

CONTINENTAL AIRLINES INC /DE/
Form S-4/A
November 21, 2003

REGISTRATION NO. 333-109264

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

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

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

4512
(Primary Standard Industrial
Classification Code Number)

74-2099724
(I.R.S. Employer
Identification Number)

1600 SMITH STREET, DEPT. HQSEO
HOUSTON, TEXAS 77002
(713) 324-2950
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

JENNIFER L. VOGEL, ESQ.
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
CONTINENTAL AIRLINES, INC.
1600 SMITH STREET, DEPT. HQSLG
HOUSTON, TEXAS 77002
(713) 324-2950
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

COPIES OF CORRESPONDENCE TO:

JOHN K. HOYNS, ESQ.
HUGHES HUBBARD & REED LLP
ONE BATTERY PARK PLAZA
NEW YORK, NEW YORK 10004-1482
(212) 837-6000

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

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXI AGGREGATE OFFERING PRI
Floating Rate Secured Subordinated Notes Due 2007	\$97,000,000	100%	\$97,000,000

- (1) Pursuant to Rule 457(f)(2), the registration fee has been calculated using the book value of the securities being registered.
- (2) The Commission has informed Continental Airlines, Inc. that it may set off an amount in excess of the registration fee payable for this registration statement due to a post-filing adjustment of the registration fee for the Continental Airlines, Inc. registration statement on Form S-3 (File No. 333-71906), originally filed with the Commission on October 19, 2001.

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

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities or accept offers to buy these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 21, 2003

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

PROSPECTUS

\$97,000,000

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE
FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007,
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933,
FOR ANY AND ALL OUTSTANDING FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007

We are offering to issue the new subordinated notes to satisfy our obligations contained in the registration rights agreement entered into when the old subordinated notes were sold in transactions exempt from, or not subject to, registration under the Securities Act.

The terms of the new subordinated notes will be substantially identical to the terms of the old subordinated notes, except that the new subordinated notes will be registered under the Securities Act of 1933, the transfer restrictions, registration rights and provisions for additional interest relating to the old subordinated notes will not apply to the new subordinated notes, and the new subordinated notes will be available only in book-entry form.

There is no existing market for the new subordinated notes. The new subordinated notes will not be listed on any national securities exchange.

The exchange of old subordinated notes will not be a taxable event for U.S. federal income tax purposes.

Old subordinated notes may be tendered only in integral multiples of \$1,000. You may withdraw a tender of old subordinated notes at any time prior to the expiration of the exchange offer. All old subordinated notes that are validly tendered and not validly withdrawn will be exchanged.

The exchange offer expires at 5:00 p.m., New York City time, on
, 2003, unless the exchange offer is extended.

THE SUBORDINATED NOTES AND THE EXCHANGE OFFER INVOLVE RISKS. SEE "RISK FACTORS" ON PAGE 18.

PRINCIPAL AMOUNT	INTEREST RATE	FINAL SCHEDULED PAYMENT DATE
\$97,000,000	USD 3-Month LIBOR + 7.50%	December 6, 2007

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is , 2003

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

TABLE OF CONTENTS

	PAGE

PRESENTATION OF INFORMATION.....	3
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE.....	4
PROSPECTUS SUMMARY.....	6
The Exchange Offer.....	6
Summary of Terms of Notes.....	9
Collateral.....	10
The Subordinated Notes.....	11
SUMMARY FINANCIAL AND OPERATING DATA...	14
RISK FACTORS.....	18
Terrorist Attacks and International Hostilities.....	18
Risk Factors Relating to the Company.....	18
Risk Factors Relating to the Airline Industry.....	21
Risk Factors Relating to the Subordinated Notes and the Exchange Offer.....	23
USE OF PROCEEDS.....	26
RATIO OF EARNINGS TO FIXED CHARGES.....	26
THE COMPANY.....	27
Domestic Operations.....	27
International Operations.....	28
Outlook.....	29
THE EXCHANGE OFFER.....	32
Terms of the Exchange Offer.....	32
Interest on the New Subordinated Notes.....	34
Procedures for Tendering.....	35
Acceptance of Old Subordinated Notes for Exchange; Delivery of New Subordinated Notes.....	36
Book-Entry Transfer.....	37
Guaranteed Delivery Procedures.....	37
Withdrawal of Tenders.....	38
Conditions.....	38
Exchange Agent.....	39
Fees and Expenses.....	39
DESCRIPTION OF THE SUBORDINATED NOTES.....	40
General.....	40
Payments of Principal and Interest...	40
Determination of LIBOR.....	41
Break Amount.....	42
Redemption.....	42
Collateral.....	43
Event of Default.....	48

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

	PAGE

Remedies.....	48
Controlling Party.....	50
Priority of Distributions.....	52
Modifications and Waiver of the Indenture and Certain Other Agreements.....	54
Merger, Consolidation and Transfer of Assets.....	56
Indemnification.....	56
Governing Law.....	57
The Trustee.....	57
Book Entry; Delivery and Form.....	57
Same Day Settlement and Payment.....	58
DESCRIPTION OF THE SENIOR NOTES.....	59
General.....	59
Payments of Principal and Interest...	59
Redemption.....	60
Collateral.....	60
DESCRIPTION OF THE LIQUIDITY FACILITY FOR THE SENIOR NOTES.....	61
General.....	61
Drawings.....	61
Reimbursement of Drawings.....	63
Liquidity Events of Default and Termination.....	64
Liquidity Provider.....	65
DESCRIPTION OF THE POLICY FOR THE SENIOR NOTES.....	66
The Policy.....	66
General.....	68
Definitions.....	68
The Policy Provider Agreement.....	69
Policy Provider.....	69
DESCRIPTION OF THE APPRAISAL.....	70
MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES.....	72
Exchange of Old Subordinated Notes for New Subordinated Notes.....	72
PLAN OF DISTRIBUTION.....	72
LEGAL MATTERS.....	73
EXPERTS.....	73
FORWARD-LOOKING STATEMENTS.....	73
WHERE YOU CAN FIND MORE INFORMATION....	73
INDEX OF TERMS.....	APPENDIX I
APPRAISAL LETTER.....	APPENDIX II

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

INFORMATION THAT IS DIFFERENT. THIS DOCUMENT MAY BE USED ONLY WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS DOCUMENT MAY BE ACCURATE ONLY ON THE DATE OF THIS DOCUMENT.

PRESENTATION OF INFORMATION

We have given certain capitalized terms specific meanings for purposes of this Prospectus. The "Index of Terms" attached as Appendix I to this Prospectus lists the page on which we have defined each such term.

At various places in this Prospectus, we refer you to other sections of this document for additional information by indicating the caption heading of such other sections. The page on which each principal caption included in this Prospectus can be found is listed in the Table of Contents.

3

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Securities and Exchange Commission (the "Commission") allows us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the Commission. The information incorporated by reference is considered to be part of this Prospectus, except for any information that is superseded by subsequent incorporated documents or by information that is included directly in this Prospectus.

This Prospectus includes by reference the documents listed below that we previously have filed with the Commission and that are not delivered with this document. They contain important information about our company and its financial condition.

FILING -----	DATE FILED -----
Amended Annual Report on Form 10-K/A-1 for the year ended December 31, 2002.....	April 22, 2003
Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.....	April 16, 2003
Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.....	July 17, 2003
Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.....	October 16, 2003
Current Report on Form 8-K.....	January 3, 2003
Current Report on Form 8-K.....	January 15, 2003
Current Report on Form 8-K.....	February 4, 2003
Current Report on Form 8-K.....	March 4, 2003
Amendment to Current Report on Form 8-K.....	March 4, 2003
Current Report on Form 8-K.....	March 4, 2003
Current Report on Form 8-K.....	March 19, 2003
Current Report on Form 8-K.....	March 20, 2003
Current Report on Form 8-K.....	April 2, 2003
Current Report on Form 8-K.....	April 15, 2003
Current Report on Form 8-K.....	May 2, 2003
Current Report on Form 8-K.....	May 12, 2003
Current Report on Form 8-K.....	May 14, 2003
Current Report on Form 8-K.....	June 3, 2003
Current Report on Form 8-K.....	June 5, 2003

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Current Report on Form 8-K.....	June 5, 2003
Current Report on Form 8-K.....	June 12, 2003
Current Report on Form 8-K.....	July 2, 2003
Current Report on Form 8-K.....	August 4, 2003
Current Report on Form 8-K.....	August 5, 2003
Current Report on Form 8-K.....	September 3, 2003
Current Report on Form 8-K.....	September 17, 2003
Current Report on Form 8-K.....	October 2, 2003
Current Report on Form 8-K.....	November 4, 2003
Current Report on Form 8-K.....	November 10, 2003
Current Report on Form 8-K.....	November 18, 2003

Our Commission file number is 1-10323.

We incorporate by reference additional documents that we may file with the Commission between the date of this Prospectus and the termination of the Exchange Offer. These documents include our periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as our proxy statements.

4

You may obtain any of these incorporated documents from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference in such document. You may obtain documents incorporated by reference in this prospectus from our website (www.continental.com) or by requesting them from us in writing or by telephone at the following address:

Continental Airlines, Inc.
1600 Smith Street, Dept. HQSEO
Houston, Texas 77002
Attention: Secretary
Telephone: (713) 324-2950

IN ORDER TO OBTAIN TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY [], 2003 (THE FIFTH BUSINESS DAY BEFORE THE SCHEDULED EXPIRATION DATE OF THE EXCHANGE OFFER).

5

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THIS PROSPECTUS AND MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. FOR MORE COMPLETE INFORMATION ABOUT THE NOTES AND CONTINENTAL AIRLINES, INC., YOU SHOULD READ THIS ENTIRE PROSPECTUS, AS WELL AS THE MATERIALS FILED WITH THE COMMISSION THAT ARE CONSIDERED TO BE PART OF THIS PROSPECTUS. SEE "INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE".

THE EXCHANGE OFFER

The Notes..... On May 9, 2003, Continental issued an aggregate of \$100,000,000 Floating Rate Secured Subordinated Notes due 2007 in transactions exempt from or not subject to the registration requirements of the Securities Act. Continental subsequently acquired and surrendered for

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

cancellation \$3,000,000 principal amount of such notes.

When we use the term "Old Subordinated Notes" in this Prospectus, we mean the Floating Rate Secured Subordinated Notes due 2007 which were issued on May 9, 2003 and which were not registered with the Commission.

When we use the term "New Subordinated Notes" in this Prospectus, we mean the Floating Rate Secured Subordinated Notes due 2007 registered with the Commission and offered hereby in exchange for the Old Subordinated Notes.

When we use the term "Subordinated Notes" in this Prospectus, the related discussion applies both to the Old Subordinated Notes and the New Subordinated Notes.

When we use the term "Senior Notes" in this Prospectus, we mean the Floating Rate Secured Notes due 2007, which were originally issued by Continental on December 6, 2002, including notes issued in exchange therefor pursuant to Continental's exchange offer described in its prospectus, dated June 25, 2003. The Exchange Offer being made pursuant to this Prospectus does not relate to the Senior Notes.

When we use the term "Notes" in this Prospectus, the related discussion applies both to the Subordinated Notes and the Senior Notes.

Registration Rights

Agreement.....

On May 9, 2003, Continental entered into a Registration Rights Agreement with Morgan Stanley & Co. Incorporated (the "Initial Purchaser") providing, among other things, for the Exchange Offer being made pursuant to this Prospectus.

The Exchange Offer.....

Continental is offering New Subordinated Notes in exchange for an equal principal amount of Old Subordinated Notes. The New Subordinated Notes will be issued to satisfy Continental's obligations under the Registration Rights Agreement. As of the date of this Prospectus, \$97,000,000 aggregate principal amount of Old Subordinated Notes are outstanding. Old Subordinated Notes may be tendered only in integral multiples of \$1,000.

Resale of New Subordinated

Notes.....

We believe that you can offer for resale, resell or otherwise transfer the New Subordinated Notes without complying with the

requirements of the Securities Act if:

- you acquire the New Subordinated Notes in the ordinary course of your business;
- you have no arrangement or understanding with any person to participate in the distribution of the New Subordinated Notes; and
- you are not an "affiliate", as defined in the Rule 405 under the Securities Act, of Continental or a broker-dealer who acquired Old Subordinated Notes directly from Continental for your own account.

If any of these conditions is not satisfied and you transfer any New Subordinated Note without delivering a proper prospectus or without qualifying for a registration exemption, you may incur liability under the Securities Act. Continental does not assume or indemnify you against such liability.

Each broker-dealer that receives New Subordinated Notes in exchange for Old Subordinated Notes held for its own account as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such New Subordinated Notes. A broker-dealer may use this prospectus for an offer to resell, resale or other transfer of such New Subordinated Notes issued to it in the Exchange Offer.

Conditions to the Exchange Offer.....

The Exchange Offer is not conditioned upon any minimum principal amount of Old Subordinated Notes being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions, which may be waived by Continental.

Expiration Date of the Exchange Offer.....

[], 2003, subject to Continental's right to extend the Expiration Date.

Procedures for Tendering Old Subordinated Notes.....

If you wish to accept the Exchange Offer, you must deliver your Old Subordinated Notes to the Exchange Agent for exchange no later than 5:00 p.m., New York City time, on the Expiration Date.

You must also deliver a completed and signed Letter of Transmittal together with the Old Subordinated Notes. A Letter of Transmittal has been sent to Subordinated Noteholders and a form is attached as an exhibit to the Registration Statement.

If you hold Old Subordinated Notes through DTC

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

and wish to accept the Exchange Offer, you may do so through DTC's Automated Tender Offer Program. By accepting the Exchange Offer through such program, you will agree to be bound by the Letter of Transmittal as though you had signed the Letter of Transmittal and delivered it to the Exchange Agent.

Guaranteed Delivery
Procedures.....

If you wish to tender your Old Subordinated Notes and your Old Subordinated Notes are not immediately available, you cannot deliver your Old Subordinated Notes and a properly completed Letter of Transmittal or any other document required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date

7

or you cannot complete the book-entry transfer procedures prior to the Expiration Date, you may tender your Old Subordinated Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures".

Withdrawal Rights.....

You may withdraw a tender of Old Subordinated Notes at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old Subordinated Notes, the Exchange Agent must receive a written or facsimile transmission notice requesting such withdrawal at its address set forth under "The Exchange Offer--Exchange Agent" prior to 5:00 p.m., New York City time, on the Expiration Date.

Acceptance of Old Subordinated
Notes and Delivery of New
Subordinated Notes.....

Subject to certain conditions, any and all Old Subordinated Notes which are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. The New Subordinated Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date.

Registration, Clearance and
Settlement.....

The New Subordinated Notes will be represented by one or more permanent global notes, which will be registered in the name of the nominee of DTC. The global notes will be deposited with the Trustee as custodian for DTC.

Consequences of Failure to
Exchange Old Subordinated
Notes.....

Once the Exchange Offer has been completed, if you do not exchange your Old Subordinated Notes for New Subordinated Notes in the Exchange Offer, you will no longer be entitled to

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

registration rights and will not be able to offer or sell your Old Subordinated Notes, unless (i) such Old Subordinated Notes are subsequently registered under the Securities Act (which, subject to certain limited exceptions, Continental will have no obligation to do) or (ii) your transaction is exempt from, or otherwise not subject to, the Securities Act and applicable state securities laws.

Certain Federal Income Tax Consequences..... The exchange of Old Subordinated Notes for New Subordinated Notes will not be a sale or exchange or otherwise a taxable event for federal income tax purposes.

Exchange Agent..... Wilmington Trust Company is serving as Exchange Agent in connection with the Exchange Offer.

Fees and Expenses..... All expenses incident to Continental's consummation of the Exchange Offer and compliance with the Registration Rights Agreement will be borne by Continental.

Use of Proceeds..... Continental will not receive any cash proceeds from the exchange of the Old Subordinated Notes for the New Subordinated Notes.

SUMMARY OF TERMS OF NOTES

	Subordinated Notes	Senior Notes(1)
Original Principal Amount.....	\$100,000,000	\$200,000,000
Outstanding Principal Amount(2).....	\$97,000,000	\$194,500,000
Loan to Collateral Value(3).....	66.4%	42.4%
Maximum Loan to Collateral Value.....	67.5%	45.0%
Interest Rate.....	USD 3-Month LIBOR + 7.50%	USD 3-Month LIBOR + .90%(4)
Interest Payment Dates.....	March 6, June 6, September 6 and December 6	March 6, June 6, Sep 6 and December
Final Scheduled Payment Date.....	December 6, 2007	December 6, 200
Final Legal Maturity Date.....	Not applicable	December 6, 200
Minimum Denomination.....	\$1,000	\$1,000
Section 1110 Protection(5).....	Yes	Yes
Liquidity Facility Coverage.....	None	8 quarterly inter payments(6)
Policy Provider Coverage.....	None	Interest when due principal no later t Final Legal Matur Date(6)

(1) The Exchange Offer being made pursuant to this Prospectus does not relate to

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

the Senior Notes.

- (2) The amounts listed are determined as of the date of this Prospectus and reflect the purchase by Continental and subsequent cancellation by the Trustee in September 2003 of \$5,500,000 of Senior Notes and \$3,000,000 of Subordinated Notes.
- (3) These percentages have been determined by dividing the outstanding principal amount of the Senior Notes as of the date of this Prospectus plus, in the case of the percentage applicable to the Subordinated Notes, the outstanding principal amount of the Subordinated Notes as of the date of this Prospectus, minus Cash Collateral, by the appraised value of the Collateral determined as of June 25, 2003, the most recent appraisal obtained by Continental. Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such appraisal indicates that the loan to Collateral value is greater than 45.0%, in the case of the Senior Notes, or 67.5%, in the case of the Subordinated Notes, Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated Notes outstanding so that the loan to Collateral value is not greater than the applicable maximum percentage. The appraised value of the Collateral determined as of June 25, 2003, indicated that such maximum percentages were exceeded. As a result, Continental acquired and delivered to the Trustee for cancellation \$5,500,000 of Senior Notes and \$3,000,000 of Subordinated Notes and deposited Cash Collateral totalling \$23,600,000. An appraised value is only an estimate and reflects certain assumptions. See "Description of the Appraisal".
- (4) The interest rate applicable to the Senior Notes is subject to a maximum rate of 12% per annum applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment.
- (5) Section 1110 of the U.S. Bankruptcy Code will be applicable to the spare parts of the types initially subject to the lien securing the Notes, but will not be applicable to Cash Collateral. In addition, in order to satisfy the semiannual loan to collateral value requirement referred to in note (1) above, Continental may add other collateral that may not be entitled to the benefits of Section 1110, subject to certain limitations.
- (6) The amounts available under the Liquidity Facility and the Policy for the payment of accrued interest on the Senior Notes have been calculated utilizing the Capped Interest Rate, which is the maximum interest rate on the Senior Notes applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment.

9

COLLATERAL

The Subordinated Notes are secured by a lien on spare parts (including appliances) first placed in service after October 22, 1994 and owned by Continental that are appropriate for installation on or use in

- one or more of the following aircraft models: Boeing model 737-700, 737-800, 737-900, 757-200, 757-300, 767-200, 767-400 or 777-200 aircraft,
- any engine utilized on any such aircraft or

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

-- any other spare part included in the Collateral,

and not appropriate for installation on or use in any other model of aircraft currently operated by Continental or engine utilized on any such other model of aircraft. The Senior Notes are also secured by a lien on such Collateral. The lien will not apply for as long as a spare part is installed on or being used in any aircraft, engine or other spare part so installed or being used. In addition, the lien will not apply to a spare part not located at one of the designated locations specified pursuant to the security agreement applicable to the spare parts.

