour Rate set forth on Appendix 5 for such aircraft type and month, plus (b) the Adjusted Appendix 14 Block Hour Rate for such aircraft type and month plus (c) the Third Adjusted Block Hour Rate for such aircraft type and month and (ii) the First Benchmark Factor for such month.

The "Adjusted Appendix 14 Block Hour Rate" for a particular aircraft type and a particular month is obtained by multiplying the Appendix 14 Block Hour Rate by the Appendix 7 Block Hours set forth on Appendix 7 for such aircraft type and dividing such product by the average scheduled block hours per departure for such aircraft type as set forth on the Final Monthly Schedule.

The "Fifth Incremental Cost Rate" is obtained by allocating the Appendix 1 Expenses among the different aircraft types by each type's allocable share of statistics from the Final Monthly Schedule based on the methodology set forth in Appendix 15, and dividing such allocation to a specific aircraft type by the product of the scheduled block hours for such aircraft type set forth in the Final Monthly Schedule multiplied by the First Benchmark Factor, then multiplying such quotient by the First Benchmark Factor.

d. If the product of the actual Controllable Cancellation Rate and the total number of Scheduled Flights for a particular aircraft type in a calendar month as set forth in the Final Monthly Schedule exceeds the product of the total number of Scheduled Flights as set forth in the Final Monthly Schedule for such aircraft type during such calendar month multiplied by the Second Cancellation Rate (such excess number of flights of such aircraft type being the "Fourth Cancellation Number" for such aircraft type), then the reconciliation for such period shall include a payment by Contractor to Continental in an amount equal to the product of (i) the Third Incremental Cost Rate for such aircraft type multiplied by (ii) the Fourth Cancellation Number, multiplied by (iii) the scheduled block hours per departure for such aircraft type for such calendar month as set forth in the Final Monthly Schedule, multiplied by (iv) the sum of 1 and the Overfly Rate for such aircraft type for such calendar mon th.

e. For purposes of this Paragraph B(6), for any month during which a Labor Strike occurs, the Second Cancellation Rate for such month shall be adjusted to equal the difference between (a) the Second Cancellation Rate for such month (before any such adjustment) and (b) the product of (1) the quotient of (i) the Second Cancellation Rate for such month (before any such adjustment) divided by (ii) the number of days in the particular month, multiplied by (2) the number of days in such month during which such Labor Strike was occurring. For purposes of this Paragraph B(6), for any month during which a Labor Strike occurs, the First Cancellation Rate for such month shall be adjusted to equal the difference between (a) the First Cancellation Rate for such month (before any such adjustment) and (b) the product of (1) the quotient of (i) the First Cancellation Rate for such month (before any such adjustment) divided by (ii) the number of days in such month multiplied by (2) the n umber of days in such month during which such Labor Strike was occurring."

i. Amendment to Paragraph B(8)(b) of Schedule 3. Paragraph B(8)(b) of Schedule 3 is hereby amended to add the following clause VI:

"VI. *Pilot Hybrid Training Cycles*. If a Pilot Hybrid Training Cycle is completed during a given month, Continental shall pay an amount to Contractor equal to the quotient of (a) product of (1) such actual number of Pilot Hybrid Training Cycles completed during such month and such aircraft type and (2) the assumed cost of each Pilot Hybrid Training Cycle for such month and such aircraft type as set forth in Appendix 17a divided by (b) the Cost Difference set forth on Appendix 23."

j. Amendment to Paragraphs B(8)(d) and (e) of Schedule 3. Paragraphs B(8)(d) and (e) of Schedule 3 are hereby amended and restated in their entirety to read as follows:

"d. *Pilot Soft Time Reconciliation*. Included in the Appendix 3 Block Hour Rates is an assumed cost associated with an assumed number of Pilot Flight Paid Hours per scheduled Pilot Block Hour. If the actual number of Pilot Flight Paid Hours per scheduled Pilot Block Hour for a particular month exceeds the number of assumed Pilot Flight Paid Hours per scheduled Pilot Block Hour in such month as set forth in Appendix 19, then Continental shall pay an amount to Contractor equal to the quotient of (a) the product of (i) the difference between (1) such actual number of Pilot Flight Paid Hours per scheduled Pilot Block Hour during such month and (2) such assumed number of Pilot Flight Paid Hours per scheduled Pilot Block Hour during such month, multiplied by (ii) the number of scheduled Pilot Block Hours for such month, multiplied by (iii) the assumed amount payable for each Pilot Flight Paid Hour as set forth in Appendix 19, multiplied by (iv) **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** divided by (b) the Cost Difference set forth in Appendix 23. If the actual number of Pilot Flight Paid Hours per scheduled Pilot Block Hour for a particular month is less than the number of assumed Pilot Flight Paid Hours per scheduled Pilot Block Hour in such month as set forth in Appendix 19, then Contractor shall pay an amount to Continental equal to the quotient of (a) the product of (i) the difference between (1) such assumed number of Pilot Flight Paid Hours per scheduled Pilot Block Hour during such month and (2) such actual number of Pilot Flight Paid Hours per scheduled Pilot Block Hour during such month, multiplied by (ii) the number of scheduled Pilot Block Hours for such month, multiplied by (iii) the assumed amount payable for each Pilot Flight Paid Hour as set forth in Appendix 19, multiplied by (iv) **[CONFIDENTIAL MATERIAL OMITTED AND FIL ED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** divided by (b) the Cost Difference set forth in Appendix 23. The reconciliation described in this Paragraph 8(d) will cease upon the earlier to occur of (1) Contractor hiring a New Contractor Pilot and (2) Contractor no longer employing any Continental Pilots.

