REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

DELAWARE	4512	74-2099724
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(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.
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.

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 SECURITES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE(1)
Floating Rate Secured Notes Due 2007	$200,000,000	100%	$200,000,000	$16,180(2)

(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 equal to $12,740.53 against the registration fee payable for this registration statement due to a post-filing adjustment of the registration fee for the Continental Airlines, Inc. registration statment 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.

SUBJECT TO COMPLETION, DATED APRIL __, 2003

PROSPECTUS

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.

$200,000,000

CONTINENTAL AIRLINES, INC.

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

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

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

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

All old 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 NOTES AND THE EXCHANGE OFFER INVOLVE RISKS. SEE "RISK FACTORS" ON PAGE 20.

PRINCIPAL AMOUNT	INTEREST RATE(1)	FINAL SCHEDULED PAYMENT DATE
$200,000,000	USD 3-Month LIBOR + 0.90%	December 6, 2007

- ----------

(1) Subject to a maximum rate of 12% applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment.

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

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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 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.

FORWARD-LOOKING STATEMENTS

This Prospectus and the documents we incorporate by reference may contain statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include any statements that predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe", "anticipate", "expect", "estimate", "project", "will be", "will continue", "will result", or words or phrases of similar meaning.

Any such forward-looking statements are not assurances of future performance and involve risks and uncertainties. Actual results may vary materially from anticipated results for a number of reasons, including those stated in our Commission reports incorporated in this Prospectus by reference or as stated in "Risk Factors".

All forward-looking statements attributable to us are expressly qualified in their entirety by the cautionary statements above.

WHERE YOU CAN FIND MORE INFORMATION

Continental files annual, quarterly and special reports, proxy statements and other information with the Commission under the Securities Exchange Act of 1934. You may read and copy this information at the Public Reference Room of the Commission, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Room by calling the Commission at (800) SEC-0330.

The Commission also maintains an internet web site that contains reports, proxy statements and other information about issuers, like Continental, who file reports electronically with the Commission. The address of that site is HTTP://WWW.SEC.GOV.

You may also inspect reports, proxy statements and other information about Continental at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Continental's annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through Continental's website at HTTP://WWW.CONTINENTAL.COM/COMPANY/INVESTOR as soon as reasonably practicable after it files them with, or furnishes them to, the Commission.

This Prospectus constitutes a part of a registration statement on Form S-4

(together with all amendments, exhibits and appendices, the "Registration Statement") filed by Continental with the Securities and Exchange Commission (the "Commission") under the Securities Act. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to Continental and the securities offered hereby. Although statements concerning and summaries of certain documents are included herein, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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
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.....	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

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.

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

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 December 6, 2002, Continental issued an

aggregate of $200,000,000 Floating Rate Secured Notes due 2007 in transactions exempt from or not subject to the registration requirements of the Securities Act.

When we use the term "Old Notes" in this Prospectus, we mean the Floating Rate Secured Notes due 2007 which were issued on December 6, 2002 and which were not registered with the Commission.

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

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

Registration Rights Agreement..... On December 6, 2002, Continental entered into a Registration Rights Agreement with the Initial Purchaser providing, among other things, for the Exchange Offer being made pursuant to this Prospectus.

The Exchange Offer..... Continental is offering New Notes in exchange for an equal principal amount of Old Notes. The New Notes will be issued to satisfy Continental's obligations under the Registration Rights Agreement. As of the date of this Prospectus, $200,000,000 aggregate principal amount of Old Notes are outstanding. Old Notes may be tendered only in integral multiples of $1,000.

Resale of New Notes..... We believe that you can offer for resale, resell or otherwise transfer the New Notes without complying with the registration and prospectus delivery requirements of the Securities Act if:

- you acquire the New 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 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 Notes directly from Continental for your own account.

If any of these conditions is not satisfied and you transfer any New 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 Notes in exchange for Old 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 Notes. A broker-dealer may use this prospectus for an offer to resell, resale or other transfer of such New 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 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 Notes..... If you wish to accept the Exchange Offer, you must deliver your Old 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 Notes. A Letter of Transmittal has been sent to Noteholders and a form is attached as an exhibit to the Registration Statement.