The spare parts included in the Collateral fall into two categories, "rotables" and "expendables". Rotables are parts that wear over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which they relate. Expendables consist of parts that can be restored to a serviceable condition but have a life less than the related flight equipment and parts that generally are used once and thereby consumed or thereafter discarded. Spare engines are not included in the Collateral. Set forth below is certain information about the spare parts included in the Collateral as of June 25, 2003:

AIRCRAFT MODEL -----	SPARE PARTS QUANTITY (1)			APPRAISED VALUE (2) -----
	EXPENDABLES -----	ROTABLES -----	TOTAL -----	
737-700.....	675	36	711	
737-700/800.....	276,685	6,279	282,964	
737-800.....	3,964	199	4,163	
737-900.....	851	10	861	
737-7/8/9 Subtotal.....	282,175	6,524	288,699	\$169,807,400
757-200.....	175,886	3,364	179,250	72,852,100
757-300.....	10,459	97	10,556	2,940,400
767-200.....	25,387	208	25,595	8,907,900
767-400.....	52,193	1,525	53,718	55,818,300
777-200.....	106,538	2,555	109,093	93,148,300
Total.....	652,638	14,273	666,911	\$403,474,400

(1) This quantity of spare parts used in preparing the appraised value was determined as of June 25, 2003. Since spare parts are regularly used, refurbished, purchased, transferred and discarded in the ordinary course of Continental's business, the quantity of spare parts included in the Collateral and their appraised value will change over time. Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral.

(2) The appraised value reflects the opinion of Simat, Helliesen & Eichner, Inc., an independent aviation appraisal and consulting firm, of the fair market value of the spare parts. A letter summarizing such appraisal is annexed to this Prospectus as Appendix II. The appraisal is subject to number of assumptions and limitations and was prepared based on certain

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

specified methodologies. An appraisal is only an estimate of value and should not be relied upon as a measure of realizable value.

10

THE SUBORDINATED NOTES

Issuer..... Continental Airlines, Inc.

Notes Offered..... Floating Rate Secured Subordinated Notes due 2007.

Use of Proceeds..... The proceeds from the sale of the Old Subordinated Notes were used for general corporate purposes. Continental will not receive any proceeds from the exchange of the New Subordinated Notes for the Old Subordinated Notes.

Trustee and Paying Agent..... Wilmington Trust Company.

Final Scheduled Payment
Date..... The entire principal amount of the Subordinated Notes is scheduled for payment on December 6, 2007.

Interest..... The Subordinated Notes will accrue interest at a variable rate per annum set forth on the cover page of this Prospectus. Interest is calculated on the basis of the actual number of days elapsed over a 360-day year. LIBOR is determined from time to time by the Reference Agent as described in "Description of the Subordinated Notes--Determination of LIBOR".

Interest Payment Dates..... March 6, June 6, September 6 and December 6, commencing on June 6, 2003.

Subordination..... The Subordinated Notes rank junior to the obligations relating to the Senior Notes (including amounts owed to the Policy Provider and Liquidity Provider) with respect to payments received from Continental, proceeds from liquidation of the Collateral and otherwise. Unlike the Senior Notes, the Subordinated Notes will not have the benefit of a liquidity facility or an insurance policy.

Record Dates..... The fifteenth day preceding the related Interest Payment Date.

Optional Redemption..... The Subordinated Notes may not be redeemed by Continental prior to May 9, 2004. Thereafter, Continental may elect to redeem all or (so long as no Payment Default has occurred and is continuing) some of the Subordinated Notes at any time prior to maturity. The redemption price in such case will be the principal amount of the Subordinated Notes, together with accrued and unpaid interest, LIBOR break amount, if any, and, if redeemed prior to the

fourth anniversary of the Issuance Date (except in connection with a redemption to satisfy the maximum Collateral Ratio or minimum Rotable Ratio requirement), a Premium equal to the following percentage of the principal amount prepaid:

IF REDEEMED DURING THE YEAR PRIOR TO THE ANNIVERSARY OF THE ISSUANCE DATE INDICATED BELOW -----	PREMIUM -----
2nd	3.00%
3rd	2.00
4th	1.00

Notwithstanding the foregoing, so long as the Policy Provider is the Controlling Party, no such redemption may be made if an Event of Default has occurred and is continuing or if the maximum loan to Collateral value ratio and minimum Rotables to loan ratio applicable to the Senior Notes is not then satisfied, unless the Policy Provider shall otherwise agree.

11

If Continental gives notice of redemption but fails to pay when due all amounts necessary to effect such redemption, such redemption shall be deemed revoked and no amount shall be due as a result of notice of redemption having been given.

Collateral.....

The Subordinated Notes are secured by a lien on spare parts (including appliances) first placed in service after October 22, 1994 and owned by Continental that are appropriate for installation on or use in

- one or more of the following aircraft models: Boeing model 737-700, 737-800, 737-900, 757-200, 757-300, 767-200, 767-400 or 777-200 aircraft,
- any engine utilized on any such aircraft or
- any other spare part included in the Collateral,

and not appropriate for installation on or use in any other model of aircraft currently operated by Continental or engine utilized on any such other model of aircraft. The Senior Notes are also secured by a lien on such Collateral. The lien will not apply for as long as a spare part is installed on or being used

in any aircraft, engine or other spare part so installed or being used. In addition, the lien will not apply to a spare part not located at one of the designated locations specified pursuant to the security agreement applicable to the spare parts.

Maintenance of Collateral
Ratios.....

Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such appraisal indicates that:

- the ratio of the outstanding principal amount of the Senior Notes to the Collateral value is greater than 45.0%;
- the ratio of the outstanding principal amount of the Senior Notes and the Subordinated Notes to Collateral value is greater than 67.5%;
- the ratio of the value of the Rotables included in the Collateral to the outstanding principal amount of the Senior Notes is less than 150%; or
- the ratio of the value of the Rotables included in the Collateral to the outstanding principal amount of the Senior Notes and the Subordinated Notes is less than 100%;

then Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated Notes outstanding so that such ratios comply with the applicable maximum Collateral value percentages and minimum Rotable value percentages.

Section 1110 Protection.....

Continental's outside counsel has provided its opinion to the Trustee that the benefits of Section 1110 of the U.S. Bankruptcy Code will be available with respect to the lien on the spare parts collateral.

Control of Trustee.....

Whether before or after the occurrence of an Event of Default, the "Controlling Party" will direct the Trustee in taking action under the Indenture and other agreements relating to the Notes, including in amending such agreements and granting waivers

thereunder. However, certain limited provisions with respect to the Collateral as they relate to the Subordinated Notes cannot be amended or waived without the consent of the holders of a majority of the outstanding principal amount of

the Subordinated Notes and certain other limited provisions cannot be amended or waived without the consent of each Noteholder affected thereby. If an Event of Default is continuing, the "Controlling Party" will direct the Trustee in exercising remedies, such as accelerating the Notes or foreclosing the lien on the collateral securing the Notes.

The Controlling Party will be:

- Except as provided below, MBIA Insurance Corporation, the policy provider that has provided an insurance policy to support payments of principal and interest on the Senior Notes.
- If a Policy Provider Default is continuing, the holders of more than 50% in aggregate unpaid principal amount of the Senior Notes then outstanding or, if the Senior Notes have been paid in full, of the Subordinated Notes then outstanding.
- If the Senior Notes, the Policy Expenses and the Policy Provider Obligations have been paid in full, the holders of more than 50% in aggregate unpaid principal amount of the Subordinated Notes then outstanding.
- Under certain circumstances, Morgan Stanley Capital Services Inc., the liquidity provider that is providing support for certain payments of interest on the Senior Notes.

The Subordinated Noteholders will have the right to direct the Policy Provider in acting as the Controlling Party during the continuance of an Event of Default if the Subordinated Noteholders shall have deposited with the Policy Provider cash, U.S. government securities or other investments acceptable to the Policy Provider as collateral for amounts owed to, and for certain amounts to become due and payable to, the Policy Provider under the Operative Documents and Support Documents. The amount deposited must be sufficient without reinvestment to pay certain amounts due and to become due on the Senior Notes and to the Policy Provider. No Subordinated Noteholder will be required to contribute to a deposit. The Subordinated Noteholders contributing their proportionate share of such deposit will be entitled to direct the Policy Provider in taking action as the Controlling Party during the continuance of such Event of Default by vote of a majority of the principal amount of the Subordinated Notes held by such contributing Subordinated Noteholders. If the

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Policy Provider draws on such deposit, after the Policy Provider shall have paid in full all amounts due to it under the Operative Documents and Support Documents, amounts distributable to the Policy Provider under the Indenture will be distributed to such contributing Subordinated Noteholders in the same proportion as their respective contributions to the deposit until their proportionate share of the deposit not returned by the Policy Provider shall have been repaid in full.

13

SUMMARY FINANCIAL AND OPERATING DATA

The following tables summarize certain consolidated financial data and certain operating data with respect to Continental. The following selected consolidated financial data for the years ended December 31, 2002, 2001 and 2000 are derived from the audited consolidated financial statements of Continental including the notes thereto incorporated by reference in this Prospectus and should be read in conjunction with those financial statements. The following selected consolidated financial data for the years ended December 31, 1999 and 1998 are derived from the selected financial data contained in Continental's Annual Report on Form 10-K/A-1 for the year ended December 31, 2002, incorporated by reference in this Prospectus, and the audited consolidated financial statements of Continental for the years ended December 31, 1999 and 1998 and should be read in conjunction therewith. The consolidated financial data of Continental for the three and nine months ended September 30, 2003 and 2002 are derived from the unaudited consolidated financial statements of Continental incorporated by reference in this Prospectus, which include all adjustments (consisting solely of normal recurring accruals, except as disclosed in the footnotes to the unaudited consolidated financial statements) that Continental considers necessary for the fair presentation of the financial position and results of operations for these periods. Operating results for the three and nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECE		
	2003	2002	2003	2002	2002	2001	2000
(IN MILLIONS OF DOLLARS, EXCEPT OPERATING DATA, PER SHARE)							
FINANCIAL DATA -- OPERATIONS: (1) (2)							
Operating Revenue.....	\$2,365	\$2,178	\$6,622	\$6,364	\$8,402	\$8,969	\$9,899
Operating Expenses.....	2,191	2,132	6,434	6,619	8,714	8,825	9,170
Operating Income (Loss).....	174	46	188	(255)	(312)	144	729
Non-operating Income (Expense), net.....	87	(77)	(82)	(230)	(319)	(274)	(169)
Income (Loss) before Income Taxes, Minority Interest, and Cumulative							

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Effect of Changes in Accounting							
Principles.....	261	(31)	106	(485)	(631)	(130)	560
Net Income (Loss).....	\$ 133	\$ (37)	\$ (9)	\$ (342)	\$ (451)	\$ (95)	\$ 342
	=====	=====	=====	=====	=====	=====	=====
Earnings (Loss) per Share:							
Basic.....	\$ 2.04	\$ (.58)	\$ (.14)	\$ (5.36)	\$ (7.02)	\$ (1.72)	\$ 5.62
	=====	=====	=====	=====	=====	=====	=====
Diluted.....	\$ 1.83	\$ (.58)	\$ (.14)	\$ (5.36)	\$ (7.02)	\$ (1.72)	\$ 5.45
	=====	=====	=====	=====	=====	=====	=====
Shares used for Computation:							
Basic.....	65.4	64.3	65.4	63.9	64.2	55.5	60.7
Diluted.....	74.6	64.3	65.4	63.9	64.2	55.5	62.8
Ratio of Earnings to Fixed							
Charges (3).....	1.83x	--	1.11x	--	--	--	1.51
	=====	=====	=====	=====	=====	=====	=====

14

THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DEC		
2003	2002	2003	2002	2002	2001	2000

(IN MILLIONS OF DOLLARS, EXCEPT OPERATING DATA, PER SHARE DATA)

OPERATING DATA:

MAINLINE JET STATISTICS:

Revenue passengers							
(thousands).....	10,613	10,581	29,978	31,365	41,016	44,238	46,890
Revenue passenger miles							
(millions) (4).....	16,436	15,923	44,383	45,441	59,349	61,140	64,160
Cargo ton miles (millions)...	221	232	679	664	908	917	1,090
Available seat miles							
(millions) (5).....	20,550	21,027	58,794	60,551	80,122	84,485	86,100
Passenger load factor (6).....	80.0%	75.7%	75.5%	75.0%	74.1%	72.4%	74.1%
Passenger revenue per available seat mile							
(cents).....	8.94	8.53	8.76	8.70	8.61	8.98	9.80
Total revenue per available seat mile (cents).....	9.79	9.19	9.64	9.34	9.27	9.58	10.50
Operating cost per available seat mile (cents) (7).....	9.01	8.90	9.30	9.61	9.53	9.22	9.60
Special items per available seat mile (cents) (1).....	N/A	N/A	(0.16)	0.41	0.31	(0.36)	N/A
Average yield per revenue passenger mile							
(cents) (8).....	11.18	11.26	11.60	11.59	11.63	12.42	13.20
Average price per gallon of fuel, excluding fuel taxes							
(cents).....	81.52	72.01	87.80	67.02	69.97	78.24	84.20
Average price per gallon of fuel, including fuel taxes							
(cents).....	85.65	75.98	92.01	71.09	74.01	82.48	88.50
Fuel gallons consumed							
(millions).....	330	340	943	980	1,296	1,426	1,530

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Average fare per revenue passenger.....	\$173.16	\$169.48	\$171.72	\$167.98	\$168.25	\$171.59	\$180.6
Average length of aircraft flight (miles).....	1,299	1,244	1,269	1,222	1,225	1,185	1,15
Average daily utilization of each aircraft (hours) (9)...	9:38	9:37	9:20	9:35	9:28	10:20	10:3
Actual aircraft in fleet at end of period(10).....	352	366	352	366	366	352	37
REGIONAL JET AND TURBOPROP STATISTICS:(11)							
Revenue passenger miles (millions) (4).....	1,605	1,037	4,139	2,875	3,952	3,388	2,94
Available seat miles (millions) (5).....	2,269	1,599	6,109	4,555	6,219	5,437	4,73
Passenger load factor(6).....	70.8%	64.9%	67.8%	63.1%	63.5%	62.3%	62.
CONSOLIDATED STATISTICS:							
Consolidated passenger load factor.....	79.1%	75.0%	74.8%	74.2%	73.3%	71.8%	73.
Consolidated breakeven passenger load factor(12).....	70.7%	71.9%	74.8%	83.6%	82.5%	73.5%	67.

15

SEPTEMBER 30, DECEMBER 31,
2003 2002

(IN MILLIONS OF DOLLARS)

FINANCIAL DATA -- BALANCE SHEET (2):

ASSETS:

Cash, Cash Equivalents and Short-Term Investments.....	\$ 1,613	\$ 1,342
Other Current Assets(13).....	1,079	936
Total Property and Equipment, net.....	6,670	6,968
Routes and Airport Operating Rights, net.....	989	1,009
Other Assets(13).....	527	493
	-----	-----
Total Assets.....	\$10,878	\$10,748
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY:

Current Liabilities.....	\$ 3,029	\$ 2,926
Long-Term Debt and Capital Leases(13).....	5,602	5,471
Deferred Credits and Other Long-Term Liabilities.....	1,509	1,572
Minority Interest.....	(26)	7
Redeemable Preferred Stock of Subsidiary(14).....	--	5
Stockholders' Equity.....	764	767
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$10,878	\$10,748
	=====	=====

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

(1) Includes the following special expense (income) items (in millions):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	2003	2002	2003	2002	2002	2001	2000
Operating expense (income):							
Fleet impairment and restructuring charges.....	\$ --	\$ --	\$ 65	\$ 242	\$ 242	\$ 61	\$ --
Air Transportation Safety and System Stabilization Act grant.....	--	--	(176)	12	12	(417)	--
Severance and other special charges.....	--	--	14	--	--	63	--
Nonoperating expense (income):							
Gain on sale of assets.....	(173)	--	(173)	--	--	--	(9)
Impairment of investments.....	--	--	--	--	--	22	--
Cumulative effect of change in accounting principle, net of taxes...	--	--	--	--	--	--	--

(2) Effective November 12, 2003, Continental no longer consolidates Holdings and ExpressJet. Among the documents incorporated by reference into this Prospectus is a Current Report on Form 8-K filed with the Commission on November 18, 2003 which presents pro forma consolidated financial statements of Continental reflecting (a) the results of operations of Continental for the nine months ended September 30, 2003 and the year ended December 31, 2002, as if the accounts of Holdings had been accounted for 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 being consolidated, effective as of the beginning of each period, and (b) the balance sheet as of September 30, 2003, adjusted to report Holdings using the equity method of accounting as of that date.

(3) For purposes of calculating this ratio, earnings consist of income before income taxes and cumulative effect of changes in accounting principles adjusted for undistributed income of companies in which Continental has a minority equity interest plus interest expense (net of capitalized interest), the portion of rental expense representative of interest expense and amortization of previously capitalized interest. Fixed charges consist of interest expenses, the portion of rental expense representative of interest expense, the amount amortized for debt discount, premium and issuance expense and interest previously capitalized. For the three months ended September 30, 2002, nine months ended September 30, 2002 and the years ended December 31, 2002 and 2001, earnings were inadequate to cover fixed charges and the coverage deficiency was \$32 million, \$492 million, \$640 million and \$159 million, respectively.

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

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

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

16

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

(7) Includes applicable special items noted in (1).

(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 are either temporarily or permanently removed from service.

(11) These statistics reflect operations of Continental Express (as operated by ExpressJet). Pursuant to a capacity purchase agreement, Continental currently purchases all of ExpressJet's available seat miles for a negotiated price.

(12) 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 (1) included in the consolidated breakeven passenger load factor account for (5.9), --, (3.7), 4.4, 3.3, (3.0), (0.1), (2.3) and 1.6 percentage points in each of the periods, respectively.

(13) Continental has 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 Continental's balance sheet as Mandatorily Redeemable Preferred Securities of Subsidiary Trust. Upon the adoption of Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities", the subsidiary trust and the Mandatorily Redeemable Preferred Securities issued by the trust are no longer reported on Continental's balance sheet. Instead, Continental reports the Convertible Junior Subordinated Debentures held by the subsidiary trust, which had previously been eliminated in Continental's consolidated financial statements, as long-term debt. The resulting reclassifications and adjustments to remove the other assets and liabilities of the trust have been reflected for all periods presented.

- (14) In connection with an internal reorganization by Holdings, Continental's former subsidiary, a subsidiary of Holdings issued non-voting preferred stock which has a liquidation preference of \$5 million, is mandatorily redeemable in 2012, and is callable beginning in 2005. The preferred stock was sold to a non-affiliated third party for a note in the original principal amount of \$5 million and was included on our balance sheet as redeemable preferred stock of subsidiary through June 30, 2003. Effective July 1, 2003, Continental adopted Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" and reclassified the \$5 million redeemable preferred stock to long-term debt. This reclassification is prospective only.

17

RISK FACTORS

TERRORIST ATTACKS AND INTERNATIONAL HOSTILITIES

THE 2001 TERRORIST ATTACKS AND THE RECENT WAR IN IRAQ HAVE ADVERSELY AFFECTED, AND ANY ADDITIONAL TERRORIST ATTACKS OR HOSTILITIES MAY FURTHER ADVERSELY AFFECT, CONTINENTAL'S FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

As described in greater detail below under "The Company--Outlook" and in Continental's filings with the Commission, the terrorist attacks of September 11, 2001 involving commercial aircraft adversely affected Continental's financial condition, results of operations and prospects, and the airline industry generally. Those effects continue, although they have been mitigated somewhat by increased traffic, money received by Continental under the Air Transportation Safety and System Stabilization Act and the Emergency Wartime Supplemental Appropriations Act, and by Continental's cost-cutting measures. Moreover, additional terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks, could further negatively affect Continental and the airline industry. The recent war in Iraq further decreased demand for air travel, and additional hostilities could potentially have a material adverse impact on Continental's financial condition, liquidity and results of operations.