e. *Pilot Seniority Reconciliation*. Included in the Appendix 1 Expenses and the Appendix 3 Block Hour Rates is an assumed cost associated with an assumed number of Continental Pilots continuing to be employed by Contractor. If the aggregate number of Continental Pilots whose employment is actually terminated by Contractor in a particular month exceeds the aggregate number of Continental Pilots whose employment by Contractor is assumed to be terminated in such particular month as set forth in Appendix 20, then Contractor shall pay an amount to Continental equal to the quotient of (a) the product of (i) the difference between (1) such aggregate number of Continental Pilots whose employment is actually terminated by Contractor during such month and (2) such aggregate number of Continental Pilots whose employment is assumed to be terminated by Contractor during such month, multiplied by (ii) the assumed amount payable per Continental Pilot being terminated by Contractor as set forth in Ap pendix 20, divided by (b) the Cost Difference set forth on Appendix 23. If the aggregate number of Continental Pilots whose employment is assumed to be terminated by Contractor for a particular month as set forth in Appendix 20 exceeds the aggregate number of Continental Pilots whose employment is actually terminated by Contractor during such month, then Continental shall pay an amount to Contractor equal to the quotient of (a) the product of (i) the difference between (1) such aggregate number of Continental Pilots whose employment is assumed to be terminated by Contractor during such month and (2) such aggregate number of Continental Pilots whose employment is actually terminated by Contractor during such month, multiplied by (ii) the assumed amount payable per Continental Pilot being terminated by Contractor as set forth in Appendix 20, divided by (b) the Cost Difference set forth on Appendix 23. The reconciliation described in this Paragraph 8(e) will cease when a t least **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** Continental Pilots' employment shall have been terminated by Contractor."

k. Amendment to Paragraph B(8)(f) of Schedule 3. Paragraph B(8)(f) of Schedule 3 is hereby amended by replacing all references therein to "**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**" with "**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**."

l. Addition of Paragraph B(8)(g) of Schedule 3. Schedule 3 is hereby amended by adding the following Paragraph B(8)(g):

"g. *Charter Flying*. For any calendar month during which Contractor used Covered Aircraft to provide charter service to Continental, the reconciliation for such month shall include a payment by Continental to

Contractor for each aircraft type used to provide such charter service equal to the product of (i) the amount payable per Charter Hour for such aircraft type as set forth in Appendix 24, multiplied by (ii) the number of Charter Hours for such month."

m. Amendment to Paragraph B(9)(a) of Schedule 3.

(1) Amendment to clause (ix). Clause (ix) of the first sentence of Paragraph B(9)(a) is hereby amended and restated to read as follows:

"(ix) payments by Contractor to employees in respect of any profit-sharing and on-time performance plans of Contractor existing on or prior to the Distribution Date (*provided* that Continental shall not be required to reconcile actual profit-sharing and on-time performance expenses to the extent that such additional expenses are attributable to a change in target benchmarks or payment rates under such plans on or after the Distribution Date, and *provided further* that reconciliation for profit-sharing plans shall only occur at the end of each fiscal year, which reconciliation shall be for the full fiscal year, rather than on a month to month basis and *provided further* that reconciliation for actual costs of Contractor associated with profit sharing plans is capped at the level contemplated in the rates);"

1. Amendment to add clause (xvi). Clause (xv) of the first sentence of Paragraph B(9)(a) of Schedule 3 is hereby amended and restated to read as follows and a new clause (xvi) immediately following clause (xv) is hereby added as follows:

"(xv) third-party security and screening expense at Contractor Airports; and (xvi) third-party ground handling expense (collectively, the "Reconciled Expenses")."

(3) Amendment to penultimate sentence. The penultimate sentence of Paragraph B(9)(a) is hereby amended and restated in its entirety to read as follows:

"If in any month the Contractor's actual Reconciled Expenses exceed the amount of Reconciled Expenses included in the Base Compensation in accordance with Appendix 22 and with respect to certain Reconciled Expenses as further provided in Paragraph B(9)(f) below for such month, Continental shall pay to Contractor an amount equal to the quotient of (i) such difference divided by (ii) the Cost Difference set forth on Appendix 23."

a. Addition of Paragraph B(9)(g) of Schedule 3. Schedule 3 is hereby amended by adding the following Paragraph B(9)(g):

"g. Continental may from time to time request Contractor to provide ground handling services to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** "

b. Addition of Paragraph B(9)(h) to Schedule 3. Schedule 3 is hereby amended by adding the following Paragraph B(9)(h):

"h. As part of the reconciliation contemplated by Section 3.06(b) of the Agreement in respect of a particular month, Continental will pay Contractor an amount in cash equal to the difference between (i) the Preferred Dividend Amount with respect to such month and (ii) the BC Interest Amount with respect to such month."

c. Addition of Section 12 to Schedule 3. Schedule 3 is hereby amended by adding the following Section 12:

"12. *Delivery of Electronic Appendices.* Each of Continental and Contractor hereby (i) acknowledges the receipt of electronic copies of the Appendices referred to in this Schedule 3 (the "Electronic Appendices"), (ii) acknowledges and agrees that many of the Appendices attached hereto in paper form contain numbers that have been rounded to a specified dollar amount or decimal point, (iii) acknowledges and agrees that the Electronic Appendices contain numbers that have not been so rounded and (iv) agrees that the numbers contained in the Electronic Appendices shall be used for purposes of making the calculations described in this Schedule 3.

d. Amendments to Appendices to Schedule 3.