If you hold Old Notes through DTC 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 Notes and your Old Notes are not immediately available, you cannot deliver your Old 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 or you cannot complete the book-entry transfer procedures prior to the Expiration Date, you may tender your Old 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 Notes at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old 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 Notes and Delivery of New Notes.....	Subject to certain conditions, any and all Old 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 Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date.
Registration, Clearance and Settlement.....	The New 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 Notes.....	Once the Exchange Offer has been completed, if you do not exchange your Old Notes for New Notes in the Exchange Offer, you will no longer be entitled to registration rights and will not be able to offer or sell your Old Notes, unless (i) such Old 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 Notes for New 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 Notes for the New Notes.

SUMMARY OF TERMS OF NOTES

Principal Amount.....	$200,000,000
Loan to Collateral Value (1).....	42.8%
Interest Payment Dates.....	March 6, June 6, September 6 and December 6
Final Scheduled Payment Date.....	December 6, 2007
Final Legal Maturity Date.....	December 6, 2009
Minimum Denomination.....	$1,000
Section 1110 Protection (2).....	Yes
Liquidity Facility Coverage (3)...	8 quarterly interest payments
Policy Provider Coverage (3).....	Interest when due and principal no later than the Final Legal Maturity Date

(1) This percentage has been determined by dividing the outstanding principal amount of the Notes (minus Cash Collateral) by the appraised value of the Collateral determined as of December 25, 2002. Continental is required to

provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such subsequent appraisal indicates that the loan to Collateral value is greater than 45%, Continental is required to provide additional collateral or to reduce the principal amount of Notes outstanding so that the loan to Collateral value is not greater than 45%. Continental deposited $13,056,950 as Cash Collateral at the initial issuance of the Old Notes so that the initial loan to Collateral value would not exceed 45%, based on the appraisal determined as of August 25, 2002. The loan to Collateral value, determined using the appraisal as of December 25, 2002, would have been 45.8% without giving effect to such deposit of Cash Collateral. Continental expects to satisfy the 45% requirement at the time of the next appraisal due in August 2003, based upon its projected purchases of spare parts, in which case Continental will be entitled to withdraw such Cash Collateral. However, no assurance can be given that such 45% requirement will be satisfied. An appraised value is only an estimate and reflects certain assumptions. See "Description of the Appraisal".

(2) 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.

(3) The amounts available under the Liquidity Facility and the Policy for the payment of accrued interest have been calculated utilizing the Capped Interest Rate, which is the maximum interest rate applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment.

COLLATERAL

The 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 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 December 25, 2002:

	SPARE PARTS QUANTITY(1)			
AIRCRAFT MODEL	EXPENDABLES	ROTABLES	TOTAL	APPRAISED VALUE(2)
737-700	877	24	901	
737-700/800	278,912	6,942	285,854	
737-800	3,777	191	3,968	
737-900	821	10	831	
737-7/8/9 Subtotal	284,387	7,167	291,554	$185,972,600
757-200	185,731	3,391	189,122	69,352,800
757-300	10,946	96	11,042	3,116,700
767-200	25,485	227	25,712	8,946,700
767-400	51,147	1,586	52,733	55,741,200
777-200	111,210	3,006	114,216	113,712,000
Total	668,906	15,473	684,379	$436,841,900