Among the effects Continental experienced from the September 11, 2001 terrorist attacks were significant flight disruption costs caused by the Federal Aviation Administration ("FAA") imposed grounding of the U.S. airline industry's fleet, significantly increased security, insurance and other costs, significantly higher ticket refunds, significantly reduced load factors (defined as revenue passenger miles divided by available seat miles), and significantly reduced yields. Further terrorist attacks against commercial aircraft could result in another grounding of Continental's fleet, and would likely result in significant reductions in load factor and yields, along with increased ticket refunds and security, insurance and other costs. In addition, terrorist attacks not involving commercial aircraft, post-war unrest in Iraq or other world events could result in decreased load factors and yields and could also result in increased costs for Continental and the airline industry. For instance, fuel costs rose significantly during late 2002 and the first quarter of 2003 and remain at historically high levels. Premiums for aviation insurance have increased substantially, and could escalate further, or certain aviation insurance could become unavailable or available only for reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage required by aircraft lenders and lessors or required by applicable government regulations. Additionally, war-risk coverage or other insurance might cease to be available to Continental's vendors, or might be available only at

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

significantly increased premiums or for reduced amounts of coverage, which could adversely impact Continental's operations or costs.

Due in part to the lack of predictability of future traffic, business mix and yields, Continental is currently unable to estimate the long-term impact on it of the events of September 11, 2001 or the impact of any further terrorist attacks or the recent war in Iraq. However, given the magnitude of the unprecedented events of September 11, 2001 and their continuing aftermath, the adverse impact to Continental's financial condition, results of operations, liquidity and prospects may continue to be material, and Continental's financial resources might not be sufficient to absorb it or that of any further terrorist attacks or post-war unrest in Iraq.

RISK FACTORS RELATING TO THE COMPANY

CONTINENTAL CONTINUES TO EXPERIENCE SIGNIFICANT LOSSES

Since September 11, 2001, Continental has incurred significant losses. Continental recorded net losses of \$451 million in 2002 and \$9 million for the first nine months of 2003, and expects to incur significant losses for the fourth quarter and the full year 2003. Passenger revenue per available seat mile for Continental's mainline jet operations has declined since September 11, 2001. Passenger revenue per available seat mile dropped 4.1% for the year ended December 31, 2002 versus the same period in 2001 and overall passenger revenue declined 7.0% during 2002 compared to 2001. During the first nine months of 2003, the revenue decline has moderated slightly, as passenger revenue per available seat mile increased 0.7% and overall passenger revenue increased 1.9% versus the same period in 2002. Business traffic, Continental's most profitable source of revenue, and yields are down significantly from historical levels, and carriers continue to offer reduced fares to attract

18

passengers, which lowers Continental's passenger revenue and yields and raises Continental's break-even load factor. Continental cannot predict when business traffic or yields will increase. Further, 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, competitor bankruptcies and other changes in industry structure and conduct, cannot be predicted at this time, but could have a material adverse effect on Continental's financial condition, liquidity and results of operations. See "The Company--Outlook".

In addition, Continental's capacity purchase agreement with ExpressJet provides that Continental purchase, in advance, all of ExpressJet's available seat miles for a negotiated price, and Continental is at risk for reselling the available seat miles at market prices. Continental previously announced its intention to sell or otherwise dispose of its remaining interests in ExpressJet. During the third quarter of 2003, Continental sold approximately 9.8 million shares of Holdings common stock to Holdings, reducing Continental's ownership of Holdings from 53.1% to 44.6%. Continental also contributed approximately 7.4 million shares of Holdings common stock to its defined benefit pension plan further reducing its ownership of Holdings to 30.9% as of September 30, 2003. The independent trustee for Continental's defined benefit pension plan subsequently sold a portion of the shares of Holdings that Continental contributed to the plan. As a result of such sales by the defined benefit pension plan, the combined amount of Holdings common stock owned by Continental and its defined benefit pension plan fell below 41% on November 12, 2003, the point at which Continental will no longer consolidate Holdings and ExpressJet.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Accordingly, Continental has deconsolidated Holdings and ExpressJet as of November 12, 2003. The primary effects of the deconsolidation of Holdings and ExpressJet from Continental's financial statements is a decrease in current assets, primarily due to the elimination of Holdings' cash, a decrease in total assets, a decrease in long-term debt and a decrease in operating income as a result of the exclusion of Holdings' operating income from Continental's statement of operations. The decrease in operating income is offset by increases in income from Continental's equity in Holdings' earnings. Among the documents incorporated by reference into this Prospectus is a Current Report on Form 8-K filed with the Commission on November 18, 2003, which presents pro forma consolidated financial statements of Continental reflecting (1) the results of operations of Continental for the nine months ended September 30, 2003 and the year ended December 31, 2002, as if the accounts of Holdings had been accounted for 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 being consolidated, effective as of the beginning of each period, and (2) the balance sheet as of September 30, 2003, adjusted to report Holdings using the equity method of accounting as of that date.

CONTINENTAL'S HIGH LEVERAGE MAY AFFECT ITS ABILITY TO SATISFY ITS SIGNIFICANT FINANCING NEEDS OR MEET ITS OBLIGATIONS

As is the case with its principal competitors, Continental has a high proportion of debt compared to its equity capital. Continental also has significant operating lease and facility rental obligations, as well as significant future funding requirements for a noncontributory defined benefit plan. During 2002, the amount of Continental's long-term debt increased 24%. In addition, Continental has fewer cash resources than some of its principal competitors and substantially all of Continental's property and equipment is subject to liens securing indebtedness. Accordingly, Continental may be less able than some of its competitors to withstand a prolonged recession in the airline industry or respond as well to changing economic and competitive conditions. Moreover, competitors emerging from bankruptcy will likely have lower cost structures and greater operating flexibility after reorganizing their companies in bankruptcy.

As of September 30, 2003, Continental had approximately:

- \$6.1 billion (including current maturities) of long-term debt and capital lease obligations.

- \$764 million of stockholders' equity.

- \$1.6 billion in consolidated cash, cash equivalents and short-term investments, of which \$139 million is restricted cash and \$171 million is cash held by Holdings to which Continental did not have access. Effective November 12, 2003, Continental no longer consolidates Holdings and ExpressJet.

Continental has substantial commitments for capital expenditures, including

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

for the acquisition of new aircraft. As of September 30, 2003, Continental had firm purchase commitments for 67 aircraft from Boeing, with an estimated cost of approximately \$2.6 billion and options to purchase an additional 87 Boeing aircraft. During the second quarter of 2003, Continental agreed to defer firm deliveries of 36 Boeing 737 aircraft that

19

were originally scheduled for delivery in 2005, 2006 and 2007. These aircraft will now be delivered in 2008 and beyond. Additionally, Continental reached an agreement with Boeing regarding the terms of delivery of the 11 Boeing 757-300 aircraft that Continental had on order as of September 30, 2003. Continental now expects to take delivery of five 757-300 aircraft in 2004. The final six 757-300 aircraft originally scheduled for delivery in late 2004 and the first half of 2005 have been substituted with six 737-800 aircraft expected to be delivered in the second half of 2005. Furthermore, the 757-300 option count has been reduced from 11 to zero. As a result, Continental expects to take delivery of a total of four Boeing aircraft in the fourth quarter of 2003, 16 Boeing aircraft in 2004 (including the five 757-300 aircraft) and seven Boeing aircraft in 2005. Incorporating these changes to the Boeing order and excluding the one 737-800 aircraft delivered in October 2003, Continental has firm purchase commitments for 66 Boeing aircraft with an estimated cost of approximately \$2.5 billion and options to purchase an additional 84 Boeing aircraft.

Continental currently has agreements in principle for the financing of the three remaining 737-800 aircraft scheduled for delivery in the fourth quarter of 2003, 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. Continental does not have backstop financing or any other financing currently in place for the remainder of the aircraft. In addition, at September 30, 2003, Continental had firm commitments to purchase eight spare engines related to the new Boeing aircraft for approximately \$53 million. Continental has financing in place for the first three of these spare engines, which are scheduled for delivery between October and December 2003. Continental does not have any financing currently in place for the remaining five spare engines, which are scheduled to be delivered in 2004 and the first quarter of 2005. Further financing will be needed to satisfy Continental's capital commitments for its firm aircraft. There can be no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures.

As of September 30, 2003, ExpressJet had firm commitments for an additional 56 regional jets from Empresa Brasileira de Aeronautica S.A. ("Embraer") delivering through 2006, with an estimated aggregate cost of \$1.1 billion. ExpressJet does not have any obligation to take any of these firm aircraft that are not financed by a third party and leased either to ExpressJet or Continental. Under the capacity purchase agreement between Continental and ExpressJet, Continental has 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, Continental generally is obligated to purchase all of the capacity provided by these new aircraft as they deliver to ExpressJet. Continental cannot predict whether passenger traffic levels will enable it to utilize fully regional jets delivering to ExpressJet in the future.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Continental also has significant operating lease and facility rental obligations, as well as significant future funding requirements for its noncontributory defined benefit plan. For the year ended December 31, 2002, annual aircraft and facility rental expense under operating leases approximated \$1.3 billion.

Additional financing will be needed to satisfy Continental's capital commitments. Continental cannot predict whether sufficient financing will be available. On several occasions subsequent to September 11, 2001, including in March and April 2003, each of Moody's, Standard & Poor's and Fitch, Inc. downgraded the credit ratings of a number of major airlines, including Continental's credit ratings, and further downgrades are possible. Reductions in Continental's credit ratings have increased the interest Continental pays on new issuances of debt and may increase the cost of and reduce the financing available to Continental in the future. Continental does not have debt obligations that would be accelerated as a result of a credit rating downgrade.

SIGNIFICANT CHANGES OR EXTENDED PERIODS OF HIGH FUEL COSTS OR FUEL SUPPLY DISRUPTIONS WOULD MATERIALLY AFFECT CONTINENTAL'S OPERATING RESULTS

Fuel costs, which are at historically high levels, constitute a significant portion of Continental's operating expense. Fuel costs represented approximately 11.7% of Continental's operating expenses for the year ended December 31, 2002 and 13.9% of Continental's operating expenses for the year ended December 31, 2001. Fuel costs represented approximately 15.0% of Continental's operating expenses for the nine months ended September 30, 2003, compared to 11.1% for the same period in 2002. Fuel prices and supplies are influenced significantly by international political and economic circumstances, such as the political crises in Venezuela and Nigeria and post-war unrest in Iraq. From time to time Continental enters into petroleum swap contracts, petroleum call option contracts and/or jet fuel purchase commitments to provide some short-term protection

20

(generally three to six months) against a sharp increase in jet fuel prices. Depending upon the hedging method employed, Continental's strategy may limit its ability to benefit from declines in fuel prices. Continental has hedged approximately 60% of its fuel requirements for the remainder of the year with petroleum call options. If a future fuel supply shortage were to arise from OPEC production curtailments, a disruption of oil imports, post-war unrest in Iraq, other conflicts in the Middle East, or otherwise, higher fuel prices or reduction of scheduled airline service could result. Significant changes in fuel costs would materially affect Continental's operating results.

LABOR COSTS IMPACT CONTINENTAL'S RESULTS OF OPERATIONS

Labor costs constitute a significant percentage of Continental's total operating costs. Many of Continental's work groups are represented by unions and others are seeking such representation. Continental's mechanics, represented by the International Brotherhood of Teamsters, ratified a new four-year collective bargaining agreement in December 2002. The mechanics agreement made an

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

adjustment to current pay and recognized current industry conditions by becoming amendable with respect to wages, pension and health insurance provisions on December 31, 2003. Work rules and other contract items are established through 2006. Collective bargaining agreements between Continental and its pilots and between ExpressJet and its pilots (both of whom 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. Although Continental may incur increased labor costs in connection with the negotiation of these collective bargaining agreements, the labor cost uncertainty associated with recent major hub-and-spoke carrier bankruptcies makes predicting the outcome of negotiations more difficult. US Airways Group, Inc. ("US Airways") and United Air Lines, Inc. ("United") have significantly decreased their labor costs during their bankruptcy cases. Earlier this year, American Airlines, Inc. ("American Airlines") agreed with its major labor groups on significant labor cost reductions. Delta and Northwest Airlines have each announced that they are seeking to decrease their labor costs significantly. Although Continental enjoys generally good relations with its employees, there can be no assurance that Continental will not experience labor disruptions in the future.

RISK FACTORS RELATING TO THE AIRLINE INDUSTRY

THE AIRLINE INDUSTRY IS HIGHLY COMPETITIVE

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 Continental's competitors have substantially greater financial resources or lower cost structures than Continental, 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 weak U.S. economy, turbulent international events and extensive price discounting by carriers contributed to unprecedented losses for U.S. airlines from 1990 to 1993. Since September 11, 2001, these same factors, together with the effects of the terrorist attacks and the war in Iraq, have resulted in dramatic losses for Continental and the airline industry generally. Continental cannot predict when 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 follow. These carriers could operate under bankruptcy protection in a manner that would be adverse to Continental, and could emerge from bankruptcy as more vigorous competitors with substantially lower costs.

In recent years, the major U.S. airlines have sought to form marketing alliances with other U.S. and foreign air carriers. Such alliances generally provide for codesharing, frequent flyer reciprocity, coordinated scheduling of flights of each alliance member to permit convenient connections and other joint marketing activities. Such arrangements permit an airline to market flights operated by other alliance members as its own. This increases the destinations, connections and frequencies offered by the airline, which provide an

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

opportunity to increase traffic on its segment of flights connecting with its alliance partners. Continental's alliance with Northwest Airlines and its new alliance with Delta and Northwest Airlines are examples of such arrangements, and Continental has existing alliances with numerous other air carriers. (See "The Company--Domestic Operations".) Other major U.S. airlines have alliances or planned alliances more extensive than Continental's, providing them with route systems of relatively greater utility to customers than Continental's more limited route system. Continental cannot predict the extent to which it will be disadvantaged by competing alliances.

Since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation, and it may in the future experience additional consolidation. Continental routinely monitors changes in the competitive landscape and engages in analysis and discussions regarding its strategic position, including alliances and business combination transactions. Continental has had, and expects 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.

THE AVIATION SECURITY ACT WILL IMPOSE ADDITIONAL COSTS AND MAY CAUSE SEVERE DISRUPTIONS

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 under the Department of Transportation (the "TSA"). Among other things, the law required that all checked baggage be screened by explosive detection systems by December 31, 2002 (although during the implementation phase, other permitted methods of screening are being utilized and federal law permits individual airports to request extensions of such deadline). At some airports, the TSA has provided for temporary security measures. Implementation of the requirements of the Aviation Security Act has resulted in increased costs for the airline industry and may result in additional costs, delays and disruptions in air travel. However, pursuant to the Emergency Wartime Supplemental Appropriations Act, some of these costs have been reimbursed by the U.S. government. In May 2003, Continental received and recognized in earnings \$176 million in cash from the U.S. government pursuant to the Emergency Wartime Supplemental Appropriations Act. This amount is reimbursement for Continental's proportional share of passenger security and air carrier security fees paid or collected by U.S. carriers as of the date of enactment of the legislation, together with other items. See "The Company--Outlook".

CONTINENTAL'S BUSINESS IS SUBJECT TO EXTENSIVE GOVERNMENT REGULATION

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. Continental expects to continue incurring expenses to comply with the FAA's regulations.

Additionally, because of significantly higher security and other costs incurred by airports since September 11, 2001, and because reduced landing weights since September 11, 2001 have reduced the fees airlines pay to airports,

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

many airports are significantly increasing their rates and charges to air carriers, including to Continental. Restrictions on the ownership and transfer of airline routes and takeoff and landing slots have also been proposed. 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. Continental cannot provide assurance that current laws and regulations, or laws or regulations enacted in the future, will not adversely affect it.

22

CONTINENTAL'S OPERATIONS ARE AFFECTED BY THE SEASONALITY 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. Continental's results of operations generally reflect this seasonality.

RISK FACTORS RELATING TO THE SUBORDINATED NOTES AND THE EXCHANGE OFFER

CONSEQUENCES OF FAILURE TO EXCHANGE

If you fail to deliver the proper documentation to the Exchange Agent in a timely fashion, your tender of Old Subordinated Notes will be rejected. The New Subordinated Notes will be issued in exchange for the Old Subordinated Notes only after timely receipt by the Exchange Agent of the Old Subordinated Notes, a properly completed and executed Letter of Transmittal (or an Agent's Message in lieu thereof) and all other required documentation. If you wish to tender your Old Subordinated Notes in exchange for New Subordinated Notes, you should allow sufficient time to ensure timely delivery. None of the Exchange Agent, the Trustee or Continental is under any duty to give holders of Old Subordinated Notes notification of defects or irregularities with respect to tenders of Old Subordinated Notes for exchange.

If you do not exchange your Old Subordinated Notes for New Subordinated Notes pursuant to the Exchange Offer, or if your tender of Old Subordinated Notes is not accepted, your Old Subordinated Notes will continue to be subject to the restrictions on transfer of such Old Subordinated Notes as set forth in the legend thereon. In general, you may not offer or sell Old Subordinated Notes unless they are registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Continental does not currently anticipate that it will register the Old Subordinated Notes under the Securities Act. To the extent that Old Subordinated Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Subordinated Notes could be adversely affected.

APPRAISAL AND REALIZABLE VALUE OF COLLATERAL

Simat, Helliesen & Eichner, Inc., an independent aviation appraisal and consulting firm ("SH&E"), has prepared an appraisal of the spare parts included in the Collateral as of June 25, 2003. A letter, dated July 23, 2003 (as revised November 13, 2003), summarizing such appraisal is annexed to this Prospectus as Appendix II.

The appraisal is subject to a number of assumptions and limitations and was

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

prepared based on certain specified methodologies. In preparing its appraisal, SH&E conducted only a limited physical inspection of certain locations at which Continental maintains the spare parts. An appraisal that is subject to other assumptions and limitations and based on other methodologies may result in valuations that are materially different from those contained in SH&E's appraisal. See "Description of the Appraisal".

Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such appraisal indicates that the ratio of the outstanding principal amount of the Senior Notes to the Collateral value is greater than 45.0%, or that the ratio of the outstanding principal amount of the Senior Notes and the Subordinated Notes to the Collateral value is greater than 67.5%, Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated Notes outstanding so that the loan to Collateral values are not greater than the applicable maximum percentage. The appraised value of the Collateral determined as of June 25, 2003, indicated that such maximum percentages were exceeded. As a result, Continental acquired and delivered to the Trustee for cancellation \$5,500,000 of Senior Notes and \$3,000,000 of Subordinated Notes and deposited Cash Collateral totalling \$23,600,000. See "Description of the Subordinated Notes--Collateral".