(1) Amendment to Appendix 1. Appendix 1 to Schedule 3 is hereby replaced with the Appendix 1 attached hereto as Annex A.

(2) Amendment to Appendix 3 Appendix 3 to Schedule 3 is hereby replaced with the Appendix 3 attached hereto as Annex B.

(3) Amendment to Appendix 4. Appendix 4 to Schedule 3 is hereby replaced with the Appendix 4 attached hereto as Annex C.

(4) Amendment to Appendix 11. Appendix 11 to Schedule 3 is hereby replaced with Appendix 11 attached hereto as Annex D.

(5) Amendment to Appendix 12. Appendix 12 to Schedule 3 is hereby replaced with Appendix 12 attached hereto as Annex E.

(6) Amendment to Appendix 13. Appendix 13 to Schedule 3 is hereby replaced with the Appendix 13 attached hereto as Annex F.

(7) Amendment to Appendix 14. Appendix 14 to Schedule 3 is hereby replaced with the Appendix 14 attached hereto as Annex G.

(8) Amendment to Appendix 15. Appendix 15 to Schedule 3 is hereby replaced with the Appendix 15 attached hereto as Annex H.

(9) Amendment to Appendix 17a. Appendix 17a to Schedule 3 is hereby replaced with the Appendix 17a attached hereto as Annex I.

(10) Amendment to Appendix 21. Appendix 21 to Schedule 3 is hereby replaced with the Appendix 21 attached hereto as Annex J.

(11) Amendment to Appendix 22. Appendix 22 to Schedule 3 is hereby replaced with the Appendix 22 attached hereto as Annex K.

(12) Amendment to Appendix 22a. Appendix 22a to Schedule 3 is hereby replaced with the Appendix 22a attached hereto as Annex L.

(13) Amendment to Add Appendix 24. Schedule 3 is hereby amended to add thereto the Appendix 24 attached hereto as Annex M.

1. **Amendment to Exhibit A**

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(a) Amendment to add Definition of BC Interest Amount. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "BC Interest Amount":

"BC Interest Amount -- means, with respect to any particular calendar month, an amount in cash equal to the amount of interest that shall have accrued (regardless of whether such interest is required to be paid during such month) on the ExpressJet Note during such month."

(b) Amendment to Definition of Change of Control. Exhibit A to the Capacity Purchase Agreement is hereby amended to amend and restate in its entirety clause (ix) of the definition of "Change of Control" to read as follows:

"(ix) Incumbent Directors (meaning in each case, members of the applicable Board of Directors who (a) were members of the Board of Directors of ExpressJet, XJT or Holdings, respectively, as of March 1, 2002 or (b) became a director subsequent to March 1, 2002, whose appointment to fill a vacancy or to fill a new position on the applicable Board of Directors or whose nomination for election by the shareholders of ExpressJet, XJT or Holdings, as the case may be, was approved by a vote of at least a majority of the directors then comprising the Incumbent Directors) cease for any reason to constitute at least a majority of the Board of Directors of ExpressJet, XJT or Holdings, respective; or"

(c) Amendment to add Definition of Charter Flying. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "Charter Flying":

"Charter Flying - means any flying of Delivered Covered Aircraft for charter operations at the direction of Continental that is not reflected in the Final Monthly Schedule."

(d) Amendment to add Definition of Charter Hour. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "Charter Hour":

"Charter Hour - means each block hour associated with Charter Flying.

(e) Amendment to add Definition of Continental Currencies. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "Continental Currencies":

> *"Continental Currencies* - means inflight currency coupons issued by Continental that may only be purchased at any Continental eService Center and may only be redeemed for alcoholic beverages or headsets on any Continental or Contractor flight."

(f) Amendment to add Definition of Deemed Costs. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "Deemed Costs""

> *"Deemed Costs* - means, for any Performance Period, the excess of (i) the amount by which Contractor is entitled to reimbursement pursuant to the Block Hour Rates then in effect (and, with respect to certain benefits, the reconciliation provisions of Schedule 3) in respect of labor costs (including all wages, salaries, profit sharing and other benefits to all Contractor officers and other employees, including contract employees) over (ii) the amount of such labor costs actually incurred by Contractor in such period.