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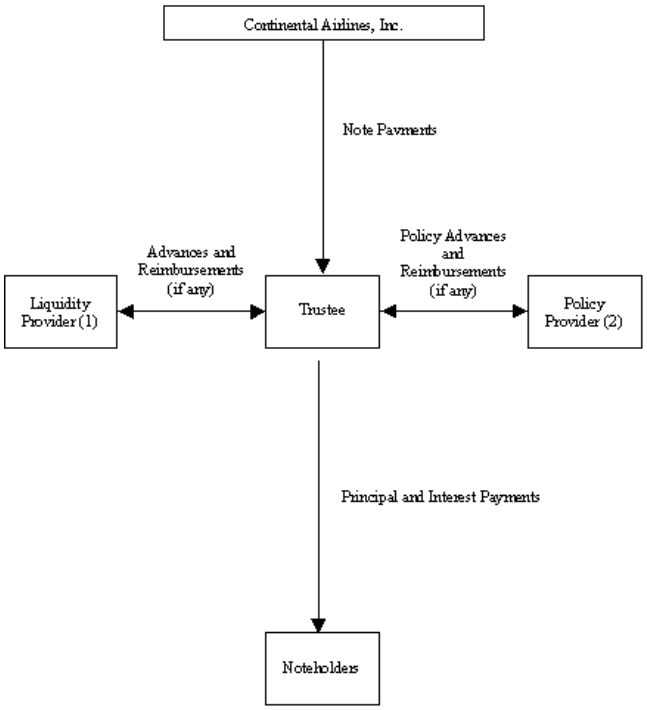
(1) This quantity of spare parts used in preparing the appraised value was determined as of December 25, 2002. Since spare parts are regularly used, refurbished, purchased, transferred and discarded in the ordinary course of Continental's business, the quantity of spare parts included in the Collateral 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 specified methodologies. An appraisal is only an estimate of value and should not be relied upon as a measure of realizable value.

CASH FLOW STRUCTURE

Set forth below is a diagram illustrating the structure of certain cash flows applicable to the Notes.



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(1) The Liquidity Facility is sufficient to cover eight consecutive quarterly interest payments, but does not cover any other amounts payable on the Notes.

(2) The Policy covers regular interest payments and outstanding principal no later than the Final Legal Maturity Date, but does not cover any other amounts payable on the Notes.

THE NOTES

Issuer.....	Continental Airlines, Inc.
Notes Offered.....	Floating Rate Secured Notes due 2007.
Use of Proceeds.....	The proceeds from the sale of the Old Notes were used for general corporate purposes. Continental will not receive any proceeds from the exchange of the New Notes for the Old Notes.
Trustee and Paying Agent.....	Wilmington Trust Company.
Liquidity Provider.....	Morgan Stanley Capital Services.
Policy Provider.....	MBIA Insurance Corporation.
Final Scheduled Payment Date.....	The entire principal amount of the Notes is scheduled for payment on December 6, 2007.
Final Legal Maturity Date....	December 6, 2009.
Interest.....	The Notes will accrue interest at a variable rate per annum set forth on the cover page of this Prospectus. The interest rate will be subject to a maximum equal to the Capped Interest 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. For all other periods, the interest rate on the Notes will not be capped. 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 Notes--Determination of LIBOR".

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

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

Optional Redemption..... Continental may elect to redeem all or (so long as no Payment Default has occurred and is continuing) some of the Notes at any time prior to maturity. The redemption price in such case will be the principal amount of the Notes, together with accrued and unpaid interest, LIBOR break amount, if any, and, if redeemed prior to the third 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
1st	1.50%
2nd	1.00
3rd	0.50

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 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 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 Ratio..... 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 ratio is greater than 45% or the ratio of the value of Rotables included in the Collateral to the loan is less than 150%, Continental is required to provide additional collateral or to reduce the principal amount of Notes outstanding so that the loan to collateral value ratio is not greater than 45% and the Rotables value to loan ratio is not less than 150%.

Section 1110 Protection..... Continental's outside counsel has provided its opinion to the Trustee and the Policy Provider 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.

Liquidity Facility..... Under the Liquidity Facility, the Liquidity Provider will, if necessary, make advances in an aggregate amount sufficient to pay interest on the Notes on up to eight successive quarterly Interest Payment Dates. Drawings under the Liquidity Facility cannot be used to pay any other amount in respect of the Notes.

Upon each drawing under the Liquidity Facility to pay interest on the Notes, the Trustee will

reimburse the Liquidity Provider for the amount of such drawing. Such reimbursement obligation and all interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility and certain other agreements will rank senior to the Notes in right of payment.