An appraisal is only an estimate of value. An appraisal should not be relied upon as a measure of realizable value. The proceeds realized upon a sale of any Collateral may be less than its appraised value. The value of the Collateral if remedies are exercised under the Indenture will depend on market and economic conditions, the supply of similar spare parts, the availability of buyers, the condition of the Collateral and other

23

factors. In addition, since spare parts are regularly used, refurbished, purchased, transferred and discarded in the ordinary course of business, the quantity of spare parts included in the Collateral and their appraised value will change over time. Accordingly, Continental cannot assure you that the proceeds realized upon any such exercise of remedies would be sufficient to satisfy in full payments due on the Senior Notes and the Subordinated Notes. If such proceeds are not sufficient to repay all such amounts due on the Subordinated Notes, then holders of Subordinated Notes (to the extent not repaid from the proceeds of the sale of Collateral) would have only unsecured claims against Continental.

As discussed under "--Risk Factors Relating to the Airline Industry--The Airline Industry is Highly Competitive", since September 11, 2001, the airline industry has suffered substantial losses. Two major air carriers, US Airways and United, have filed for bankruptcy protection, although US Airways emerged from bankruptcy on March 31, 2003. Other airlines may file for bankruptcy protection as well. Moreover, reports have suggested the possibility of liquidation by United. In response to adverse market conditions, many air carriers have reduced the number of aircraft in operation, and there may be further reductions, particularly by air carriers in bankruptcy or liquidation. Any such reduction of aircraft of the same models as the models of aircraft on which the spare parts included in the Collateral may be installed or used could adversely affect the value of the Collateral.

CONTROL OVER AMENDMENTS, WAIVERS AND SALE OF COLLATERAL

Whether before or after the occurrence of an Event of Default, the "Controlling Party" will direct the Trustee in taking action under the Indenture and other agreements relating to the Notes, including in amending such

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

agreements and granting waivers thereunder, except for certain limited provisions with respect to the Collateral as it relates to the Subordinated Notes that cannot be amended or waived without the consent of the holders of a majority of the outstanding principal amount of the Subordinated Notes and certain other limited provisions that cannot be amended or waived without the consent of each Noteholder affected thereby. Except for those limited provisions which are described in "Description of the Subordinated Notes--Modifications and Waiver of the Indenture and Certain Other Agreements", the provisions of the Indenture, the Security Agreement and the other Operative Documents may be amended or waived by the Controlling Party (or, in the case of the Collateral Maintenance Agreement, the Policy Provider) without the consent of the Subordinated Noteholders. If an Event of Default is continuing, the "Controlling Party" will direct the Trustee in exercising remedies under the Indenture and the Collateral Agreements, including accelerating the Subordinated Notes or foreclosing the lien on the Collateral securing the Subordinated Notes. See "Description of the Subordinated Notes--Remedies".

The Controlling Party will be:

- The Policy Provider (except as provided below).
- If a Policy Provider Default is continuing, the holders of more than 50% in aggregate unpaid principal amount of the Senior Notes then outstanding or, if the Senior Notes have been paid in full, of the Subordinated Notes then outstanding.
- If the Senior Notes, the Policy Expenses and the Policy Provider Obligations have been paid in full, the holders of more than 50% in aggregate unpaid principal amount of Subordinated Notes then outstanding.
- Under certain circumstances, the Liquidity Provider.

The Subordinated Noteholders will have the right to direct the Policy Provider in acting as the Controlling Party during the continuance of an Event of Default if the Subordinated Noteholders shall have deposited with the Policy Provider cash, U.S. government securities or other investments acceptable to the Policy Provider as collateral for amounts owed and to become due and payable to the Policy Provider under the Operative Documents and Support Documents. The Subordinated Noteholders contributing their proportionate share of such deposit will be entitled to direct the Policy Provider in taking action as the Controlling Party during the continuance of such Event of Default by vote of a majority of the principal

24

amount of the Subordinated Notes held by such contributing Subordinated Noteholders. See "Description of the Subordinated Notes--Controlling Party".

TERMS OF SUBORDINATION

The Subordinated Notes rank junior to the obligations relating to the Senior Notes (including amounts owed to the Policy Provider and Liquidity Provider) with respect to payments made by Continental, proceeds from liquidation of the Collateral and otherwise. Accordingly, if cash available for distribution under the Indenture is insufficient to cover all amounts then due, the Senior Notes and sums due to the Policy Provider and the Liquidity Provider will be paid in full before any amounts are paid with respect to the Subordinated Notes. See "Description of the Subordinated Notes--Priority of Distributions". In addition, if there is a payment default with respect to the Subordinated Notes or any other default under the Indenture, Subordinated

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Noteholders will not be entitled to accelerate the Subordinated Notes and cause the Trustee to exercise remedies unless they are the Controlling Party or they have the right to direct the Policy Provider in acting as the Controlling Party. See "--Control over Amendments, Waivers and Sale of Collateral".

CERTAIN LIMITATIONS WITH RESPECT TO THE COLLATERAL

The Subordinated Notes are secured by a lien on the Pledged Spare Parts. The Senior Notes are also secured by a lien on such collateral. See "Description of the Subordinated Notes--Collateral". However, the lien will not apply to a spare part for as long as it is installed on or being used in any aircraft, engine or other spare part so installed or being used. In addition, since spare parts are regularly used, refurbished, purchased, transferred and discarded in the ordinary course of Continental's business, the quantity of spare parts included in the Collateral and their appraised value will change over time.

Continental is required to keep the Pledged Spare Parts at certain Designated Locations, subject to certain exceptions. See "Description of the Subordinated Notes--Collateral--Designated Locations". The lien of the Subordinated Notes will not apply to any spare part not located at a Designated Location.

Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such appraisal indicates that the ratio of the outstanding principal amount of the Senior Notes to the Collateral value is greater than 45.0%, or that the ratio of the outstanding principal amount of the Senior Notes and Subordinated Notes to the Collateral value is greater than 67.5%, Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated Notes outstanding so that the loan to Collateral values are not greater than the applicable maximum percentage. In order to satisfy this requirement, Continental may grant a lien on additional Qualified Spare Parts, cash or certain investment securities. In addition, Continental may grant a lien on other collateral, provided that the Policy Provider agrees and each Rating Agency confirms that the use of such additional collateral will not result in a reduction of the rating of the Senior Notes or Subordinated Notes below the then current rating for such Notes (determined in the case of the Senior Notes without regard to the Policy) or a withdrawal or suspension of the rating of such Notes. See "Description of the Subordinated Notes--Collateral". Section 1110 of the U.S. Bankruptcy Code, which provides special rights to holders of liens with respect to certain equipment (see "Description of the Subordinated Notes--Remedies"), would apply to any such additional Qualified Spare Parts but would not apply to any such cash or investment securities. In addition, Section 1110 may not apply to such other collateral, depending on the circumstances.

LIMITED ABILITY TO RESELL THE SUBORDINATED NOTES

Prior to the Exchange Offer, there has been no public market for the Subordinated Notes. Continental does not intend to apply for listing of the Subordinated Notes on any national securities exchange or otherwise. The Initial Purchaser has previously made a market in the Old Subordinated Notes and Continental has been advised by the Initial Purchaser that it presently intends to make a market in the New Subordinated Notes, as permitted by applicable laws and regulations, after consummation of the Exchange Offer. The Initial Purchaser is not obligated, however, to make a market in the Old Subordinated Notes or the New Subordinated Notes, and any such market-making activity may be discontinued at any time without notice at

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

the sole discretion of the Initial Purchaser. There can be no assurance as to the liquidity of the public market for the Subordinated Notes or that any active public market for the Subordinated Notes will develop or continue. If an active public market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your Subordinated Notes.

USE OF PROCEEDS

There will be no cash proceeds payable to Continental from the issuance of the New Subordinated Notes pursuant to the Exchange Offer. The proceeds from the sale of the Old Subordinated Notes were used by Continental for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of our "earnings" to our "fixed charges" for each of the years 1998 through 2002 and for the nine months ended September 30, 2003 were:

NINE MONTHS ENDED SEPTEMBER 30, 2003	YEAR ENDED DECEMBER 31,				
	2002	2001	2000	1999	1998
1.11	--(1)	--(1)	1.51	1.80	1.87

(1) For the years ended December 31, 2002 and 2001, earnings were inadequate to cover fixed charges and the coverage deficiency was \$640 million and \$159 million, respectively.

For purposes of the ratios, "earnings" means the sum of:

- our pre-tax income (loss) adjusted for undistributed income of companies in which we have a minority equity interest; and
- our fixed charges, net of interest capitalized.

"Fixed charges" represent:

- the interest we pay on borrowed funds;
- the amount we amortize for debt discount, premium and issuance expense and interest previously capitalized; and
- that portion of rentals considered to be representative of interest expense.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

THE COMPANY

Continental Airlines, Inc. ("Continental" or the "Company") is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by the number of scheduled miles flown by revenue passengers, known as revenue passenger miles, in 2002) and, together with ExpressJet Airlines, Inc. (operating as Continental Express and referred to in this Prospectus as "ExpressJet") and Continental's wholly owned subsidiary, Continental Micronesia, Inc. ("CMI"), served 222 airports worldwide at September 30, 2003. Continental indirectly owns a 30.9% equity interest in ExpressJet. As of September 30, 2003, Continental flew to 125 domestic and 97 international destinations and offered additional connecting service through alliances with domestic and foreign carriers. Continental directly served 16 European cities, seven South American cities, Tel Aviv, Hong Kong and Tokyo as of September 30, 2003, and is one of the leading airlines providing service to Mexico and Central America, serving 29 cities, more destinations than any other United States airline. Through its Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier. The Company's executive offices are located at 1600 Smith Street, Houston, Texas 77002. The Company's telephone number is (713) 324-2950.

DOMESTIC OPERATIONS

Continental operates its domestic route system primarily through its hubs in the New York metropolitan area at Newark Liberty International Airport ("Liberty International" or "Newark"), in Houston, Texas at George Bush Intercontinental Airport ("Bush Intercontinental" or "Houston") and in Cleveland, Ohio at Hopkins International Airport ("Hopkins International"). Continental's hub system allows it 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 Continental to add service to a new destination from a large number of cities using only one or a limited number of aircraft. As of September 30, 2003, Continental and ExpressJet operated 65% of the average daily jet departures from Liberty International, 83% of the average daily jet departures from Bush Intercontinental, and 65% of the average daily jet departures from Hopkins International (in each case including regional jets). Each of Continental's domestic hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic.

EXPRESSJET

Continental's mainline jet service at each of its domestic hub cities is coordinated with ExpressJet, which operates new-generation regional jets. In April 2002, ExpressJet Holdings, Inc. ("Holdings"), Continental's 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 Continental. In addition, Continental sold 20 million of its shares of Holdings common stock in the offering for net proceeds of \$300 million. At Continental's request, Holdings filed a shelf registration statement with the Commission on May 1, 2003 relating to the remaining shares of Holdings common stock held by Continental to enable Continental to sell such common stock free of certain restrictions under the Securities Act. During the quarter ended September 30, 2003, Holdings

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

repurchased approximately 9.8 million shares of its common stock from Continental, reducing Continental's ownership of Holdings to 44.6%. On September 9, 2003, Continental contributed approximately 7.4 million shares of Holdings common stock to its defined benefit pension plan, further reducing Continental's ownership of Holdings to 30.9%. At November 12, 2003, the independent trustee of the defined benefit pension plan sold a sufficient number of shares of Holdings so that Continental no longer consolidates Holdings, effective as of that date. Continental does not currently intend to remain a stockholder of Holdings over the long term. Subject to market conditions, Continental expects to sell or otherwise dispose of some or all of its shares of Holdings common stock in the future.

Effective January 1, 2001, Continental entered into a capacity purchase agreement with ExpressJet pursuant to which Continental currently purchases all of ExpressJet's available seat miles for a negotiated price. Under the agreement, ExpressJet has the right through December 31, 2006 to be Continental's sole provider of regional jet service from Continental's hubs. Continental is responsible for all scheduling, pricing and seat inventories of ExpressJet's flights and is entitled to all revenue associated with those flights. Continental pays ExpressJet based on scheduled block hours (the hours from departure gate to arrival gate) in

27

accordance with a formula 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 ExpressJet. ExpressJet's overall operating margin was 13.6% in 2002. Continental assumes 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 Continental's prior revenue-sharing arrangement.

As of September 30, 2003, ExpressJet served 102 destinations in the U.S., 16 cities in Mexico and 5 cities in Canada. Since December 2002, ExpressJet's fleet has been comprised entirely of regional jets. Continental believes ExpressJet's regional jet service complements Continental's operations by carrying traffic that connects onto Continental's mainline jets and allowing more frequent flights to smaller cities than could be provided economically with larger jet aircraft. Continental believes 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 Continental by other codesharing partners.

DOMESTIC CARRIER ALLIANCES

Continental has 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) and (b) reciprocal frequent flyer program participation, reciprocal airport lounge access and other joint activities (such as seamless check-in at airports). Some relationships may include other cooperative undertakings such as joint purchasing, joint corporate sale contracts, airport handling, facilities sharing or joint technology development.

Continental has a long-term global alliance with Northwest Airlines, Inc.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

("Northwest Airlines") through 2025, subject to earlier termination by either carrier in the event of certain changes in control of either Northwest Airlines or Continental. The alliance with Northwest Airlines provides for each carrier placing its code on a large number of the flights of the other, reciprocity of frequent flyer programs and airport lounge access, and other joint marketing activities. Northwest Airlines and Continental 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 response to the dramatic changes occurring in the airline industry, including a marketing alliance between United and US Airways, Continental signed a marketing agreement with Northwest Airlines and Delta Air Lines, Inc. ("Delta") in August 2002 to permit it to compete more effectively with other carriers and alliance groups. As with the alliance with Northwest Airlines, this alliance involves codesharing, reciprocal frequent flyer benefits and reciprocal airport lounge privileges. Implementation of this marketing alliance began in June 2003.

Continental also has domestic codesharing agreements with Gulfstream International Airlines, Inc., Mesaba Aviation, Inc., Hawaiian Airlines, Inc., Alaska Airlines, Inc., Horizon Airlines, Inc., Champlain Enterprises, Inc. (CommutAir), Hyannis Air Service, Inc. (Cape Air), SkyWest Airlines, Inc. and American Eagle Airlines, Inc. In 2002, Continental introduced the first train-to-plane alliance in the United States with Amtrak.

INTERNATIONAL OPERATIONS

Continental directly serves destinations throughout Europe, Canada, Mexico, Central and South America and the Caribbean as well as Tel Aviv, Hong Kong and Tokyo. Continental also provides service to numerous other destinations through codesharing arrangements with other carriers and has extensive operations in the western Pacific conducted by CMI. As measured by 2002 available seat miles, approximately 39% of Continental's mainline jet operations, including CMI, were dedicated to international traffic.

Continental's New York/Newark hub is a significant international gateway. From Liberty International, at September 30, 2003 Continental and ExpressJet served 16 European cities, five Canadian cities, two

28

Mexican cities, six Central American cities, four South American cities, 13 Caribbean destinations, Tel Aviv, Hong Kong and Tokyo.

Continental's Houston hub is the focus of its operations in Mexico and Central America. As of September 30, 2003, Continental and ExpressJet flew from Bush Intercontinental to 21 cities in Mexico, every country in Central America, six cities in South America, four cities in Canada, three cities in Europe, three Caribbean destinations and Tokyo.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

From Continental's Cleveland hub, Continental and ExpressJet flew to Montreal, Toronto and London as of September 30, 2003.

CONTINENTAL MICRONESIA

From its hub operations based on the island of Guam, as of September 30, 2003, CMI provided service to eight 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.

FOREIGN CARRIER ALLIANCES

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

In October 2001, Continental announced that it had signed a cooperative marketing agreement with KLM Royal Dutch Airlines ("KLM") that includes extensive codesharing and reciprocal frequent flyer program participation and airport lounge access. As of October 2003, Continental places its code on selected flights operated by KLM and KLM Cityhopper from Amsterdam to more than 70 destinations in Europe, Africa and the Middle East, and KLM placed its code on selected flights to U.S. destinations operated by Continental beyond its New York and Houston hubs. 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 Airlines. The cooperative agreement was extended in June 2003 and currently terminates in 2010.

Continental also currently has international codesharing agreements with Air Europa, EVA Airways Corporation (an airline based in Taiwan), British European, Virgin Atlantic Airways, Emirates (based in Dubai, U.A.E.) and Compania Panamena de Aviacion, S.A. ("Copa"). Continental owns 49% of the common equity of Copa. In February 2003, Continental launched an air/rail codeshare agreement with the French high speed rail provider SNCF TGV. In May 2003, Continental announced a new codesharing agreement with TAP Air Portugal, which will begin in the first quarter of 2004, subject to government approval.

OUTLOOK

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Despite recent improvements, the current U.S. domestic airline environment continues to be one of the worst in Continental's history. Prior to September 2001, Continental was profitable, although many U.S. air carriers were losing money and Continental's profitability was declining. The terrorist attacks of September 11, 2001 and the war in Iraq dramatically worsened the difficult financial environment and presented new and greater challenges for the airline industry. Since the terrorist attacks, several airlines, including United and US Airways, have filed for bankruptcy, although US Airways emerged from bankruptcy on March 31, 2003. Other airlines may file for bankruptcy protection as well. Although Continental has been able to raise capital, downsize its operations and reduce its expenses significantly, Continental has reported significant losses since the terrorist attacks, and current trends in the airline industry make it likely that Continental will continue to

29

post significant losses for the foreseeable future. The revenue environment continues to be weak in light of changing pricing models, excess capacity in the market, reduced corporate travel spending and other issues. In addition, in late 2002 and early 2003, fuel prices significantly escalated due to the war in Iraq and political tensions in Venezuela and Nigeria, and fuel prices remain at historically high levels. Absent adverse factors outside Continental's control such as those described herein, Continental believes that its liquidity and access to cash will be sufficient to fund its current operations through 2004 (and beyond if Continental is successful in implementing its previously announced revenue-generating and cost cutting measures). However, Continental believes that the economic environment must improve for Continental to continue to operate at its current size and expense level beyond that time. Continental may find it necessary to further downsize its operations, ground additional aircraft and further reduce its expenses. Continental anticipates that its previously announced capacity and cost reductions, together with the capacity reductions announced by other carriers and capacity reductions that could come from restructurings within the industry, should result in a better financial environment by the end of 2003, absent adverse factors outside Continental's control such as a further economic recession, additional terrorist attacks, post-war unrest in Iraq or conflicts elsewhere in the world, a significant spread of Severe Acute Respiratory Syndrome, or "SARS", decreased consumer demand or sustained high fuel prices. However, based on current information and trends Continental expects to incur significant losses for the fourth quarter and full year 2003.

Due in part to the lack of predictability of future traffic, business mix and yields, Continental is currently unable to estimate the long-term effect on it of the events of September 11, 2001, or the impact of any further terrorist attacks or the recent war in Iraq. However, given the magnitude of the unprecedented events of September 11, 2001 and their continuing aftermath, the adverse impact to Continental's financial condition, results of operations, liquidity and prospects may continue to be material, and Continental's financial resources might not be sufficient to absorb it or that of any further terrorist attacks or another military action elsewhere in the world.

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

- A weak global and domestic economy has significantly decreased Continental's revenue. Business traffic, Continental's most profitable source of revenue, and yields are down significantly, as

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

well as leisure traffic and yields. Several of Continental's competitors are significantly changing all or a portion of their pricing structures in a manner that is revenue dilutive to Continental. Although Continental has been successful in decreasing its unit cost as its unit revenue has declined, Continental expects to incur significant losses for the fourth quarter and full year 2003. Continental currently expects its consolidated balance of cash, cash equivalents and short-term investments at the end of the fourth quarter of 2003 to be \$1.4 billion, which excludes cash held by Holdings.