(g) Amendment to Definition of Excluded Costs. Exhibit A to the Capacity Purchase Agreement is hereby amended to restate the definition of "Excluded Costs" in its entirety to read as follows:

> *"Excluded Costs* - means, for any Performance Period, (i) labor costs (including all wages, salaries, profit sharing and other benefits to all Contractor officers and other employees, including contract employees) incurred in such period in excess of those for which Contractor is entitled to reimbursement pursuant to the Block Hour Rates then in effect and, with respect to certain benefits, the reconciliation provisions of Schedule 3, (ii) all costs allocable to Scheduled Flights cancelled during such period as a result of strikes and other labor actions, disputes or interruptions, and other costs incurred during such period outside of the ordinary course of business in connection with such events, (iii) all costs allocable to Scheduled Flights cancelled during such period as a result of an event constituting Cause, and other costs incurred during such period outside of the ordinary course of business in connection with such event, (iv) costs of litigation and threatened litigation (including investigations, attorney's fees, adverse judgments and settlements not covered by insurance) incurred during such period, (v) adjustments resulting from the physical inventory loss of any of Contractor's spare parts inventory (including but not limited to any spare engines, rotable parts, repairable parts and expendable parts) ("Spare Parts Inventory") that deviate from Contractor's historical practice, (vi) expenses associated with any accounting write-ups or write-downs of any of Contractor's Spare Parts Inventory as a result of any business practice or decision in respect of Contractor's Spare Parts Inventory that deviates from Contractor's historical practice; and (vii) other expenses incurred during such period that do not comprise a portion of the Block Hour Rates reflected in Schedule 3 and are not reasonable and customary in the industry, or were not otherwise approved in advance by Continental (it being understood that the expenses reimbursed pursuant to reconciliation provisions of Sch edule 3 constitute expenses that comprise a portion of the Block Hour Rates reflected in Schedule 3)."

(h) Amendment to Definition of Excluded Revenue. Exhibit A to the Capacity Purchase Agreement is hereby amended to restate the definition of "Excluded Revenue" in its entirety to read as follows:

> *"Excluded Revenue* - means, for any Performance Period, (i) all incentive compensation payable in respect of such period pursuant to Paragraph A(2)(a) and Paragraph A(2)(b) of Schedule 3, (ii) all Incentive Amounts payable pursuant to Paragraph B(6)(c) and Paragraph B(6)(d) of Schedule 3 in respect of such period and (iii) reconciliations pursuant to Paragraph B(9)(g) and Paragraph B(9)(h) of Schedule 3."

(i) Amendment to add Definition of ExpressJet Note. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "ExpressJet Note":

> *"ExpressJet Note* - means that certain Floating Rate Note, issued April 16, 2002, made in favor of XJT and previously delivered to Continental as in effect on such date."

(j) Amendment to add Definition of ExpressJet Preferred Stock. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "ExpressJet Preferred Stock":

> *"ExpressJet Preferred Stock* - means the Series A Preferred Stock, par value $.01 per share, of New ExpressJet Airlines, Inc. as designated by that certain Certificate of Designation of Series A Preferred Stock of New ExpressJet Airlines, Inc. dated as of April 16, 2002 and as in effect on such date."

(k) Amendment to Definition of Incentive Amount. Exhibit A to the Capacity Purchase Agreement is hereby amended to amend and restate the definition of "Incentive Amount" in its entirety as follows:

> "*Incentive Amount* - means either (1) the portion of the reconciliation amount payable from Continental to Contractor pursuant to Paragraph B(6)(c) of Schedule 3 for a particular month and aircraft type equal to the product of (a) the difference between the Third Incremental Cost Rate and the First Incremental Cost Rate for such month and aircraft type, multiplied by (b) the Third Cancellation Number for such aircraft type, multiplied

by (c) the number of block hours per departure for such aircraft type and calendar month as set forth in the Final Monthly Schedule, or (2) the portion of the reconciliation amount payable from Contractor to Continental pursuant to Paragraph B(6)(d) of Schedule 3 for a particular month and aircraft type equal to the product of (a) the difference between the Third Incremental Cost Rate and the First Incremental Cost Rate for such month and aircraft type, multiplied by (b) the Fourth Cancellation Number for such aircraft type, multiplied by (c) the number of block hours per departure for such aircraft type and calendar month as set forth in the Final Monthly Schedule.

(l) <u>Amendment to definition of Incremental Passenger-Related Facilities</u>. Exhibit A to the Capacity Purchase Agreement is hereby amended to amend and restate the definition of "Incremental Passenger-Related Facilities" in its entirety as follows:

"Incremental Passenger-Related Facilities" - means "Incremental Contractor Terminal Facilities" as such term is defined in the Master Facility and Ground Handling Agreement.

(m) <u>Amendment to Definition of New Contractor Pilot</u>. Exhibit A to the Capacity Purchase Agreement is hereby amended to amend and restate the definition of "New Contractor Pilot" in its entirety as follows:

> *"New Contractor Pilot* - means any Person actively employed by Contractor as a pilot whose employment began after January 1, 2002 or was recalled from a furlough that occurred prior to January 1, 2002."

(n) <u>Amendment to delete Passenger-Related Terminal Facilities</u>. Exhibit A to the Capacity Purchase Agreement is hereby amended to delete the definition of "Passenger-Related Terminal Facilities" therefrom.