Policy Coverage..... Under the Policy, the Policy Provider is required to honor drawings to cover:

- Any shortfall on any Distribution Date in funds to be distributed as accrued interest on the Notes.
- Any shortfall on the Final Legal Maturity Date in funds to be distributed as principal of, and accrued interest on, the Notes.
- Any shortfall in the proceeds of the disposition of the remaining Collateral from the amount required to pay principal of, and accrued interest on, the Notes on the Distribution Date established in connection with such disposition.
- If certain payments with respect to the Notes are by court order determined to be a "preferential transfer" under the U.S. Bankruptcy Code or otherwise required to be returned, the amount of such payments.
- After the continuance of a Payment Default for eight consecutive Interest Periods, any shortfall in funds required to pay principal of, and accrued interest on, the Notes on the Distribution Date established in connection with such Payment Default. If such Distribution Date would occur prior to the Final Scheduled Payment Date, instead of paying such shortfall on such Distribution Date, the Policy Provider may, so long as no Policy Provider Default is continuing, elect to pay:
  - Any shortfall on such Distribution Date in funds required to pay accrued interest on the Notes.
  - Thereafter, on each Distribution Date, an amount equal to the scheduled principal (on the Final Scheduled Payment Date) and interest (without regard to any acceleration thereof) payable on the Notes on such Distribution Date.

Notwithstanding such election by the Policy Provider, the Policy Provider may, on any Business Day (which shall be a Distribution Date) elected by the Policy Provider upon 20 days' notice, cause the Trustee to make a drawing under the Policy for an amount equal to the then outstanding principal balance of the Notes and accrued and unpaid interest thereon. Further, notwithstanding such election by the Policy Provider, upon the occurrence of a Policy Provider Default, the Trustee shall, on any Business Day elected by the Trustee upon 20 days' written notice to the Policy Provider, make a drawing under the Policy for an amount equal to the then outstanding principal balance of the Notes and accrued and unpaid interest thereon.

Any shortfall for which a drawing under the Policy may be made as described above will be calculated after the application of funds available through drawings under the Liquidity Facility and withdrawals from the Cash Collateral Account.

The Policy Provider is required to honor drawings under the Policy by the Trustee on behalf of the Liquidity Provider for all outstanding drawings under the Liquidity Facility, together with interest thereon, on or after the Business Day which is 24 months from the earliest to occur of (1) the date on which an Interest Drawing shall have been made under the Liquidity Facility and remain unreimbursed from payments made by Continental at the end of such 24-month period, (2) the date on which any Downgrade Drawing, Non-Extension Drawing or Final Drawing that was deposited into the Cash Collateral Account shall have been applied to pay any scheduled payment of interest on the Notes and remain unreimbursed from payments made by Continental at the end of such 24-month period and (3) the date on which

	all of the Notes have been accelerated and remain unpaid by Continental at the end of such 24-month period, in each case disregarding any reimbursements from payments by the Policy Provider and from proceeds from the sale of Collateral distributed by the Trustee during such 24-month period. The reimbursement of drawings under the Policy ranks junior to further distributions on the Notes.
Control of Trustee.....	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, except for certain provisions that 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: o The Policy Provider or, if a Policy Provider Default is continuing, the holders of more than 50% in aggregate unpaid principal amount of the Notes then outstanding. o Under certain circumstances, the Liquidity Provider.

		MOODY'S	STANDARD & POOR'S
Threshold Rating for the Liquidity Provider.....	Short Term.....	P-1	A-1
Liquidity Provider Rating....	Morgan Stanley, the parent company of Morgan Stanley Capital Services, meets the Threshold Rating requirement and has guaranteed Morgan Stanley Capital Services' obligations under the Liquidity Facility.		

		MOODY'S
Policy Provider Rating.....	Financial Strength.....	Aaa

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 certain reclassifications to conform to the current year presentation) 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 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 months ended March 31, 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 for fleet impairment losses and other special charges) that Continental considers necessary for the fair presentation of the financial position and results of operations for these periods. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	2003	2002	2002	2001	2000	1999	1998
	(IN MILLIONS OF DOLLARS, EXCEPT OPERATING DATA, PER SHARE DATA AND RATIOS)						
FINANCIAL DATA--OPERATIONS:(1)							
Operating Revenue.....	$ 2,042	$ 1,993	$ 8,402	$ 8,969	$ 9,899	$ 8,639	$ 7,927
Operating Expenses.....	2,266	2,180	8,714	8,825	9,170	8,024	7,226
Operating Income (Loss).....	(224)	(187)	(312)	144	729	615	701
Non-operating Income (Expense), net..	(86)	(67)	(303)	(258)	(167)	183	(59)
Income (Loss) before Income Taxes and Cumulative Effect of Changes in Accounting Principles.....	(310)	(254)	(615)	(114)	562	798	642
Net Income (Loss).....	$ (221)	$ (166)	$ (451)	$ (95)	$ 342	$ 455	$ 383