-- Continental believes that reduced demand persists not only because of the weak economy, but also because of some customers' concerns about further terrorist attacks and reprisals. The war in Iraq significantly reduced Continental's bookings and lowered passenger traffic. In addition, the spread of SARS in China and elsewhere caused a further decline in passenger traffic earlier this year, particularly to Hong Kong and certain other cities in Asia that Continental serves. Both of these events disproportionately affected Continental's international passenger traffic. Continental responded to the actual and anticipated reduction in demand by temporarily reducing capacity on certain trans-Atlantic and trans-Pacific routes and by reducing its summer schedule. Continental believes that demand is further weakened by customer dissatisfaction with the hassles and delays of heightened airport security and screening procedures.

-- Fuel costs rose significantly in late 2002 and early 2003 and remain at historically high levels. Post-war unrest in Iraq, other conflicts in the Middle East, political events in Venezuela or Nigeria, or significant events in other oil-producing nations could cause fuel prices to increase further and may impact the availability of fuel. Based on gallons consumed in 2002 and anticipated consumption in 2003, for every one dollar increase in the price of crude oil, Continental's annual fuel expense would be approximately \$40 million higher.

30

-- The terrorist attacks of 2001 have caused security costs to increase significantly, many of which have been passed on to airlines. Security costs are likely to continue rising for the foreseeable future. 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. Continental must absorb these additional expenses in the current pricing environment. Under the Emergency Wartime Supplemental Appropriations Act, Continental and other U.S. carriers have been reimbursed for certain security fees paid or collected by such carriers and for other security related costs. Consequently, in May 2003 Continental and ExpressJet received a reimbursement of \$176 million for security fees paid or collected since February 2002.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

- Although Continental reduced some of its costs during the last year and continues to implement cost-cutting measures, its costs cannot be decreased as quickly as its revenue has declined. In addition, as is the case with many of its competitors, Continental is highly leveraged, and has few assets that remain unpledged to support any new debt. Combined with reduced access to the capital markets, themselves already weakened by the state of the economy, there is the potential for insufficient liquidity if current conditions continue unabated for a sufficiently long period of time. As of September 30, 2003, Continental had \$1.6 billion in consolidated cash, cash equivalents and short-term investments. Cash and cash equivalents at September 30, 2003 included \$139 million of restricted cash and \$171 million of cash held by Holdings (to which Continental does not have access). The remaining 30.9% of Holdings common stock that Continental continues to own is not pledged to creditors. Continental intends to sell or otherwise dispose of some or all of its interest in Holdings, subject to market conditions.

- The nature of the airline industry is changing dramatically as business travelers change their spending patterns and low-cost carriers continue to gain market share. Continental has announced and is implementing plans to modify its product for the large segment of its customers who are not willing to pay for a premium product, to reduce costs and to generate additional revenue. Other carriers have announced similar plans to create lower-cost products, or to offer separate low cost products (such as a low cost "airline within an airline"). In addition, carriers emerging from bankruptcy will have significantly reduced cost structures and operational flexibility that will allow them to compete more effectively.

- Current conditions may cause consolidation of the airline industry, domestically and globally. The extremity of current conditions could result in a reduction of some of the regulatory hurdles that historically have limited consolidation. Depending on the nature of the consolidation, Continental could benefit from it or be harmed by it. Continental continues to monitor developments throughout the industry and has entered into a marketing alliance with Northwest Airlines and Delta to permit Continental to compete more effectively with other carriers and alliance groups.

- Continental has a noncontributory defined benefit plan covering substantially all of Continental's employees. Continental contributed to the plan \$272 million in cash in 2003 and approximately 7.4 million shares of Holdings common stock valued at approximately \$100 million on September 9, 2003. As a result, Continental has satisfied all minimum required contributions to the plan during 2003. Although Continental's 2004 minimum funding requirements are not expected to be material, Continental currently expects to make significant contributions to the plan in 2004 and thereafter.

- Under the most restrictive provisions of a credit facility agreement with an outstanding balance of \$71 million at September 30, 2003, Continental is required to maintain a minimum unrestricted cash balance of \$600 million. Also, under a separate credit facility agreement with an outstanding balance of \$25 million at September 30, 2003 Continental is required to maintain a 1 to 1 ratio of EBITDAR (earnings before interest, income taxes, depreciation and aircraft

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

rentals) to fixed charges, which consist of interest expense, aircraft rental expense, cash income taxes and cash dividends, for the previous four quarters. Continental believes that it will be able to meet both of these covenants for the remainder of 2003.

31

THE EXCHANGE OFFER

The following summary describes all material provisions of the Registration Rights Agreement (the "Registration Rights Agreement") between Continental and the Initial Purchaser with respect to the Subordinated Notes. The summary does not purport to be complete. We urge you to read the Registration Rights Agreement for additional detail and further information because it, and not this description, defines your rights. The Registration Rights Agreement has been filed as an exhibit to the Registration Statement and copies of the Registration Rights Agreement are available as set forth under "Where You Can Find More Information".

TERMS OF THE EXCHANGE OFFER

GENERAL

In connection with the issuance of the Old Subordinated Notes, the Initial Purchaser and its assignees became entitled to the benefits of the Registration Rights Agreement.

Under the Registration Rights Agreement, Continental is obligated to use its best efforts to:

- file the Registration Statement of which this Prospectus is a part for a registered exchange offer with respect to an issue of new notes identical in all material respects to the Old Subordinated Notes within 120 days after May 9, 2003, which is the date on which the Old Subordinated Notes were issued (the "Issuance Date");
- cause the Registration Statement to become effective under the Securities Act within 180 days after the Issuance Date;
- cause the Registration Statement to remain effective until the closing of the Exchange Offer; and
- consummate the Exchange Offer within 210 calendar days after the Issuance Date.

Continental will keep the Exchange Offer open for a period of not less than 30 days. The Exchange Offer being made hereby, if commenced and consummated within the time periods described in this paragraph, will satisfy those requirements under the Registration Rights Agreement.

Upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying letter of transmittal (the "Letter of Transmittal") (which together constitute the Exchange Offer), all Old Subordinated Notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. New Subordinated Notes will be issued in exchange for an equal face amount of outstanding Old Subordinated Notes accepted in the Exchange Offer. Old Subordinated Notes may be tendered only in integral multiples of \$1,000. This Prospectus, together with the Letter of Transmittal, is being sent to all registered holders of Old Subordinated Notes as of [], 2003. The Exchange Offer is not conditioned upon any

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

minimum principal amount of Old Subordinated Notes being tendered for exchange. However, the obligation to accept Old Subordinated Notes for exchange pursuant to the Exchange Offer is subject to certain conditions, as set forth herein under "--Conditions".

Old Subordinated Notes shall be deemed to have been accepted as validly tendered when, as and if Continental has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders of Old Subordinated Notes for the purposes of receiving the New Subordinated Notes and delivering New Subordinated Notes to such holders.

Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, Continental believes that the New Subordinated Notes issued pursuant to the Exchange Offer in exchange for Old Subordinated Notes may be offered for resale, resold or otherwise transferred by holders thereof (other than (i) a broker-dealer who acquired such Old Subordinated Notes directly from Continental for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or (ii) any holder that is an "affiliate" of Continental as defined in Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Subordinated Notes are acquired in the ordinary course of such holders' business

32

and such holders are not engaged in, and do not intend to engage in, a distribution of such New Subordinated Notes and have no arrangement with any person to participate in a distribution of such New Subordinated Notes.

By tendering the Old Subordinated Notes in exchange for New Subordinated Notes, each holder, other than a broker-dealer, will represent to Continental that:

- it is not an affiliate of Continental (as defined in Rule 405 under the Securities Act) nor a broker-dealer tendering Old Subordinated Notes acquired directly from Continental for its own account;
- any New Subordinated Notes to be received by it will be acquired in the ordinary course of its business; and
- it is not engaged in, and does not intend to engage in, a distribution of such New Subordinated Notes and has no arrangement or understanding to participate in a distribution of the New Subordinated Notes.

If a holder of Old Subordinated Notes is engaged in or intends to engage in a distribution of the New Subordinated Notes or has any arrangement or understanding with respect to the distribution of the New Subordinated Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each broker-dealer that receives New Subordinated Notes for its own account pursuant to the Exchange Offer (a "Participating Broker-Dealer") must acknowledge that it will deliver a prospectus in connection with any resale of such New Subordinated Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Subordinated Notes received in exchange for Old Subordinated Notes where such Old Subordinated

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Notes were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. Continental has agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, it will make this Prospectus available to any Participating Broker-Dealer for use in connection with any such resale. See "Plan of Distribution".

In the event that any changes in law or the applicable interpretations of the staff of the Commission do not permit Continental to effect the Exchange Offer, if the Registration Statement is not declared effective within 180 calendar days after the Issuance Date under certain circumstances or the Exchange Offer is not consummated within 210 days after the Issuance Date under certain other circumstances, at the request of a holder not eligible to participate in the Exchange Offer or under certain other circumstances described in the Registration Rights Agreement, Continental will, in lieu of effecting the registration of the New Subordinated Notes pursuant to the Registration Statement and at no cost to the holders of Old Subordinated Notes:

- as promptly as practicable file with the Commission a shelf registration statement (the "Shelf Registration Statement") covering resales of the Old Subordinated Notes;
- use its best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act by the 180th calendar day after the Issuance Date; and
- use its best efforts to keep effective the Shelf Registration Statement for a period of two years after its effective date (or for such shorter period as shall end when all of the Old Subordinated Notes covered by the Shelf Registration Statement have been sold pursuant thereto or may be freely sold pursuant to Rule 144 under the Securities Act).

In the event that the declaration of the effectiveness by the Commission of the Registration Statement or the Shelf Registration Statement (each, a "Registration Event") does not occur on or prior to the 210th calendar day following the Issuance Date, the interest rate per annum borne by the Subordinated Notes shall be increased by 0.50% from and including such 210th day to but excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which all of the Subordinated Notes otherwise become

33

transferable by Subordinated Noteholders (other than affiliates or former affiliates of Continental) without further registration under the Securities Act. In the event that the Shelf Registration Statement ceases to be effective at any time during the period specified by the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the interest rate per annum borne by the Subordinated Notes shall be increased by 0.50% from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective until such time as the Shelf Registration Statement again becomes effective (or, if earlier, the end of such period specified by the Registration Rights Agreement).

Upon consummation of the Exchange Offer, subject to certain exceptions, holders of Old Subordinated Notes who do not exchange their Old Subordinated Notes for New Subordinated Notes in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Subordinated Notes, unless such Old Subordinated Notes are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Company will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

applicable state securities laws. See "Risk Factors--Risk Factors Relating to the Subordinated Notes and the Exchange Offer--Consequences of Failure to Exchange".

EXPIRATION DATE; EXTENSIONS; AMENDMENTS; TERMINATION

The term "Expiration Date" shall mean [], 2003 ([] calendar days following the commencement of the Exchange Offer), unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended.

In order to extend the Expiration Date, Continental will notify the Exchange Agent of any extension by oral or written notice and will mail to the record holders of Old Subordinated Notes an announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Such announcement may state that the Company is extending the Exchange Offer for a specified period of time.

Continental reserves the right:

- to extend the Exchange Offer or to terminate the Exchange Offer and not permit acceptance of Old Subordinated Notes not previously accepted if any of the conditions set forth herein under "--Conditions" shall have occurred and shall not have been waived by the Company, by giving oral or written notice of such delay, extension or termination to the Exchange Agent; and
- to amend the terms of the Exchange Offer in any manner deemed by it to be advantageous to the holders of the Old Subordinated Notes.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the Exchange Agent. If the Exchange Offer is amended in a manner determined by Continental to constitute a material change, Continental will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the Old Subordinated Notes of such amendment.

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

INTEREST ON THE NEW SUBORDINATED NOTES

The New Subordinated Notes will bear interest at the Stated Interest Rate from the most recent date to which interest has been paid on the Old Subordinated Notes. Accordingly, registered holders of New Subordinated Notes on the relevant record date for the first interest payment date following the completion of the Exchange Offer will receive interest accruing from the most recent date to which interest has been paid.

34

Old Subordinated Notes accepted for exchange will cease to accrue interest from and after the date of completion of the Exchange Offer. Holders of Old Subordinated Notes whose Old Subordinated Notes are accepted for exchange will not receive any payment for accrued interest on the Old Subordinated Notes otherwise payable on any Interest Payment Date the record date for which occurs on or after completion of the Exchange Offer and will be deemed to have waived

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

their rights to receive the accrued interest on the Old Subordinated Notes.

PROCEDURES FOR TENDERING

To tender in the Exchange Offer, a holder must complete, sign and date the Letter of Transmittal, or a facsimile thereof (or, if the Old Subordinated Notes are tendered in accordance with the procedure for book-entry transfer described below, an Agent's Message in lieu of the Letter of Transmittal), have the signatures thereon guaranteed if required by the Letter of Transmittal and mail or otherwise deliver such Letter of Transmittal or such facsimile or have the Agent's Message delivered, together with any other required documents, to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. In addition, either

- certificates for such Old Subordinated Notes must be received by the Exchange Agent along with the Letter of Transmittal;
- a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Old Subordinated Notes, if such procedure is available, into the Exchange Agent's account at The Depository Trust Company ("DTC") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date; or
- the holder must comply with the guaranteed delivery procedures described below.

The method of delivery of Old Subordinated Notes, Letters of Transmittal and all other required documents is at the election and risk of the holders. If such delivery is by mail, it is recommended that registered mail, properly insured, with return receipt requested, be used. In all cases, sufficient time should be allowed to assure timely delivery. No Letters of Transmittal or Old Subordinated Notes should be sent to Continental. Delivery of all documents must be made to the Exchange Agent at one of the addresses as set forth below. Holders may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

The tender by a holder of Old Subordinated Notes will constitute an agreement between such holder and Continental in accordance with the terms and subject to the conditions set forth in the Prospectus and in the Letter of Transmittal.

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

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

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by any member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc.,

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (each, an

35

"Eligible Institution") unless the Old Subordinated Notes tendered pursuant thereto are tendered (i) by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution.

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

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

All questions as to the validity, form, eligibility (including time of receipt) and withdrawal of the tendered Old Subordinated Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Old Subordinated Notes not properly tendered or any Old Subordinated Notes the acceptance of which would, in the opinion of counsel for Continental, be unlawful. Continental also reserves the absolute right to waive any irregularities or conditions of tender as to particular Old Subordinated Notes. Continental's interpretation of the terms and conditions of the Exchange Offer (including the instructions in the Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Subordinated Notes must be cured within such time as Continental shall determine. Neither Continental, the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Old Subordinated Notes, nor shall any of them incur any liability for failure to give such notification. Tendere of Old Subordinated Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Old Subordinated Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to such holder by the Exchange Agent to the tendering holders of Old Subordinated Notes (or, in the case of Old Subordinated Notes tendered by the book-entry transfer procedures described below, such nonexchanged Old Subordinated Notes will be credited to an account maintained with DTC), unless otherwise provided in the Letter of Transmittal, promptly following the Expiration Date.

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

ACCEPTANCE OF OLD SUBORDINATED NOTES FOR EXCHANGE; DELIVERY OF NEW SUBORDINATED

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

NOTES

All Old Subordinated Notes properly tendered will be accepted, and the New Subordinated Notes will be issued, promptly after the Expiration Date, subject to satisfaction or waiver of all of the conditions to the Exchange Offer prior to the Expiration Date. See "--Conditions" below. For purposes of the Exchange Offer, Old Subordinated Notes shall be deemed to have been accepted for exchange when, as and if Continental has given oral or written notice thereof to the Exchange Agent.

In all cases, issuance of New Subordinated Notes for Old Subordinated Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of:

- certificates for such Old Subordinated Notes or a timely Book-Entry Confirmation of such Old Subordinated Notes into the Exchange Agent's account at DTC;

36

- a properly completed and duly executed Letter of Transmittal or an Agent's Message in lieu thereof; and

- all other required documents.

If any tendered Old Subordinated Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Subordinated Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or nonexchanged Old Subordinated Notes will be returned without expense to the tendering holder thereof (or, in the case of Old Subordinated Notes tendered by the book-entry transfer procedures described below, such nonexchanged Old Subordinated Notes will be credited to an account maintained with DTC), unless otherwise provided in the Letter of Transmittal, promptly following the Expiration Date.

New Subordinated Notes will be initially issued only in the form of Global Notes registered in the name of a nominee for DTC. Accordingly, interests in New Subordinated Notes may only be held through DTC Participants or Indirect Participants. See "Description of the Subordinated Notes--Book Entry; Delivery and Form."

BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Old Subordinated Notes at DTC for purposes of the Exchange Offer within two business days after the date of this Prospectus. The Exchange Agent has confirmed that any financial institution that is a participant in DTC's systems (a "DTC Participant") may use DTC's Automated Tender Offer program ("ATOP") procedures to tender Old Subordinated Notes in the Exchange Offer. Any DTC Participant may make book-entry delivery of Old Subordinated Notes by causing DTC to transfer such Old Subordinated Notes into the Exchange Agent's account at DTC in accordance with DTC's ATOP procedures for transfer. However, although delivery of Old Subordinated Notes may be effected through book-entry transfer into the Exchange Agent's account at DTC, the Letter of Transmittal (or facsimile thereof) with any required signature guarantees, or an Agent's Message in lieu of the Letter of Transmittal, and any other required documents must, in any case, be transmitted to and received by the Exchange Agent at one of the addresses set forth below under "--Exchange Agent" on or prior to 5:00 p.m., New York City time, on the Expiration Date or the guaranteed delivery procedures described below must be complied with. The term "Agent's Message" means a message, transmitted by DTC and received by the Exchange Agent and forming part

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

of a Book-Entry Confirmation, that states that DTC has received an express acknowledgment from a DTC Participant tendering Old Subordinated Notes that are the subject of such Book-Entry Confirmation that such DTC Participant has received and agrees to be bound by the terms of the Letter of Transmittal, and that Continental may enforce the Letter of Transmittal against such DTC Participant.

GUARANTEED DELIVERY PROCEDURES

If a registered holder of Old Subordinated Notes desires to tender such Old Subordinated Notes, and (i) the Old Subordinated Notes are not immediately available, or (ii) time will not permit such holder's Old Subordinated Notes, the Letter of Transmittal or any other required documents to reach the Exchange Agent before the Expiration Date, or (iii) the procedures for book-entry transfer cannot be completed on a timely basis, a tender may be effected if:

- the tender is made through an Eligible Institution;
- prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof or Agent's Message in lieu thereof) and Notice of Guaranteed Delivery, substantially in the form provided by Continental (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Subordinated Notes and the amount of Old Subordinated Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered

37

Old Subordinated Notes in proper form for transfer, or a Book-Entry Confirmation, as the case may be, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof or Agent's Message in lieu thereof) and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent; and

- the certificates for all physically tendered Old Subordinated Notes in proper form for transfer, or a Book-Entry Confirmation, as the case may be, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof or Agent's Message in lieu thereof) and all other documents required by the Letter of Transmittal are received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of the Notice of Guaranteed Delivery.