(o) <u>Amendment to add Definition of Pilot Hybrid Training Cycles</u>. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "Pilot Hybrid Training Cycle":

> *"Pilot Hybrid Training Cycle* - means any pilot training required by the FAA lasting between **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** days in duration, excluding Pilot New Hire Training Cycles, Pilot Recurrent Flight Training Cycles, Pilot Recurrent Ground Training Cycles, Pilot Transitional Training Cycles and Pilot Upgrade Training Cycles."

(p) <u>Amendment to add Definition of Preferred Dividend Amount</u>. Exhibit A to the Capacity Purchase Agreement is hereby amended to add the following definition of "Preferred Dividend Amount":

> *"Preferred Dividend Amount* - means, with respect to any particular calendar month, an amount in cash equal to the amount of dividends that accrue (regardless of whether such dividends are declared or paid) on the ExpressJet Preferred Stock during such month."

(q) <u>Amendment to change Definition of Prevailing Margin</u>. Exhibit A to the Capacity Purchase Agreement is hereby amended to amend and restate the definition of "Prevailing Margin" in its entirety as follows:

> *"Prevailing Margin"* - means, for any Performance Period, the decimal fraction (in any event not less than zero) equal to (i) Contractor's earnings before interest, taxes and extraordinary items derived from the Scheduled Flights (as determined by the separate books maintained by Contractor for the Regional Airline Services pursuant to Section 3.05(a)), divided by (ii) Contractor's aggregate revenues allocable to Scheduled Flights, in each of clauses (i) and (ii) above as reflected on the books and records of Contractor after giving effect to the provisions of Section 3.06(b), except for any reconciliation pursuant to Paragraph B(9)(d) of Schedule 3. In making the calculation described in clause (i) of the immediately preceding sentence, (a) Excluded Revenues shall be excluded from the revenues of Contractor, (b) Excluded Costs shall be excluded from the expenses of Contractor and (c) Deemed Costs shall be included as expenses of Contractor. In making the calculation described in clause (ii) of the immediately preceding sentence, Excluded Revenues shall be excluded from the revenues of Contractor.

I.

REPRESENTATIONS AND WARRANTIES

1. **<u>Representations and Warranties of Holdings, XJT and ExpressJet</u>**

. Holdings, XJT and ExpressJet, jointly and severally, represent, warrant and covenant to Continental as of the date hereof as follows:

a. <u>Organization and Qualification</u>. Each of Holdings, XJT and ExpressJet is a duly organized and validly existing corporation in good standing under the laws of the State of Delaware and has the corporate power and authority to own, operate and use its assets and operate the Regional Airline Services.

b. <u>Authority Relative to this Agreement</u>. Each of Holdings, XJT and ExpressJet has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby in accordance with the terms hereof. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of each of Holdings, XJT and ExpressJet. This Agreement has been duly and validly executed and delivered by each of Holdings, XJT and ExpressJet and is, assuming due execution and delivery thereof by Continental and that Continental has legal power and right to enter into this Agreement, a valid and binding obligation of each of Holdings, XJT and ExpressJet, enforceable against each of Holdings, XJT and ExpressJet in accordance with its terms, except as enforcement hereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally and legal principles of general applicability governing the availability of equitable remedies (whether considered in a proceeding in equity or at law or otherwise under applicable law).

c. Conflicts; Defaults. Neither the execution or delivery of this Agreement nor the performance by each of Holdings, XJT and ExpressJet of the transactions contemplated hereby will (i) violate, conflict with, or constitute a default under any of the terms of either Holdings', XJT's or ExpressJet's certificate of incorporation, by-laws, or any provision of, or result in the acceleration of any obligation under, any material contract, sales commitment, license, purchase order, security agreement, mortgage, note, deed, lien, lease or other agreement to which Holdings, XJT or ExpressJet is a party, (ii) result in the creation or imposition of liens in favor of any third person or entity, (iii) violate any law, statute, judgment, decree, order, rule or regulation of any governmental authority, or (iv) constitute any event which, after notice or lapse of time or both, would result in such violation, conflict, default, acceleration or creation or imposition of liens.

2. **Representations and Warranties of Continental**

. Continental represents and warrants to Holdings, XJT and ExpressJet as of the date hereof as follows:

a. Organization and Qualification. Continental is a duly incorporated and validly existing corporation in good standing under the laws of the State of Delaware.

b. Authority Relative to this Agreement. Continental has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby in accordance with the terms hereof. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Continental. This Agreement has been duly and validly executed and delivered by Continental and is, assuming due execution and delivery thereof by Holdings, XJT and ExpressJet and that Holdings, XJT and ExpressJet each has legal power and right to enter into this Agreement, a valid and binding obligation of Continental, enforceable against Continental in accordance with its terms, except as enforcement hereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights g enerally and legal principles of general applicability governing the availability of equitable remedies (whether considered in a proceeding in equity or at law or otherwise under applicable law).

(c) Conflicts; Defaults. Neither the execution or delivery of this Agreement nor the performance by Continental of the transactions contemplated hereby will (i) violate, conflict with, or constitute a default under any of the terms of Continental's certificate of incorporation, by-laws, or any provision of, or result in the acceleration of any obligation under, any material contract, sales commitment, license, purchase order, security agreement, mortgage, note, deed, lien, lease or other agreement to which Continental is a party, (ii) result in the creation or imposition of any liens in favor of any third person or entity, (iii) violate any law, statute, judgment, decree, order, rule or regulation of any governmental authority, or (iv) constitute any event which, after notice or lapse of time or both, would result in such violation, conflict, default, acceleration or creation or imposition of liens.