Earnings (Loss) per Share:							
Basic	$ (3.38)	$(2.61)	$(7.02)	$(1.72)	$ 5.62	$ 6.54	$ 6.34
Diluted	$ (3.38)	$(2.61)	$(7.02)	$(1.72)	$ 5.45	$ 6.20	$ 5.02
Shares used for Computation:							
Basic	65.3	63.5	64.2	55.5	60.7	69.5	60.3
Diluted	65.3	63.5	64.2	55.5	62.8	73.9	80.3
Ratio of Earnings to Fixed Charges (2)	--	--	--	--	1.51x	1.80x	1.93x

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	2003	2002	2002	2001	2000	1999	1998
	(IN MILLIONS OF DOLLARS, EXCEPT OPERATING DATA, PER SHARE DATA AND RATIOS)						
OPERATING DATA:							
MAINLINE JET STATISTICS:							
Revenue passengers (thousands)	9,245	10,057	41,016	44,238	46,896	45,540	43,625
Revenue passenger miles (millions) (3)	13,274	14,032	59,349	61,140	64,161	60,022	53,910
Cargo ton miles (millions)	233	208	908	917	1,096	1,000	856
Available seat miles (millions) (4)	19,076	18,951	80,122	84,485	86,100	81,946	74,727
Passenger load factor (5)	69.6%	74.0%	74.1%	72.4%	74.5%	73.2%	72.1%
Passenger revenue per available seat mile (cents)	8.45	8.77	8.61	8.98	9.84	9.12	9.23
Total revenue per available seat mile (cents)	9.31	9.40	9.27	9.58	10.52	9.75	9.85
Operating cost per available seat mile (cents) (6)	10.25	10.09	9.53	9.22	9.68	9.07	9.03
Special items per available seat mile.	0.34	0.48	0.31	(0.36)	N/A	0.09	0.14
Average yield per revenue passenger mile (cents) (7)	12.14	11.84	11.63	12.42	13.20	12.45	12.79
Average price per gallon of fuel, excluding fuel taxes (cents)	98.50	60.17	69.97	78.24	84.21	46.56	46.83
Average price per gallon of fuel, including fuel taxes (cents)	102.87	64.39	74.01	82.48	88.54	50.78	51.20
Fuel gallons consumed (millions)	305	308	1,296	1,426	1,533	1,536	1,487
Average fare per revenue passenger	$174.27	$165.21	$168.25	$171.59	$180.66	$164.11	$158.02
Average length of aircraft flight (miles)	1,257	1,191	1,225	1,185	1,159	1,114	1,044
Average daily utilization of each aircraft (hours) (8)	9:19	9:31	9:31	10:19	10:36	10:29	10:13
Actual aircraft in fleet at end of period (9)	362	364	366	352	371	363	363
REGIONAL JET AND TURBOPROP STATISTICS (10):							
Revenue passenger miles (millions) (3)	1,078	835	3,952	3,388	2,947	2,149	1,564
Available seat miles (millions) (4)	1,767	1,424	6,219	5,437	4,735	3,431	2,641
Passenger load factor (5)	61.0%	58.6%	63.5%	62.3%	62.2%	62.6%	59.2%
CONSOLIDATED STATISTICS:							
Consolidated passenger load factor	68.9%	73.0%	73.3%	71.8%	73.9%	72.8%	71.7%
Consolidated breakeven passenger load factor (11)	84.5%	87.4%	82.5%	73.5%	67.9%	64.0%	63.6%