WITHDRAWAL OF TENDERS

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

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date at one of the addresses set forth below under "--Exchange Agent". Any such notice of withdrawal must specify the name of the person having tendered the Old Subordinated Notes to be withdrawn, identify the Old Subordinated Notes to be withdrawn (including the principal amount of such Old Subordinated Notes) and (where certificates for Old Subordinated Notes have been transmitted) specify the name in which such Old Subordinated Notes are

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

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

CONDITIONS

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

38

EXCHANGE AGENT

Wilmington Trust Company has been appointed as exchange agent (the "Exchange Agent") for the Exchange Offer. Questions and requests for assistance and requests for additional copies of this Prospectus or of the Letter of Transmittal should be directed to the Exchange Agent addressed as follows:

BY MAIL:
Wilmington Trust Company
DC-1615 Reorg Services
PO Box 8861
Wilmington, Delaware 19899-8861

BY OVERNIGHT DELIVERY OR HAND:
Wilmington Trust Company
Corporate Trust Reorg Services
1100 North Market Street
Wilmington, Delaware 19890-1615

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

FACSIMILE TRANSMISSION:

(302) 636-4145

CONFIRM BY TELEPHONE:

(302) 636-6472

FEES AND EXPENSES

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

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

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

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

39

DESCRIPTION OF THE SUBORDINATED NOTES

The following summary describes the material terms of the Subordinated Notes. The summary does not purport to be complete. We urge you to read the Subordinated Notes, the Indenture, the Security Agreement, the Collateral Maintenance Agreement and the Reference Agency Agreement (collectively, the "Operative Documents") for additional detail and further information because they, and not this description, define your rights. Each of the Operative Documents has been filed as an exhibit to the Registration Statement and is available as set forth under "Where You Can Find More Information". The references to Sections in parentheses in the following summary are to the relevant Sections of the Indenture unless otherwise indicated.

GENERAL

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

The Old Subordinated Notes were issued by Continental under an Amended and Restated Indenture (the "Indenture") among Continental, Wilmington Trust Company, as trustee (the "Trustee"), the Policy Provider and the Liquidity Provider. The New Subordinated Notes will also be issued by Continental under the Indenture.

The forms and terms of the New Subordinated Notes are the same in all material respects as the form and terms of the Old Subordinated Notes, except that:

- the New Subordinated Notes will be registered under the Securities Act;
- the New Subordinated Notes will not contain restrictions on transfer or provisions relating to registration rights or interest rate increases; and
- the New Subordinated Notes will be available only in book-entry form.

The New Subordinated Notes will be issued only in fully registered form, without coupons, and will be subject to the provisions described below under "--Book-Entry; Delivery and Form". The New Subordinated Notes will be issued only in minimum denominations of \$1,000 or integral multiples thereof, except that one Subordinated Note may be issued in a different denomination. (Section 2A.1(b))

The Subordinated Notes are secured by a lien on the Collateral. The Subordinated Notes rank junior to the Senior Notes, as well as amounts owed to the Policy Provider and the Liquidity Provider relating to the Senior Notes.

PAYMENTS OF PRINCIPAL AND INTEREST

Continental originally issued \$100,000,000 in aggregate principal amount of Old Subordinated Notes. As of the date of this Prospectus, \$97,000,000 aggregate principal amount of Old Subordinated Notes are outstanding. Subject to the provisions of the Indenture, the entire principal amount of the Subordinated Notes is scheduled to be paid to the Subordinated Noteholders on December 6, 2007 (the "Final Scheduled Payment Date").

Interest accrues on the unpaid principal amount of each Subordinated Note at the variable rate per annum set forth on the cover page of this Prospectus (plus, if applicable, 0.50% during the periods specified in the Registration Rights Agreement) (the "Stated Interest Rate"). Accrued interest will be payable on March 6, June 6, September 6 and December 6 of each year (each, a "Scheduled Interest Payment Date") or, if not a Business Day, the next succeeding Business Day (each date on which interest is due, an "Interest Payment Date"), commencing on June 6, 2003. Such accrued interest will be paid to holders of record on the 15th day preceding the applicable Scheduled Interest Payment Date. Interest on the Subordinated Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Issuance Date. Interest on the Subordinated Notes is calculated on the basis of the actual number of days elapsed over a 360-day year and shall accrue with respect to the first but not the last day of each Interest Period. If any date scheduled for a payment of principal, interest, Premium, if any, or Break Amount, if any, is not a Business Day, such payment will be made on the next succeeding Business Day, and interest shall be added for such additional period. (Section 2A.7)

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Trustee on the date scheduled for such payment under the Indenture or, if the money for purposes of such payment has not been deposited, in whole or in part, with the Trustee by Continental, the Liquidity Provider or the Policy Provider on such date, on the next Business Day on which some or all of the money has been deposited with the Trustee (a "Distribution Date"). However, if some or all of the money has not been deposited with the Trustee for purposes of making an interest payment on the Subordinated Notes within five days after the Interest Payment Date for such payment, Continental is required to fix a special payment date and special record date for such payment and to give written notice to the Subordinated Noteholders of such special dates and the amount of defaulted interest to be paid.

DETERMINATION OF LIBOR

LIBOR ("LIBOR") for the period commencing on and including the Issuance Date and ending on but excluding the first Interest Payment Date (the "Initial Interest Period" and an "Interest Period") was determined on the second Business Day preceding the Issuance Date as the rate for deposits in U.S. dollars for a period of three months that appeared on the display designated as page "3750" on the Telerate Monitor.

For the purpose of calculating LIBOR for the periods from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date (each, also an "Interest Period"), Continental and the Trustee have entered into a Reference Agency Agreement (as amended, the "Reference Agency Agreement") with Wilmington Trust Company, as reference agent (the "Reference Agent"). The Reference Agent will determine LIBOR for each Interest Period following the Initial Interest Period, on a date (the "Reference Date") that is two London banking days (meaning days on which commercial banks are open for general business in London, England) before the Interest Payment Date on which such Interest Period commences.

On each Reference Date, the Reference Agent will determine LIBOR as the rate for deposits in U.S. dollars for a period of three months that appears on the display designated as page "3750" on the Telerate Monitor (or such other page or service as may replace it) as of 11:00 a.m., London time.

If the rate determined as described in the foregoing paragraph does not appear on the Telerate Page 3750, the Reference Agent will determine LIBOR on the basis of the rates at which deposits in U.S. Dollars are offered by certain reference banks as described in the Reference Agency Agreement at approximately 11:00 a.m., London time, on the Reference Date for such Interest Period to prime banks in the London interbank market for a period of three months commencing on the first day of such Interest Period and in an amount that is representative for a single transaction in the London interbank market at the relevant time. The Reference Agent will request the principal London office of each of the reference banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that Interest Period will be the arithmetic mean of the quotations. If fewer than two quotations are provided, the interest rate for the next Interest Period shall be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Reference Agent in good faith and in a commercially reasonable manner, at approximately 11:00 a.m., New York City time, on the first day of such Interest Period for loans in U.S. Dollars to leading European banks for a period of three months commencing on the first day of such Interest Period and in an amount that is representative for a single transaction in the New York market at the relevant time, except that, if the banks so selected by the Reference Agent are not quoting as mentioned above, LIBOR shall be the floating rate of interest in effect for the last preceding Interest Period.

The Reference Agent's determination of LIBOR (in the absence of negligence, willful default, bad faith or manifest error) will be conclusive and binding

upon all parties.

As promptly as is practicable after the determination thereof, the Reference Agent will give notice of its determination of LIBOR for the relevant Interest Period to Continental and the Trustee. Holders of the Subordinated Notes (the "Subordinated Noteholders" and, together with the Senior Noteholders, the "Noteholders") may obtain such information from the Trustee.

41

Continental reserves the right to terminate the appointment of the Reference Agent at any time on 30 days' notice and to appoint a replacement reference agent in its place. Notice of any such termination will be given to the Noteholders. The Reference Agent may not be removed or resign its duties without a successor having been appointed.

BREAK AMOUNT

"Break Amount" means, as of any date of payment, redemption or acceleration of any Note (the "Applicable Date"), an amount determined by the Reference Agent on the date that is two Business Days prior to the Applicable Date pursuant to the formula set forth below.

The Break Amount with respect to any Note will be calculated as follows:

$$\text{Break Amount} = Z - Y$$

Where:

X = with respect to any applicable Interest Period, the sum of (i) the amount of the outstanding principal amount of such Note as of the first day of the then applicable Interest Period plus (ii) interest payable thereon during such entire Interest Period at then effective LIBOR.

Y = X, discounted to present value from the last day of the then applicable Interest Period to the Applicable Date, using then effective LIBOR as the discount rate.

Z = X, discounted to present value from the last day of the then applicable Interest Period to the Applicable Date, using a rate equal to the applicable London interbank offered rate for a period commencing on the Applicable Date and ending on the last day of the then applicable Interest Period, determined by the Reference Agent as of two Business Days prior to the Applicable Date as the discount rate.

No Break Amount will be payable (x) if the Break Amount, as calculated pursuant to the formula set forth above, is equal to or less than zero or (y) on or in respect of any Applicable Date that is an Interest Payment Date.

REDEMPTION

The Subordinated Notes may not be redeemed by the Company prior to May 9, 2004. The Subordinated Notes may be redeemed at any time on or after May 9, 2004, in whole or (so long as no Payment Default has occurred and is continuing) in part (in any integral multiple of \$1,000) by the Company at its sole option at a redemption price equal to the sum of 100% of the principal amount of, accrued and unpaid interest on, and Break Amount, if any, with respect to, the redeemed Subordinated Notes to and including the date of redemption. In addition, if a Subordinated Note is redeemed before the fourth anniversary of

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

the Issuance Date (except in connection with a redemption to satisfy the maximum Collateral Ratio or minimum Rotable Ratio requirements discussed under "--Collateral--Appraisals and Maintenance of Ratios"), such redemption price will include a premium (the "Premium") equal to the following percentage of the principal amount of such Subordinated Note: (i) if redeemed before the second anniversary of the Issuance Date, 3.00%; (ii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 2.00%; and (iii) if redeemed on or after such third anniversary and before the fourth anniversary of the Issuance Date, 1.00%. Notwithstanding the foregoing, so long as the Policy Provider is the Controlling Party, no such redemption may be made if an Event of Default has occurred and is continuing or if the Senior Collateral Ratio or Senior Rotable Ratio is not then satisfied (after giving effect to any concurrent redemption of the Senior Notes), unless the Policy Provider shall otherwise agree. (Section 4.1)

At least 15 days but not more than 60 days before any redemption date, the Trustee will send a notice of redemption to each Subordinated Noteholder whose Subordinated Notes are to be redeemed, identifying the Subordinated Notes and the principal amount thereof to be redeemed. If less than all of the Subordinated Notes are to be redeemed, the Trustee will select the Subordinated Notes to be redeemed on either a pro rata basis or by lot or by any other equitable manner determined by the Trustee in its sole discretion. On the

42

redemption date, interest will cease to accrue on the Subordinated Notes or portions thereof called for redemption, unless Continental fails to make the redemption payment for such Subordinated Notes. (Sections 4.3, 4.4 and 4.5)

If the Trustee gives notice of redemption but Continental fails to pay when due all amounts necessary to effect such redemption, such redemption shall be deemed revoked and no amount shall be due as a result of notice of redemption having been given.

COLLATERAL

The Subordinated Notes are secured by a lien on spare parts (including appliances) first placed in service after October 22, 1994, and owned by Continental that are appropriate for installation on or use in

- one or more of the following aircraft models: Boeing model 737-700, 737-800, 737-900, 757-200, 757-300, 767-200, 767-400 or 777-200 aircraft,
- any engine utilized on any such aircraft or
- any other Qualified Spare Part,

and not appropriate for installation on or use in any other model of aircraft currently operated by Continental or engine utilized on any such other model of aircraft ("Qualified Spare Parts"), together with certain records relating to such spare parts, certain rights of Continental with respect to such spare parts and certain proceeds of the foregoing (collectively, the "Collateral"). The Senior Notes are also secured by a lien on the Collateral. The lien will not apply for as long as a spare part is installed on or being used in any aircraft, engine or other spare part so installed or being used. In addition, the lien will not apply if a spare part is not located at a Designated Location. (Security Agreement, Section 2.01) Spare engines are not included in the Collateral.

On the Senior Notes Issuance Date, Continental entered into a Security Agreement (as amended, the "Security Agreement" and, together with any other

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

agreement under which Continental may grant a lien for the benefit of the Noteholders, the "Collateral Agreements") with the Trustee, acting as security agent (the "Security Agent" and, together with any collateral agent under any other Collateral Agreement, the "Collateral Agents"), providing for the grant of the lien on the Collateral. In addition, on the Senior Notes Issuance Date, Continental entered into a Collateral Maintenance Agreement (as amended, the "Collateral Maintenance Agreement") with the Policy Provider, providing for appraisal reports and certain other requirements with respect to the Collateral. The following summarizes certain provisions of the Security Agreement and Collateral Maintenance Agreement, as such agreements were amended on the Issuance Date in connection with the issuance of the Subordinated Notes, relating to the spare parts included in the Collateral (the "Pledged Spare Parts").

APPRAISALS AND MAINTENANCE OF RATIOS

Continental is required to furnish to the Policy Provider and the Trustee by the fifth Business Day of February and the fifth Business Day of August in each year, commencing in August 2003, so long as the Notes of any series are outstanding, a certificate of an independent appraiser. Such certificates are required to state such appraiser's opinion of the fair market value of the Collateral and of the Rotables included in the Collateral, determined on the basis of a hypothetical sale negotiated in an arm's length free market transaction between a willing and able seller and a willing and able buyer, neither of whom is under undue pressure to complete the transaction, under then current market conditions (the "Fair Market Value"). This appraisal will not apply to any cash or permitted investment securities (the "Cash Collateral") then held as collateral for the Notes, and such securities will be valued by the Trustee in accordance with customary financial market practices. Such valuations will then be used to calculate the following:

- the "Senior Collateral Ratio" applicable to the Senior Notes, which shall mean a percentage determined by dividing (i) the aggregate principal amount of the outstanding Senior Notes minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral) as set forth in such independent appraiser's certificate;

43

- the "Subordinated Collateral Ratio" applicable to the Subordinated Notes, which shall mean a percentage determined by dividing (i) the aggregate principal amount of the outstanding Senior Notes and Subordinated Notes minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral) as set forth in such independent appraiser's certificate;
- the "Senior Rotable Ratio" applicable to the Senior Notes, which shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables as set forth in such independent appraiser's certificate by (ii) the aggregate principal amount of all outstanding Senior Notes minus the sum of the Cash Collateral held by the Collateral Agent; and
- the "Subordinated Rotable Ratio" applicable to the Subordinated Notes, which shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables as set forth in such independent appraiser's certificate by (ii) the aggregate principal amount of all outstanding Senior Notes and Subordinated Notes minus the sum of the Cash Collateral held by the Collateral Agent.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

The calculation of the Senior Collateral Ratio, the Subordinated Collateral Ratio (together, the "Collateral Ratios"), the Senior Rotable Ratio and the Subordinated Rotable Ratio (together, the "Rotable Ratios") will be set forth in a certificate of Continental. (Collateral Maintenance Agreement, Article 2)

If the Senior Collateral Ratio as so determined is greater than 45.0% or the Subordinated Collateral Ratio as so determined is greater than 67.5%, Continental will be required, within 90 days after the date of Continental's certificate calculating such Collateral Ratios, to:

- subject additional Qualified Spare Parts to the lien of the Security Agreement;
- grant a security interest in other property to secure the Notes for the benefit of the Noteholders (which thereafter will be included as "Collateral" for purposes of the Notes), but only if the Policy Provider agrees and Continental shall have received written confirmation from each nationally recognized rating agency then rating the Senior Notes or the Subordinated Notes at Continental's request (a "Rating Agency") that the use of such additional collateral and the related agreements to reduce the Collateral Ratios will not result in a reduction of the rating for the Senior Notes or the Subordinated Notes below the then current rating for such Notes (such rating in the case of the Senior Notes determined without regard to the Policy) or a withdrawal or suspension of the rating of such Notes;
- provide additional Cash Collateral to the Security Agent under the Security Agreement (provided that if Continental's cash, cash equivalents and certain other marketable securities as of the applicable determination date was less than \$600,000,000, then the total amount of Cash Collateral may not exceed \$20,000,000);
- deliver Notes to the Trustee for cancellation;
- redeem some or all of the Notes; or
- any combination of the foregoing;

such that the Senior Collateral Ratio and the Subordinated Collateral Ratio, as recalculated giving effect to such action (but otherwise using the information most recently used to determine such Collateral Ratios), would not be greater than 45.0% and 67.5%, respectively. (Collateral Maintenance Agreement, Section 3.1(a))

If the Senior Rotable Ratio as so determined is less than 150% or the Subordinated Rotable Ratio as so determined is less than 100%, Continental will be required, within 90 days after the date of Continental's certificate calculating such Rotable Ratios, to:

- subject additional Rotables to the lien of the Security Agreement;
- provide additional Cash Collateral to the Security Agent under the Security Agreement (provided that if Continental's cash, cash equivalents and certain other marketable securities as of the applicable

determination date was less than \$600,000,000, then the total amount of Cash Collateral may not exceed \$20,000,000);

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

- deliver Notes to the Trustee for cancellation;
- redeem some or all of the Notes; or
- any combination of the foregoing;

such that the Senior Rotable Ratio and the Subordinated Rotable Ratio, as recalculated giving effect to such action (but otherwise using the information most recently used to determine such Rotable Ratios), would not be less than 150% and 100%, respectively. (Collateral Maintenance Agreement, Section 3.1(b))

If Continental provides additional Cash Collateral to comply with any such maximum Collateral Ratio or minimum Rotable Ratio requirement, it must, within 90 days after providing such Cash Collateral, take additional action (other than providing Cash Collateral) to cause the Collateral Ratios and the Rotable Ratios (in each case calculated to exclude such Cash Collateral) to comply with the applicable maximum or minimum percentage. (Collateral Maintenance Agreement, Section 3.1(e)) If the Senior Collateral Ratio and Subordinated Collateral Ratio are less than the applicable maximum percentage and the Senior Rotable Ratio and the Subordinated Rotable Ratio are greater than the applicable minimum percentage, in each case as most recently determined as described above, and the Security Agent held Cash Collateral as of the relevant determination date, Continental may withdraw Cash Collateral in excess of the amount necessary to comply with such ratios. (Security Agreement, Section 7.03(b))

The appraised value of the Collateral determined as of June 25, 2003, which is the most recent appraisal obtained by Continental, indicated that the Collateral Ratios exceeded the applicable maximum percentages. As a result, Continental acquired and delivered to the Trustee for cancellation \$5,500,000 of Senior Notes and \$3,000,000 of Subordinated Notes and deposited Cash Collateral totalling \$23,600,000.

Continental is required to furnish to the Policy Provider and the Trustee, within ten Business Days after each May 1 and November 1, commencing with May 1, 2003, a report providing certain information regarding the quantity of Pledged Spare Parts included in the Collateral and compliance with certain requirements of the Collateral Maintenance Agreement.