II.
MISCELLANEOUS

1. **Effect of Agreement**

. Except as specifically amended hereby, the Capacity Purchase Agreement shall remain in full force and effect and is ratified in all respects by the parties hereto.

2. **Binding Effect; Assignment**

. This Agreement and all of the provisions hereof shall be binding upon the parties hereto and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except with respect to a merger of either party with another Person, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties.

3. **Amendment and Modification**

. This Agreement may not be amended or modified in any respect except by a written agreement signed by the parties hereto.

4. **Counterparts**

. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature.

5. **Severability**

. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6. **Entire Agreement**

. This Agreement is intended by the parties as a complete statement of the entire agreement and understanding of the parties with respect to the subject matter hereof and all matters between the parties related to the subject matter herein set forth.

7. **Governing Law**

. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas (excluding Texas choice-of-law principles that might call for the application of the law of another jurisdiction) as to all matters, including matters of validity, construction, effect, performance and remedies. Except as otherwise provided in Section 11.08(e) of the Amended and Restated Capacity Purchase Agreement, any action arising out of this Agreement or the rights and duties of the parties arising hereunder may be brought, if at all, only in the state or federal courts located in Harris County, Texas.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to Amended and Restated Capacity Purchase Agreement to be duly executed and delivered as of the date and year first written above.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Name: Jeffery A. Smisek

Title: Executive Vice President

EXPRESSJET HOLDINGS, INC.

-

By: /s/ Frederick S. Cromer

Name: Frederick S. Cromer

Title: Vice President & Chief Financial Officer

-

XJT HOLDINGS, INC.

-

By: /s/ Frederick S. Cromer

Name: Frederick S. Cromer

Title: Vice President & Chief Financial Officer

EXPRESSJET AIRLINES, INC.

-

By: /s/ Frederick S. Cromer

Name: Frederick S. Cromer

Title: Vice President & Chief Financial Officer

Appendix 1

Appendix 1 Expenses (000's)

Date	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12	Column 13	Column 14	Column 15
Jan-03															
Feb-03															
Mar-03	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**														
Apr-03															
May-03															
Jun-03															
Jul-03															
Aug-03															
Sep-03															
Oct-03															
Nov-03															
Dec-03															
Jan-04															
Feb-04															
Mar-04															
Apr-04															
May-04															
Jun-04															
Jul-04															
Aug-04															
Sep-04															
Oct-04															
Nov-04															
Dec-04															

Appendix 3

-

Appendix 3 Block Hour Rates

Date	ATR42	RJ135	RJ145
Benchmark SL	200	325	525
Jan 03	-		
Feb 03	-		
Mar 03	-		
Apr 03	-		
May 03	-		
June 03	-		
Jul 03			
Aug 03			
Sep 03			
Oct 03			
Nov 03			
Dec 03			
Jan 04			
Feb 04			
Mar 04			
Apr 04			
May 04			
Jun 04			
Jul 04			
Aug 04			
Sep 04			
Oct 04			
Nov 04			
Dec 04			

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

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Appendix 4

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Appendix 4 Block Hour Rates

Date	ATR42	RJ135	RJ145
Jan 03	-		
Feb 03			
Mar 03	-		
Apr 03			

Apr 03 | -
May 03 | -
June 03 | -
Jul 03 | -
Aug 03 | -
Sep 03 | -
Oct 03
Nov 03
Dec 03
Jan 04
Feb 04
Mar 04
Apr 04
May 04
Jun 04
Jul 04
Aug 04
Sep 04
Oct 04
Nov 04
Dec 04

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

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Appendix 11

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First Incremental Cost Rates

Date	**ATR42**	**RJ135**	**RJ145**
Jan 03	-		
Feb 03	-		
Mar 03	-		
Apr 03	-		
May 03			
June 03			
Jul 03			
Aug 03			
Sep 03			
Oct 03			
Nov 03			
Dec 03			

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

Jan 04

Feb 04

Mar 04

Apr 04

May 04

Jun 04

Jul 04

Aug 04

Sep 04

Oct 04

Nov 04

Dec 04

-

Appendix 12

-

Second Incremental Cost Rates

Date	**ATR42**	**RJ135**	**RJ145**
Jan 03	-		
Feb 03			
Mar 03	-		
Apr 03			
May 03	-		
June 03			
Jul 03			
Aug 03			
Sep 03			
Oct 03			
Nov 03			
Dec 03			
Jan 04			
Feb 04			
Mar 04			
Apr 04			
May 04			
Jun 04			
Jul 04			
Aug 04			
Sep 04			

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

Sep 04

Oct 04

Nov 04

Dec 04

-

Appendix 13

-

Appendix 13 Incremental Cost Rates

Date	ATR42	RJ135	RJ145
Jan 03			
Feb 03			
Mar 03			
Apr 03			
May 03			
June 03			
Jul 03			
Aug 03			
Sep 03			
Oct 03			
Nov 03			
Dec 03			
Jan 04			
Feb 04			
Mar 04			
Apr 04			
May 04			
Jun 04			
Jul 04			
Aug 04			
Sep 04			
Oct 04			
Nov 04			
Dec 04			

