

March 31, 1998

Heather G. White

O'Melveny & Myers LLP

400 South Hope Street

Los Angeles, CA 90071-2899

Re: Department of Transportation of the State of Hawaii

Special Facility Revenue Bonds, Series 1997

Continental Airlines

No. 98-005

Dear Ms. White:

The Department has received your letter, dated February 23, 1998, along with the draft of the Official Statement (the "Statement") regarding the above referenced offering, wherein you request confirmation that the staff will recommend that the Commissioner take no action to enforce the registration provisions of the Arkansas Securities Act (the "Act"), with respect to the offering. The facts of the proposed transaction, as understood from the Statement and your letter, are briefly stated below.

The Special Facility Revenue Bonds (the "Bonds") are being issued by the Department of Transportation of the State of Hawaii (the "Issuer") in order to provide funds to finance the acquisition, construction and installation of a wide body aircraft maintenance hangar and related facilities and equipment (the "Project") for Continental Airlines, Inc. ("Continental") at Honolulu International Airport. The Project is owned by the Issuer and will be leased to Continental pursuant to a special facility lease agreement (the "Lease"), which will obligate Continental to make rental payments in an amount sufficient to pay as and when due the principal of , and premium, if any, and interest on the Bonds. Apart from the Lease, Continental will guaranty the Issuer's payment of the principal of, premium, if any, and interest on, the Bonds pursuant to a guaranty (the "Guaranty") between Continental and the trustee under the indenture.

You state that the Bonds are a covered security under Section 18(b)(4)(C) of the Securities Act of 1933, and that no filing is required with respect to the Bonds under Rule 509.01 of the Rules of the Arkansas Securities Commissioner (the "Rules"). You also state that the Guaranty is an integral part of the Bonds and cannot be traded apart from the Bonds. Therefore, the guaranty does not need to be registered under the Act. In addition, unlike a traditional guaranty, the Guaranty does not add the credit of a third party to this transaction. It simply provides assurance that Continental's obligations to provide for payment of the Bonds will remain intact in the event of a bankruptcy of Continental.

Based upon the opinions and representation contained in your letter and the Statement, the Department will recommend that the Commissioner take no action to enforce the registration provisions of the Act if the Bonds are offered and sold in the manner described in reliance upon the covered securities provisions provided in Ark. Code § 23-42-509(d).

Please note that the position of the Department is based solely upon the representation in your letter and the Statement and applies only to the transactions identified therein. Different facts or

circumstances might, and often would, require a different response. The position expressed deals only with anticipated enforcement action by the Department and does not purport to be a legal opinion.

If you have any questions regarding this matter, please contact the undersigned.

Sincerely,

Ann McDougal
Assistant Commissioner