FLEET REDUCTION

The Collateral Maintenance Agreement requires that the outstanding principal amount of Senior Notes and Subordinated Notes be reduced if the total number of aircraft of any of the four aircraft model groups listed below in Continental's in-service fleet during any period of 60 consecutive days is less than the minimum specified below for such group (other than due to restrictions on operating such aircraft imposed by the FAA or any other U.S. Government agency):

AIRCRAFT MODEL -----	MINIMUM -----
-- Boeing 737-700, Boeing 737-800 and Boeing 737-900 Aircraft.....	63 Aircraft
-- Boeing 757-200 and Boeing 757-300 Aircraft.....	23 Aircraft
-- Boeing 767-200 and Boeing 767-400 Aircraft.....	13 Aircraft
-- Boeing 777-200 Aircraft.....	9 Aircraft

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

If any of the foregoing specified minimums is not so satisfied with respect to any aircraft model group, then within 90 days after such occurrence, Continental must redeem Senior Notes or deliver Senior Notes to the Trustee for cancellation (or a combination thereof) in a percentage of the outstanding principal amount of Senior Notes determined by dividing the appraised value of the Pledged Spare Parts that are appropriate for installation on, or use in, only the aircraft of such model group, or the engines utilized only on such aircraft, by

45

the appraised value of the Collateral. In addition, Continental must redeem Subordinated Notes or deliver Subordinated Notes to the Trustee for cancellation (or a combination thereof) in the same percentage of the outstanding principal amount of Subordinated Notes. (Collateral Maintenance Agreement, Section 3.3)

LIENS

Continental is required to maintain the Pledged Spare Parts free of any liens, other than the rights of the Trustee, the Noteholders and Continental arising under the Indenture or the other Operative Documents related thereto, and other than certain limited liens permitted under such documents, including but not limited to (i) liens for taxes either not yet due or being contested in good faith by appropriate proceedings; (ii) materialmen's, mechanics' and other similar liens arising in the ordinary course of business that either are not yet delinquent for more than 60 days or are being contested in good faith by appropriate proceedings; (iii) judgment liens so long as such judgment is discharged or vacated within 60 days or the execution of such judgment is stayed pending appeal or discharged, vacated or reversed within 60 days after expiration of such stay; and (iv) any other lien as to which Continental has provided a bond or other security adequate in the reasonable opinion of the Security Agent; provided that in the case of each of the liens described in the foregoing clauses (i), (ii) and (iii), such liens and proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of the Security Agent therein or impair the lien of the Security Agreement. (Collateral Maintenance Agreement, Section 3.4)

MAINTENANCE

Continental is required to maintain the Pledged Spare Parts in good working order and condition, excluding (i) Pledged Spare Parts that have become worn out or unfit for use and not reasonably repairable or obsolete, (ii) Pledged Spare Parts that are not required for Continental's normal operations and (iii) expendable parts that have been consumed or used in Continental's operations. In addition, Continental must maintain all records, logs and other materials required by the FAA or under the Federal Aviation Act to be maintained in respect of the Pledged Spare Parts. (Collateral Maintenance Agreement, Section 3.5)

USE AND POSSESSION

Continental has the right to deal with the Pledged Spare Parts in any manner consistent with its ordinary course of business. This includes the right to install on, or use in, any aircraft, engine or Qualified Spare Part leased to or owned by Continental any Pledged Spare Part, free from the lien of the Security Agreement. (Security Agreement Section 4.02(a))

Continental may not sell, lease, transfer or relinquish possession of any Pledged Spare Part without the prior written consent of the Policy Provider, except as permitted by the Security Agreement or the Collateral Maintenance Agreement. So long as no Event of Default has occurred and is continuing, Continental may sell, transfer or dispose of Pledged Spare Parts free from the

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Lien of the Security Agreement. (Security Agreement, Section 4.03(a)) However, as of any date during the period between the dates of independent appraiser's certificates delivered pursuant to the Collateral Maintenance Agreement, the aggregate appraised value of all Pledged Spare Parts (x) previously during such period sold, transferred or disposed of (with certain exceptions) may not exceed 2% of the appraised value of the Collateral, (y) then subject to leases or loans may not exceed 2% of the appraised value of the Collateral or (z) previously during such period moved from a Designated Location to a location that is not a Designated Location (with certain exceptions) may not exceed 2% of the appraised value of the Collateral. Such restrictions may be waived by the Policy Provider, so long as after giving effect to a transaction permitted as a result of such waiver the Subordinated Collateral Ratio (using the information most recently used to determine such ratio) would not be greater than 67.5%. (Collateral Maintenance Agreement, Section 3.2)

Continental may, in the ordinary course of business, transfer possession of any Pledged Spare Part to the manufacturer thereof or any other organization for testing, overhaul, repairs, maintenance, alterations or modifications or to any person for the purpose of transport to any of the foregoing. In addition, Continental may dismantle any Pledged Spare Part that has become worn out or obsolete or unfit for use and may sell or

46

dispose of any such Pledged Spare Part or any salvage resulting from such dismantling, free from the lien of the Security Agreement. Continental also may subject any Pledged Spare Part to a pooling, exchange, borrowing or maintenance servicing agreement arrangement customary in the airline industry and entered into in the ordinary course of business; provided, however, that if Continental's title to any such Pledged Spare Part shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be a sale with respect to such Pledged Spare Part. (Collateral Maintenance Agreement, Section 3.6(a))

So long as no Event of Default shall have occurred and be continuing, Continental may enter into a lease with respect to any Pledged Spare Part to any U.S. air carrier that is not then subject to any bankruptcy, insolvency, liquidation, reorganization, dissolution or similar proceeding and shall not have substantially all of its property in the possession of any liquidator, trustee, receiver or similar person. In the case of any such lease, Continental will include in such lease appropriate provisions which (i) make such lease expressly subject and subordinate to all of the terms of the Security Agreement, including the rights of the Security Agent to avoid such lease in the exercise of its rights to repossession of the Pledged Spare Parts thereunder; (ii) require the lessee to comply with the insurance requirements of the Collateral Maintenance Agreement; and (iii) require that the Pledged Spare Parts subject thereto be used in accordance with the limitations applicable to Continental's use, possession and location of such Pledged Spare Parts provided in the Collateral Maintenance Agreement and the Security Agreement (including, without limitation, that such Pledged Spare Parts be kept at one or more Designated Locations). (Collateral Maintenance Agreement, Section 3.6(b))

DESIGNATED LOCATIONS

Continental is required to keep the Pledged Spare Parts at one or more of the designated locations specified in the Security Agreement or added from time to time by Continental in accordance with the Security Agreement (the "Designated Locations"), except as otherwise permitted under the Security Agreement and Collateral Maintenance Agreement. (Security Agreement, Section 4.02(b)) Continental is entitled to hold Qualified Spare Parts at locations other than Designated Locations. The lien of the Security Agreement does not

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

apply to any spare part not located at a Designated Location.

INSURANCE

Continental is required to maintain insurance covering physical damage to the Pledged Spare Parts. Such insurance must provide for the reimbursement of Continental's expenditure in repairing or replacing any damaged or destroyed Pledged Spare Part. If any such Pledged Spare Part is not repaired or replaced, such insurance must provide for the payment of the amount it would cost to repair or replace such Pledged Spare Part, on the date of loss, with proper deduction for obsolescence and physical depreciation. However, after giving effect to self-insurance permitted as described below, the amounts payable under such insurance may be less.

All insurance proceeds paid under such policies as a result of the occurrence of an "Event of Loss" with respect to any Pledged Spare Parts involving proceeds in excess of \$2 million, up to 110% of the outstanding principal amount of the Notes (the "Debt Balance"), will be paid to the Security Agent. The entire amount of any insurance proceeds not involving an "Event of Loss" with respect to any Pledged Spare Parts or involving proceeds of \$2 million or less, and the amount of insurance proceeds in excess of the Debt Balance, will be paid to Continental so long as no Payment Default, Event of Default or Continental Bankruptcy Event shall be continuing. For these purposes, "Event of Loss" means, with respect to any Pledge Spare Part, its destruction, damage beyond repair, damage that results in the receipt of insurance proceeds on the same basis as destruction or loss of possession by Continental for 90 consecutive days as a result of theft or disappearance. Any such proceeds held by the Security Agent will be disbursed to Continental to reimburse it for the purchase of additional Qualified Spare Parts after the occurrence of such Event of Loss. In addition, such proceeds will be disbursed to Continental to the extent it would not cause the Collateral Ratios, as subsequently determined, to exceed the applicable maximum percentages.

Continental is also required to maintain third party liability insurance with respect to the Pledged Spare Parts, in an amount and scope as it customarily maintains for equipment similar to the Pledged Spare Parts.

47

Continental may self-insure the risks required to be insured against as described above in such amounts as shall be consistent with normal industry practice.

EVENT OF DEFAULT

Each of the following constitutes an "Event of Default" with respect to the Notes:

- Failure by Continental to pay (i) principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Note when due, and such failure shall remain unremedied for more than ten Business Days (it being understood that any amount distributed to the Senior Noteholders in respect of the foregoing from funds provided by the Policy Provider, the Liquidity Provider or the Cash Collateral Account shall not be deemed to cure such Default) or (ii) any other amount payable by it to the Noteholders under the Indenture or any other Operative Document when due, and such failure shall continue for more than ten Business Days after Continental has received written notice from the Trustee of the failure to make such payment when due (without giving effect to any such notice or grace period, a "Payment Default").

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

- Failure by Continental to observe or perform (or cause to be observed and performed) in any material respect any other covenant, agreement or obligation set forth in the Indenture or in any other Operative Document, and such failure shall continue after notice and specified cure periods.
- Any representation or warranty made by Continental in the Indenture or any Operative Document (a) shall prove to have been untrue or inaccurate in any material respect as of the date made, (b) such untrue or inaccurate representation or warranty is material at the time in question and (c) the same shall remain uncured (to the extent of the adverse impact of such incorrectness on the Trustee) for more than 30 days after the date of written notice from the Trustee to Continental.
- The occurrence of certain events of bankruptcy, reorganization or insolvency of Continental (each, a "Continental Bankruptcy Event"). (Section 7.1)

If an event occurs and is continuing which is, or after notice or passage of time, or both, would be an Event of Default (a "Default") and if such Default is known to the Trustee, the Trustee shall mail to each Noteholder, the Liquidity Provider and the Policy Provider a notice of the Default within 90 days after the occurrence thereof except as otherwise permitted by the Trust Indenture Act of 1939, as amended (the "TIA"). Except in the case of a Default in payment of principal of, or interest on, or Premium, if any, or Break Amount, if any, with respect to, any Note, the Trustee may withhold the notice if and so long as it, in good faith, determines that withholding the notice is in the interests of the Noteholders. (Section 8.5)

REMEDIES

If an Event of Default (other than a Continental Bankruptcy Event) occurs and is continuing, the Controlling Party may, by notice to Continental and the Trustee, and the Trustee shall, upon the request of the Controlling Party, declare all unpaid principal of, accrued but unpaid interest on, and Premium, if any, and Break Amount, if any, with respect to, the outstanding Notes and other amounts otherwise payable under the Indenture, if any, to be due and payable immediately. If a Continental Bankruptcy Event occurs, such amounts shall be due and payable without any declaration or other act on the part of the Trustee, the Controlling Party or any Noteholder. (Section 7.2)

The Controlling Party by notice to the Trustee may rescind an acceleration and its consequences if (a) all existing Events of Default, other than the non-payment as to the Notes of the principal, interest, Premium, if any, and Break Amount, if any, with respect thereto and other amounts otherwise payable under the Indenture, if any, which have become due solely by such declaration of acceleration, have been cured or waived, (b) to the extent the payment of such interest is permitted by law, interest on overdue installments of interest and on overdue principal which has become due otherwise than by such declaration of acceleration, has been paid, (c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and (d) all payments due to the Trustee and any predecessor Trustee have been made. No such rescission shall affect any subsequent default or impair any right arising from any subsequent default. (Section 7.2)

48

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

respect to, the Notes or other amounts otherwise payable under the Indenture, if any, or to enforce the performance of any provision of the Notes or the Indenture, including instituting proceedings and exercising and enforcing, or directing exercise and enforcement of, all rights and remedies of the Trustee and the Collateral Agent under the Operative Documents and directing the Collateral Agent to deposit with the Trustee all cash or investment securities held by the Collateral Agent. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Noteholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative. (Section 7.3)

The Controlling Party by notice to the Trustee may authorize the Trustee to waive an existing Default or Event of Default and its consequences, except a Default or Event of Default (i) in the payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Note that has not been paid to the Noteholder from funds provided by the Policy Provider, the Liquidity Provider or the Cash Collateral Account or (ii) in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the Liquidity Provider, the Policy Provider and the holder of each Note affected. When a Default or Event of Default is waived, it is cured and ceases, and the Company, the Liquidity Provider, the Policy Provider, the Noteholders and the Trustee shall be restored to their former positions and rights hereunder respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. (Section 7.4)

No holder of a Note may institute any remedy with respect to the Indenture or the Notes unless such holder has previously given to the Trustee written notice of a continuing Event of Default, the holders of 25% or more of the principal amount of a series of Notes then outstanding have requested that the Trustee pursue the remedy, such holder has offered the Trustee indemnity against loss, liability and expense satisfactory to the Trustee, the Trustee has failed so to act for 60 days after receipt of the same, during such 60-day period the Controlling Party has not given the Trustee a direction inconsistent with the request and, in the case of a Subordinated Noteholder, the principal of, interest on, and Senior Notes Premium, if any, Break Amount, if any, and all other amounts payable under the Indenture with respect to the Senior Notes have been paid in full. (Section 7.6) Notwithstanding the foregoing, the right of any Noteholder to receive payment when due of principal, interest, Premium, if any, and Break Amount, if any, or to bring suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder. (Section 7.7)

The Controlling Party may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee (as Trustee or Collateral Agent, subject, in the case of any actions based on the status of the Trustee as Collateral Agent, to any limitations otherwise expressly provided for in the Operative Documents) or exercising any trust or power conferred on it; provided that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. The Trustee may refuse to follow any direction or authorization that conflicts with law or the Indenture or that the Trustee determines may subject the Trustee to personal liability. In addition, at any time after a Policy Provider Default or after the Senior Notes, the Policy Expenses and the Policy Provider Obligations have been paid in full, the Trustee may refuse to follow any direction or authorization that the Trustee determines may be unduly prejudicial to the rights of another Noteholder. However, the Trustee shall have no liability for any actions or omissions to act which are in accordance with any such direction or authorization. (Section 7.5)

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

The Controlling Party shall not direct the Trustee or any Collateral Agent to sell or otherwise dispose of any Collateral unless all unpaid principal of, accrued but unpaid interest on, and Premium, if any, and Break Amount, if any, with respect to, the outstanding Notes and other amounts otherwise payable under the Indenture, if any, shall be declared or otherwise become due and payable immediately. (Section 7.5)

In the case of Chapter 11 bankruptcy proceedings, Section 1110 of the U.S. Bankruptcy Code ("Section 1110") provides special rights to holders of security interests with respect to "equipment" (defined as described below). Under Section 1110, the right of such holders to take possession of such equipment in

49

compliance with the provisions of a security agreement is not affected by any provision of the U.S. Bankruptcy Code or any power of the bankruptcy court. Such right to take possession may not be exercised for 60 days following the date of commencement of the reorganization proceedings. Thereafter, such right to take possession may be exercised during such proceedings unless, within the 60-day period or any longer period consented to by the relevant parties (the "Section 1110 Period"), the debtor agrees to perform its future obligations and cures all existing and future defaults on a timely basis. Defaults resulting solely from the financial condition, bankruptcy, insolvency or reorganization of the debtor need not be cured.

"Equipment" is defined in Section 1110, in part, as an aircraft, aircraft engine, propeller, appliance or spare part (as defined in Section 40102 of Title 49 of the U.S. Code) that is subject to a security interest granted by, leased to, or conditionally sold to a debtor that, at the time such transaction is entered into, holds an air carrier operating certificate issued pursuant to chapter 447 of Title 49 of the U.S. Code for aircraft capable of carrying ten or more individuals or 6,000 pounds or more of cargo.

On the Issuance Date, Hughes Hubbard & Reed LLP, outside counsel to Continental, provided its opinion to the Trustee and the Policy Provider that the Security Agent will be entitled to the benefits of Section 1110 with respect to the Pledged Spare Parts, assuming that, at the time of the issuance, Continental held an air carrier operating certificate issued pursuant to chapter 447 of Title 49 of the U.S. Code for aircraft capable of carrying ten or more individuals or 6,000 pounds or more of cargo.

If Continental is the debtor in a Chapter 11 bankruptcy proceeding and:

- the Section 1110 Period shall expire without Continental having entered into an agreement to perform its obligations under the Indenture and the other Operative Documents in accordance with Section 1110(a),
- Continental shall have entered into such an agreement in accordance with Section 1110(a) but thereafter Continental defaults such that the Security Agent is entitled to take possession of the Pledged Spare Parts pursuant to the Security Agreement or
- Continental shall not reinstate its obligations under the Operative Documents in its confirmed plan of reorganization,

then the Policy Provider, if then the Controlling Party, will not permit (and will not permit the Trustee or any Collateral Agent to permit) the sale or lease of any Collateral to Continental or any of its affiliates for any amount less than the then current fair market value for such transaction. The Policy Provider, if then the Controlling Party, will give the Subordinated Noteholders

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

at least 30 days' prior written notice of its intention to sell or lease any of the Collateral. These restrictions are not applicable to any Controlling Party other than the Policy Provider.

CONTROLLING PARTY

Whether before or after the occurrence of an Event of Default, the Trustee and the Security Agent will be directed by the Controlling Party in taking action under the Indenture and other agreements relating to the Notes, including in amending such agreements and granting waivers thereunder. However, certain limited provisions with respect to the Collateral as they relate to the Subordinated Notes cannot be amended or waived without the consent of the holders of a majority of the outstanding principal amount of the Subordinated Notes and certain other limited provisions cannot be amended or waived without the consent of each Noteholder affected thereby. Except for those limited provisions which are described in "--Modifications and Waiver of the Indenture and Certain Other Agreements", the provisions of the Indenture, the Security Agreement and the other Operative Documents may be amended or waived by the Controlling Party (or, in the case of the Collateral Maintenance Agreement, the Policy Provider) without the consent of the Noteholders. If an Event of Default has occurred and is continuing, the Controlling Party will direct the Trustee and the Security Agent in exercising remedies under the Indenture and under the Security Agreement, subject to the limitations described below. (Section 3.8(a))

50

The "Controlling Party" will be:

- The Policy Provider (except as provided below).
- If a Policy Provider Default is continuing, the holders of more than 50% in aggregate unpaid principal amount of the Senior Notes then outstanding or, if the Senior Notes have been paid in full, of the Subordinated Notes then outstanding.
- If the Senior Notes, the Policy Expenses and the Policy Provider Obligations have been paid in full, the holders of more than 50% in aggregate unpaid principal amount of the Subordinated Notes then outstanding.
- Under the circumstances described in the next paragraph, the Liquidity Provider.