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

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Appendix 14

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Appendix 14 Incremental Block Hour Rates

Date	**ATR42**	**RJ135**	**RJ145**
Benchmark SL	**200**	**325**	**525**
Jan 03	-		
Feb 03			
Mar 03	-		
Apr 03			
May 03	-		
June 03			
Jul 03	-		
Aug 03	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**		
Sep 03			
Oct 03			
Nov 03			
Dec 03			
Jan 04			
Feb 04			
Mar 04			
Apr 04			
May 04			
Jun 04			
Jul 04			
Aug 04			
Sep 04			
Oct 04			
Nov 04			
Dec 04			

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Appendix 15

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Fifth Incremental Cost Rate Allocation

Expense	**Allocation Methodology**
Aircraft Rent	-
Maintenance Overhead	**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A**
Hull Insurance	
Employee Incentives	
Property Taxes	
Depreciation	
Management Fee	

General & Administrative

Airport Overhead

CAL Fixed Pool of Expenses

Glycol

Snow Removal

De-icing

Airport Facility Rent

3rd Party Ground Handling

REQUEST FOR CONFIDENTIAL TREATMENT]

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Appendix 17a

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Assumed Pilot Training Cost Per Cycle

Training Cycle	**2001**	**2002**	**2003**	**2004**
RJ				
Transitional	-			
Upgrade	-			
New Hire	-			
Recur Ground	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]			
Recur Flight				
Hybrid				
-				
ATR				
Transitional				
Upgrade				
New Hire				
Recur Ground				
Recur Flight				
-				
Total				
Transitional				
Upgrade				
New Hire				
Recur Ground				
Recur Flight				
Hybrid				
-				
-				

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

Appendix 21

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Airport Agent Volume Reconciliation

Date	Amount Payable Per Agent Paid Hour	Agent Paid Hours	Implied Sick Time %	Implied Overtime %	Implied Holiday %	Implied Vacation %
Jan 03	-					
Feb 03						
Mar 03	-					
Apr 03						
May 03	-					
June 03	-					
Jul 03						
Aug 03	-					
Sep 03						
Oct 03						
Nov 03						
Dec 03						
Jan 04						
Feb 04						
Mar 04						
Apr 04						
May 04						
Jun 04						
Jul 04						
Aug 04						
Sep 04						
Oct 04						
Nov 04						
Dec 04						

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

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Appendix 22

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Reconciliation of Expenses (000's)

Date	B(9)(a)(i)	B(9)(a)(ii)	B(9)(a)(iii)	B(9)(a)(iv)	B(9)(a)(v)	B(9)(a)(vi)	B(9)(a)(vii)	B(9)(a)(viii)	B(9)(a)(ix)	B(9)(a)(x)	B(9)(a)(xi)	B(9)(a)(xii)	B(9)(a)(xiii)	B(9)(a)(xiv)	B(9)(a)(xv)	B(9)(a)(xvi)
Jan 03																
Feb 03	-															

Mar 03

Apr 03

May 03

June 03

Jul 03

Aug 03

Sep 03

Oct 03

Nov 03

Dec 03

Jan 04

Feb 04

Mar 04

Apr 04

May 04

Jun 04

Jul 04

Aug 04

Sep 04

Oct 04

Nov 04

Dec 04

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

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Appendix 22a

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	First Implied Rates			Second Implied Rates			Third Implied
Date	**ATR 42**	**RJ135**	**RJ145**	**ATR42**	**RJ135**	**RJ145**	**Expenses (000's)**
Jan 03	-						
Feb 03							
Mar 03	-						
Apr 03							
May 03	-						
June 03	-						
Jul 03							
Aug 03							
Sep 03							
Oct 03							
Nov 03							
Dec 03							
Jan 04							
Feb 04							
Mar 04							
Apr 04							

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

May 04

Jun 04

Jul 04

Aug 04

Sep 04

Oct 04

Nov 04

Dec 04

-

Appendix 24

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Date	**RJ135**	**RJ145**
Jul 03		
Aug 03		
Sep 03		
Oct 03		
Nov 03		
Dec 03		
Jan 04		
Feb 04		
Mar 04		
Apr 04		
May 04		
Jun 04		
Jul 04		
Aug 04		
Sep 04		
Oct 04		
Nov 04		
Dec 04		

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

EXHIBIT 21.1

SUBSIDIARIES OF CONTINENTAL AIRLINES

-

NONE.

EXHIBIT 23.1

Consent of Independent Auditors

-

We consent to the incorporation by reference of our reports dated January 20, 2004 with respect to the consolidated financial statements and schedule of Continental Airlines, Inc. (the "Company") included in the Company's Annual Report (Form 10-K) for the year ended December 31, 2003, into the following:

i. the Company's Registration Statements on Form S-8 (Nos. 33-81324, 33-60009 and 333-06993) relating to the Company's 1994 Incentive Equity Plan;

ii. the Company's Registration Statement on Form S-8 (No. 333-23165) relating to the Company's 1997 Stock Incentive Plan;

iii. the Company's Registration Statement on Form S-8 (No. 333-57297) relating to the Company's 1998 Stock Incentive Plan;

iv. the Company's Registration Statement on Form S-8 (No. 333-39762) relating to the Company's 2000 Incentive Plan;

v. the Company's Registration Statements on Form S-8 (Nos. 33-81326 and 33-59995) relating to the Company's 1994 Restricted Stock Grant;

vi. the Company's Registration Statements on Form S-8 (Nos. 333-16723 and 333-71796) relating to the Company's 1997 Employee Stock Purchase Plan;

vii. the Company's Registration Statement on Form S-8 (No. 333-50938) relating to the Company's Supplemental Savings Plan for Management Pilots;

viii. the Company's Registration Statement on Form S-3 (No. 333-09739) relating to Warrants, Class A Common Stock and Class B Common Stock and sales by certain Selling Security holders and the related Prospectus;

ix. the Company's Registration Statement on Form S-3 (No. 333-31285) relating to $250,000,000 of the Company's Pass Through Certificates and the related Prospectus;

x. the Company's Registration Statement on Form S-3 (No. 333-67886) relating to $1,800,000,000 of the Company's Pass Through Certificates and the related Prospectus;

xi. the Company's Registration Statement on Form S-3 (No. 333-79827) relating to $500,000,000 of the Company's Debt Securities (Debt Shelf) and the related Prospectus;

xii. the Company's Registration Statement on Form S-3 (No. 333-71906) relating to $500,000,000 of the Company's Debt Securities, Class B Common Stock, Preferred Stock, Stock Purchase Contracts, Stock Purchase Units, Depositary Shares, Warrants, Junior Subordinated Trust Debentures and Guarantee of Trust Preferred Securities and Trust Preferred Securities of Continental Airlines Finance Trust III (Universal Shelf) and the related Prospectus;

xiii. the Company's Registration Statement on Form S-3 (No. 333-55144) relating to $250,000,000 of Term Income Deferrable Equity Securities (TIDES) of Continental Airlines Finance Trust II, and Convertible Junior Subordinated Debentures, a Preferred Securities Guarantee of the TIDES and Class B Common Stock of the Company; and

xiv. the Company's Registration Statement on Form S-3 (No. 333-108576) relating to $175,000,000 of the Company's 5% Convertible Notes due 2023.

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Houston, Texas

February 2, 2004

EXHIBIT 24.1

POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Thomas J. Barrack, Jr.

(Signature)

Printed Name: Thomas J. Barrack, Jr.

Dated and effective as of February 3, 2004

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POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Gordon M. Bethune

(Signature)

Printed Name: Gordon M. Bethune

Dated and effective as of February 3, 2004

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the

Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

Dated and effective as of February 3, 2004

/s/ David Bonderman

Printed Name: David Bonderman

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POWER OF ATTORNEY

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KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Kirbyjon Caldwell

(Signature)

Printed Name: Kirbyjon Caldwell

Dated and effective as of February 3, 2004

-

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POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Patrick Foley

(Signature)

Printed Name: Patrick Foley

Dated and effective as of February 3, 2004

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POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Douglas H. McCorkindale

(Signature)

Printed Name: Douglas H. McCorkindale

Dated and effective as of February 3, 2004

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POWER OF ATTORNEY

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KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Henry L. Meyer III

(Signature)

Printed Name: Henry L. Meyer III

Dated and effective as of February 3, 2004

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POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ George G. C. Parker

(Signature)

Printed Name: George G. C. Parker

Dated and effective as of February 3, 2004

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POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Richard W. Pogue

(Signature)

Printed Name: Richard W. Pogue

Dated and effective as of February 3, 2004

-

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-

POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ William S. Price III

(Signature)

Printed Name: William S. Price III

Dated and effective as of February 3, 2004

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POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Karen Hastie Williams

(Signature)

Printed Name: Karen Hastie Williams

Dated and effective as of February 3, 2004

POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Ronald B. Woodard

(Signature)

Printed Name: Ronald B. Woodard

Dated and effective as of February 3, 2004

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POWER OF ATTORNEY

-

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel and Kristin H. Becnel, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

-

-

/s/ Charles A. Yamarone

(Signature)

Printed Name: Charles A. Yamarone

Dated and effective as of February 3, 2004

EXHIBIT 31.1

CERTIFICATION

I, Gordon M. Bethune, certify that:

1. I have reviewed this quarterly report on Form 10-K of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2004

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/s/ Gordon M. Bethune

Gordon M. Bethune

Chairman of the Board and

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Jeffrey J. Misner, certify that:

1. I have reviewed this quarterly report on Form 10-K of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2004

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/s/ Jeffrey J. Misner

Jeffrey J. Misner

Senior Vice President and

Chief Financial Officer

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EXHIBIT 32

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

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

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

The Annual Report on Form 10-K for the year ended December 31, 2003 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

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Dated: February 3, 2004

/s/ Gordon M. Bethune

Gordon M. Bethune

Chairman of the Board and

Chief Executive Officer

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/s/ Jeffrey J. Misner

Jeffrey J. Misner

Senior Vice President and

Chief Financial Officer

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