At any time after the Liquidity Provider Reimbursement Date, if a Policy Provider Default attributable to a failure to make a drawing to pay the Liquidity Provider, as described under "Description of the Policy for the Senior Notes--The Policy--Liquidity Provider Drawing", is continuing, the Liquidity Provider (so long as the Liquidity Provider has not defaulted in its obligation to make any advance under the Liquidity Facility) shall have the right to become the Controlling Party, provided that if the Policy Provider subsequently pays to the Liquidity Provider all outstanding drawings, together with accrued interest thereon owing under the Liquidity Facility, and no other Policy Provider Default has occurred and is continuing, then the Policy Provider shall be the Controlling Party so long as no Policy Provider Default occurs after the date of such payment. (Section 3.8(c))

The Subordinated Noteholders will have the right to direct the Policy Provider in acting as the Controlling Party during the continuance of an Event of Default if the Subordinated Noteholders shall have deposited with the Policy Provider cash, U.S. government securities or other investments acceptable to the Policy Provider as collateral for amounts owed to and to become due and payable

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

to the Policy Provider under the Operative Documents and Support Documents. The payments of principal and interest when due and without reinvestment on any such deposited U.S. government securities or other investments plus any deposited money without investment must, in the opinion of a nationally recognized firm of independent certified public accountants acceptable to the Policy Provider, provide cash sufficient to pay: (i) all accrued and unpaid Policy Expenses and Policy Provider Obligations, (ii) the then outstanding principal amount of the Senior Notes, (iii) interest accruing and payable on the Senior Notes to the Final Legal Maturity Date (or, alternatively, the interest calculated at the rate of interest of 12% per annum for a period of 24 months (or, if shorter, the period from the date of such deposit to the Final Legal Maturity Date)) and (iv) the Policy premium payable for a period of 24 months (or, if shorter, the period from the date of such deposit to the Final Legal Maturity Date). In order to participate in such deposit, a Subordinated Noteholder must contribute its proportionate share of the deposit, which will be the proportion that the principal amount of its Subordinated Notes bears to the principal amount of the Subordinated Notes of all Subordinated Noteholders participating in such deposit. A Subordinated Noteholder will not be required to contribute to a deposit. The Subordinated Noteholders contributing their proportionate shares of such deposit will be entitled to direct the Policy Provider in taking action as the Controlling Party during the continuance of such Event of Default by vote of a majority of the principal amount of the Subordinated Notes held by such contributing Subordinated Noteholders. If the Policy Provider draws on such deposit, after the Policy Provider shall have been paid in full all amounts due to it under the Operative Documents and Support Documents, amounts otherwise distributable to the Policy Provider under the Indenture will be distributed to such contributing Subordinated Noteholders in the same proportion as their respective contributions to the deposit until their proportionate share of the deposit not returned by the Policy Provider shall have been repaid in full. If Continental or any of its affiliates is a Subordinated Noteholder, it will not be entitled to participate in making the foregoing deposit or directing the Controlling Party. (Section 3.11)

"Policy Provider Default" means the occurrence of any of the following events: (a) the Policy Provider fails to make a payment required under the Policy in accordance with its terms and such failure remains unremedied for two Business Days following the delivery of written notice of such failure to the Policy Provider or (b) the Policy Provider (i) files any petition or commences any case or proceeding under any

51

provisions of any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization, (ii) makes a general assignment for the benefit of its creditors or (iii) has an order for relief entered against it under any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization that is final and nonappealable, or (c) a court of competent jurisdiction, the New York Department of Insurance or another competent regulatory authority enters a final and nonappealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for the Policy Provider or for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent or receiver of the Policy Provider (or taking of possession of all or any material portion of the Policy Provider's property).

PRIORITY OF DISTRIBUTIONS

On each Distribution Date, all payments received by the Trustee in respect of the Notes will be promptly distributed in the following order:

-- If an Event of Default shall have occurred and be continuing on such

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Distribution Date, to the Trustee, the Policy Provider, the Liquidity Provider and any Senior Noteholder to the extent required to pay certain out-of-pocket costs and expenses actually incurred by the Trustee or the Policy Provider or to reimburse the Policy Provider, the Liquidity Provider or any Senior Noteholder in respect of payments made to the Trustee in connection with the protection or realization of the value of the Collateral.

- To the Liquidity Provider to the extent required to pay the Liquidity Expenses and to the Policy Provider to pay the Policy Expenses.
 - To the Liquidity Provider to the extent required to pay interest accrued on the Liquidity Obligations (as determined after giving effect to certain payments by the Policy Provider to the Liquidity Provider), to the Policy Provider to the extent required to pay interest accrued on certain Policy Provider Obligations and, if the Policy Provider has paid to the Liquidity Provider all outstanding drawings and interest thereon owing to the Liquidity Provider, to the Policy Provider to the extent required to reimburse the Policy Provider for the amount of such payment made to the Liquidity Provider attributable to interest accrued on such drawings.
 - To (i) the Liquidity Provider to the extent required to pay the outstanding amount of all Liquidity Obligations (as determined after giving effect to certain payments by the Policy Provider to the Liquidity Provider), (ii) if applicable, unless (x) on such Distribution Date the Senior Notes are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (y) the Final Drawing shall have occurred, to replenish the Cash Collateral Account up to the Required Amount (less the amount of any repayments of Interest Drawings under the Liquidity Facility while sub-clause (x) of this clause is applicable) and (iii) if the Policy Provider has paid to the Liquidity Provider all outstanding drawings and interest thereon owing to the Liquidity Provider, to the Policy Provider to the extent required to reimburse the Policy Provider for the amount of such payment made to the Liquidity Provider in respect of principal of drawings under the Liquidity Facility.
 - If an Event of Default shall have occurred and be continuing on such Distribution Date and at all times thereafter, to the Trustee or any Senior Noteholder, to the extent required to pay certain fees, taxes, charges and other amounts payable.
 - To the Senior Noteholders to the extent required to pay in full amounts due on such Distribution Date.
 - To the Policy Provider to the extent required to pay Policy Provider Obligations (other than amounts payable pursuant to the first four clauses above).
 - To the Subordinated Noteholders to the extent required to pay in full amounts due on such Distribution Date.
- 52
- To the Trustee for the payment of certain fees and expenses (other than amounts payable pursuant to the first and fifth clauses above).
 - To the Company (unless on such Distribution Date (i) an Event of Default has occurred and is continuing or (ii) any amount due to the Liquidity Provider or the Policy Provider from the Company has not

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

been paid). (Section 3.2)

"Liquidity Obligations" means the obligations to reimburse or to pay the Liquidity Provider all principal, interest, fees and other amounts owing to it under the Liquidity Facility or certain other agreements.

"Liquidity Expenses" means the Liquidity Obligations other than any interest accrued thereon or the principal amount of any drawing under the Liquidity Facility.

"Non-Performing" means, with respect to any Senior Note, a Payment Default existing thereunder (without giving effect to any acceleration); provided, that, in the event of a bankruptcy proceeding under the U.S. Bankruptcy Code in which the Company is a debtor, any Payment Default existing at the commencement of such bankruptcy proceeding or during the 60-day period under Section 1110(a)(2)(A) of the U.S. Bankruptcy Code (or such longer period as may apply under Section 1110(b) of the U.S. Bankruptcy Code or as may apply for the cure of such Payment Default under Section 1110(a)(2)(B) of the U.S. Bankruptcy Code) shall not be taken into consideration until the expiration of the applicable period.

"Policy Provider Obligations" means all reimbursement and other amounts, including fees and indemnities (to the extent not included in Policy Expenses) due to the Policy Provider under the Policy Provider Agreement and, if the Liquidity Provider has failed to honor any Interest Drawing, interest on any Policy Drawing made to cover the shortfall attributable to such failure by the Liquidity Provider in an amount equal to the amount of interest that would have accrued on such Interest Drawing if such Interest Drawing had been made at the interest rate applicable to such Interest Drawing until such Policy Drawing has been repaid in full. Except as provided in the definition of Policy Provider Obligations, no interest will accrue on any Policy Drawing.

"Policy Expenses" means all amounts (including amounts in respect of premiums, fees, expenses or indemnities) owing to the Policy Provider under the Policy Provider Agreement other than (i) any Policy Drawing, (ii) any interest accrued on any Policy Provider Obligation and (iii) reimbursement of and interest on the Liquidity Obligations in respect of the Liquidity Facility paid by the Policy Provider to the Liquidity Provider, provided that if, at the time of determination, a Policy Provider Default exists, Policy Expenses will not include any indemnity payments owed to the Policy Provider.

"Policy Drawing" means any payment of a claim under the Policy.

Interest Drawings under the Liquidity Facility, withdrawals from the Cash Collateral Account and drawings under the Policy will be distributed to the Trustee for distribution to the Senior Noteholders, notwithstanding the priority of distributions set forth in the Indenture and otherwise described herein. All amounts on deposit in the Cash Collateral Account that are in excess of the Required Amount will be paid to the Liquidity Provider.

If any Distribution Date is a Saturday, Sunday or other day on which commercial banks are authorized or required to close in New York, New York, Houston, Texas, or Wilmington, Delaware, or, which is not a day for trading by and between banks in the London interbank Eurodollar market (any other day being a "Business Day"), distributions scheduled to be made on such Distribution Date will be made on the next succeeding Business Day, and interest shall be added for such additional period.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

The Company, the Trustee and the Collateral Agent may amend or supplement the Indenture, the Notes, the other Operative Documents and, upon request of Continental, the Trustee shall amend or supplement the Support Documents, in each case without the consent of the Noteholders:

- To provide for uncertificated Notes of any series in addition to or in place of certificated Notes of such series.
- To provide for the assumption of the Company's obligations under the Operative Documents and the Notes in the case of a merger, consolidation or conveyance, transfer or lease of all or substantially all of the assets of the Company.
- To comply with any requirements of the Commission in connection with the qualification of the Indenture under the TIA.
- To provide for a replacement Liquidity Provider.
- To provide for the effectiveness of any additional Collateral Agreement.
- To comply with the requirements of DTC, Euroclear Bank or Clearstream Banking or the Trustee with respect to the provisions of the Indenture or the Notes of any series relating to transfers and exchanges of the Notes of any series or beneficial interests therein.
- To provide for any successor Trustee or Collateral Agent with respect to the Notes of one or more series and to add to or change any of the provisions of the Indenture as shall be necessary or advisable to provide for or facilitate the administration of the trusts under the Indenture by more than one Trustee.
- To cure any ambiguity, defect or inconsistency.
- To make any other change not inconsistent with the Indenture provided that such action does not materially adversely affect the interests of any Noteholder. (Section 10.1)

The Company, the Trustee and the Collateral Agent may otherwise amend or supplement the Indenture, the Notes and the other Operative Documents (other than the Collateral Maintenance Agreement), and, upon consent of the Company, the Trustee shall amend or supplement the Support Documents, in each case only with the written consent of the Controlling Party, subject to certain limited exceptions. Except for those limited provisions described in this section under the caption "--Modifications and Waiver of the Indenture and Certain Other Agreements", the provisions of the Indenture, the Security Agreement and the Operative Documents may be amended or waived by the Controlling Party (or, in the case of the Collateral Maintenance Agreement, the Policy Provider) without the consent of the Noteholders. Whether before or after the occurrence of an Event of Default, the Controlling Party may authorize the Trustee to, and the Trustee upon such authorization shall, waive compliance by the Company with any provision of the Indenture, the Notes or the other Operative Documents (other than the Collateral Maintenance Agreement). However, no such amendment, supplement or waiver may, without the consent of the Liquidity Provider, the Policy Provider and each Senior Noteholder affected:

- Reduce the amount of Senior Notes whose holders must consent to an amendment, supplement or waiver.
- Reduce the rate or extend the time for payment of interest on any Senior Note.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

- Reduce the amount or extend the time for payment of principal of, or Premium, if any, or Break Amount, if any, with respect to (in each case, whether on redemption or otherwise), any Senior Note.
- Change the place of payment where, or the coin or currency in which, any Senior Note (or the redemption price thereof), interest thereon, or Premium, if any, or Break Amount, if any, with respect thereto, is payable.
- Change the priority of distributions and application of payments specified in the Indenture.

54

- Waive a default in the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Senior Note.
- Make any changes to provisions in the Indenture that involve the waiver of defaults, the right of Senior Noteholders to receive payment of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, any Senior Note on or after the respective due dates.
- Impair the right of any Senior Noteholder to institute suit for the enforcement of any amount payable on any Senior Note when due. (Section 10.2)

In addition, no such amendment, supplement or waiver may, without the consent of each Subordinated Noteholder affected:

- Reduce the amount of Subordinated Notes whose holders must consent to an amendment, supplement or waiver.
- Reduce the rate or extend the time for payment of interest on any Subordinated Note.
- Reduce the amount or extend the time for payment of principal of, or Premium, if any, or Break Amount, if any, with respect to (in each case, whether on redemption or otherwise), any Subordinated Note.
- Change the definitions of "Maximum Subordinated Collateral Ratio" or "Subordinated Collateral Ratio".
- Increase the principal amount of, or the rate of interest on, the Senior Notes.
- Change the place of payment where, or the coin or currency in which, any Senior Note or Subordinated Note (or the redemption price thereof), interest thereon, or Premium, if any, or Break Amount, if any, with respect thereto, is payable.
- Change the priority of distributions and application of payments specified in the Indenture.
- Waive a default in the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Subordinated Note.
- Make any changes to provisions in the Indenture that involve the waiver of defaults, the right of Noteholders to receive payment of

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, any Subordinated Note on or after the respective due dates.

- Impair the right of any Subordinated Noteholder to institute suit for the enforcement of any amount payable on any Subordinated Note when due. (Section 10.2)

The provisions of the Indenture for determining who will be the Controlling Party, the definition of "Event of Default" and the covenant described in the last paragraph under "--Remedies" cannot be amended without the consent of the holders of a majority in principal amount of the Subordinated Notes. In addition, an amendment of any defined term used in the definitions of "Maximum Subordinated Collateral Ratio" or "Subordinated Collateral Ratio" or in any such defined term will not be effective for purposes of such definitions unless consented to by the holders of a majority in principal amount of the Subordinated Notes. The requirement that the Subordinated Noteholders consent to an amendment to the definition of "Event of Default" does not affect the right of the Controlling Party to waive an Event of Default. See "--Remedies".

The Company and the Policy Provider can amend, modify or waive compliance with any provision of the Collateral Maintenance Agreement (including the provisions described under "--Collateral--Appraisals and Maintenance of Ratios", "--Collateral--Fleet Reduction", "--Collateral--Liens", "--Collateral--Maintenance", "--Collateral--Insurance" and "--Collateral--Use and Possession") without the consent of the Trustee, the Collateral Agent or any Noteholders, except for certain limited provisions. However, the Company and the Trustee, with the consent of the holders of a majority in principal amount of

55

the Subordinated Notes and without the consent of the Policy Provider, can amend, modify or waive compliance with the following requirements of the Collateral Maintenance Agreement:

- that appraisals of the Collateral be obtained for purposes of determining the maximum Subordinated Collateral Ratio by the fifth Business Day of February and the fifth Business Day of August in each year, commencing in August 2003 (see "--Collateral--Appraisals and Maintenance of Ratios");
- that the maximum Subordinated Collateral Ratio be complied with in connection with such appraisals (see "--Collateral--Appraisals and Maintenance of Ratios");
- that the outstanding principal amount of the Subordinated Notes be reduced if there is a fleet reduction (see "--Collateral--Fleet Reduction"); or
- that the maximum Subordinated Collateral Ratio be complied with upon effecting a transaction permitted as a result of the waiver by the Policy Provider of certain restrictions on selling, leasing and moving Pledged Spare Parts (see "--Collateral--Use and Possession").

However, the methods for determining the Fair Market Value of the Collateral, the qualifications of the appraiser, the limitations on Cash Collateral and other provisions of the Collateral Maintenance Agreement applicable to both the Senior Notes and the Subordinated Notes may be amended or modified by agreement of the Company and the Policy Provider without the consent of Subordinated Noteholders.

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

In determining whether the holders of the required principal amount of Senior Notes or Subordinated Notes have consented to an amendment, modification or waiver, any such Senior Notes or Subordinated Notes owned by Continental or any of its affiliates will be disregarded and deemed not outstanding. (Section 2.13)

MERGER, CONSOLIDATION AND TRANSFER OF ASSETS

Continental is prohibited from consolidating with, merging into, or conveying, transferring or leasing substantially all of its assets to any person unless:

- The resulting, surviving, transferee or lessee person shall be organized under the laws of the United States, any state thereof or the District of Columbia and shall be a U.S. air carrier.
- The resulting, surviving, transferee or lessee person shall expressly assume all of the obligations of Continental contained in the Indenture, the Notes and any other Operative Documents.
- Continental shall have delivered a certificate and an opinion of counsel stating that (i) such transaction, in effect, complies with such conditions and (ii) the Indenture, the Notes and the other Operative Documents constitute the valid and legally binding obligations of the resulting, surviving, transferee or lessee person.
- Immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing. (Section 5.4)

The Indenture, the Notes and the other Operative Documents do not contain any covenants or provisions which may afford the Trustee or Noteholders protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change in control of Continental.

INDEMNIFICATION

Continental is required to indemnify the Liquidity Provider, the Policy Provider, the Trustee and the Collateral Agent, but not the Noteholders, for certain losses, claims and other matters. (Section 6.1)

56

GOVERNING LAW

The Indenture and the Notes are governed by the laws of the State of New York. (Section 12.8)

THE TRUSTEE

The Trustee is Wilmington Trust Company. Except as otherwise provided in the Indenture, the Trustee, in its individual capacity, will not be answerable or accountable under the Indenture or under the Notes under any circumstances except, among other things, for its own willful misconduct or gross negligence. Continental and its affiliates may from time to time enter into banking and trustee relationships with the Trustee and its affiliates. The Trustee's address is Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

BOOK ENTRY; DELIVERY AND FORM

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

GENERAL

The New Subordinated Notes will be represented by one or more global Notes, in definitive, fully registered form without interest coupons (the "Global Notes"). Each Global Note will be deposited with the Trustee, as custodian for DTC, and registered in the name of Cede & Co. ("Cede"), as nominee for DTC.

DTC has advised Continental as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants").

Ownership of beneficial interests in Global Notes is limited to persons who have accounts with DTC Participants or persons who hold interests through DTC Participants. Ownership of beneficial interests in the Global Notes is shown on, and the transfer of that ownership is effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities. Such limits and such laws may limit the market for beneficial interests in the Global Notes.

So long as DTC or its nominee is the registered owner or holder of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole record owner or holder of the Subordinated Notes represented by such Global Notes for all purposes under the Indenture. No beneficial owners of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

Beneficial interests in the Global Notes will be exchangeable or transferable, as the case may be, for Subordinated Notes in definitive, fully registered form ("Definitive Notes") only if (i) DTC notifies the Trustee that DTC is unwilling or unable to continue as depository for such Subordinated Notes and successor depository is not appointed by the Trustee within 90 days of such notice or (ii) after the occurrence and during the continuance of an Event of Default, owners of beneficial interests in the Global Notes (the "Note Owners") with a principal amount aggregating not less than a majority of the outstanding principal amount of the Global Notes advise the Trustee, Continental and DTC through Direct Participants in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in their best interests.

57

(Section 2A.5(b)) Upon the occurrence of any event described in clauses (i) or (ii) of the immediately preceding sentence, the Trustee will be required to notify all Direct Participants having a beneficial interest in the Global Notes of the availability of Definitive Notes. Upon surrender by DTC of the Global

Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form S-4/A

Notes and receipt of instructions for re-registration, the Trustee will reissue the Subordinated Notes as Definitive Notes to Note Owners. (Section 2A.5(d))

Payments of the principal of, interest on, Premium, if any, and Break Amount, if any, with respect to, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither Continental, the Trustee, nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Continental expects that DTC or its nominee, upon receipt of any payment of principal of, interest on, Premium, if any, and Break Amount, if any, with respect to, a Global Note, will credit the accounts of DTC Participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note, as shown on the records of DTC or its nominee. Continental also expects that payments by DTC Participants to owners of beneficial interests in such Global Note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Distributions of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, Definitive Notes will be made by the Trustee directly in accordance with the procedures set forth in the Indenture, to holders in whose names the Definitive Notes were registered at the close of business on the applicable record date. Such distributions will be made by check mailed to the address of such holder as it appears on the register maintained by the Trustee. The final payment on any Subordinated Note, however, will be made only upon presentation and surrender of such Subordinated Note at the office or agency specified in the notice of final distribution to Subordinated Noteholders.

Neither Continental nor the Trustee has any responsibility for the performance by DTC, DTC Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

SAME-DAY SETTLEMENT AND PAYMENT

As long as the Subordinated Notes are registered in the name of DTC or its nominee, Continental will make all payments to the Trustee under the Indenture in immediately available funds. The Trustee will pass through to DTC in immediately available funds all payments received from Continental, including the final distribution of principal w