	MARCH 31, 2003	DECEMBER 31, 2002
	(IN MILLIONS OF DOLLARS)	
FINANCIAL DATA--BALANCE SHEET:		
ASSETS:		
Cash, Cash Equivalents and Short-Term Investments	$ 1,181	$ 1,342
Other Current Assets	1,079	935
Total Property and Equipment, net	6,824	6,968
Routes and Airport Operating Rights, net	1,003	1,009
Other Assets	503	486
Total Assets	$ 10,590	$ 10,740
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current Liabilities	$ 3,137	$ 2,926
Long-Term Debt and Capital Leases	5,096	5,222
Deferred Credits and Other Long-Term Liabilities	1,546	1,572
Minority Interest	19	7
Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures of Continental (12)	241	241
Redeemable Preferred Stock of Subsidiary (13)	5	5
Stockholders' Equity	546	$ 767
Total Liabilities and Stockholders' Equity	$ 10,590	$ 10,740

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

	ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	2003	2002	2002	2001	2000	1999	1998
Operating expense (income):							
Fleet impairment and restructuring charges	$ 65	$ 90	$242	$ 61	$ --	$ 81	$122
Air Transportation Safety and System Stabilization Act grant	--	--	12	(417)	--	--	--
Severance and other special charges	--	--	--	63	--	--	--
Nonoperating expense (income):							
Gain on sale of assets	--	--	--	--	(9)	(326)	--
Impairment of investments	--	--	--	22	--	--	--
Cumulative effect of change in accounting, net of taxes	--	--	--	--	--	33	--

(2) For purposes of calculating this ratio, earnings consist of income before income taxes and cumulative effect of changes in accounting principles 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 March 31, 2003 and 2002 and the years ended December 31, 2002 and 2001, earnings were inadequate to cover fixed charges and the coverage deficiency was $307 million, $257 million, $616 million and $143 million, respectively.

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

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

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

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

(7) The average revenue received for each mile a revenue passenger is carried.

(8) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).

(9) Excludes aircraft that are either temporarily or permanently removed rom service.

(10) These statistics reflect operations of Continental Express (as operated by ExpressJet). In April 2002, ExpressJet's parent company Holdings completed an initial public offering, and Continental's ownership in Holdings was reduced to 53.1% of its outstanding common stock. Pursuant to a capacity purchase agreement, Continental currently purchases all of ExpressJet's available seat miles for a negotiated price.

(11) The percentage of seats that must be occupied by revenue passengers for us to break even on a net income basis. The special items noted in (1) included in the consolidated breakeven passenger load factor account for 3.0, 4.9, 3.3, (3.0), (0.1), (2.3) and 1.6 percentage points in each of the periods, respectively.

(12) The sole assets of the Trust are convertible subordinated debentures issued by Continental with an aggregate principal amount of $250 million, which bear interest at the rate of 6% per annum and mature on November 15, 2030. Upon repayment, the Mandatorily Redeemable Preferred Securities of Subsidiary Trust will be mandatorily redeemed.

(13) In connection with an internal reorganization by Holdings, Continental's 53.1% majority owned 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 is included on our balance sheet as redeemable preferred stock of subsidiary.

RISK FACTORS

TERRORIST ATTACKS AND INTERNATIONAL HOSTILITIES

THE 2001 TERRORIST ATTACKS AND THE MILITARY ACTION 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, the Stabilization Act and Continental's cost-cutting measures. Moreover, additional terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks, particularly in light of the war in Iraq, could further negatively affect Continental and the airline industry. The current hostilities in the Middle East have further

decreased demand for air travel, which could 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, the war 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 2002 and the first quarter of 2003 and until recently have been at historically high levels. Even though Continental has hedged approximately 80% of its fuel requirements for the second quarter of 2003, the continued military action in Iraq, post war unrest in that country, other conflicts in the Middle East, political events in Venezuela and Nigeria, or significant events in other oil-producing nations could cause fuel prices to increase further and may reduce the availability of fuel. 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 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 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 continued military action 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 losses of $451 million in 2002 and $221 million in the first quarter of 2003, and expects to incur a significant loss for the full year 2003. Passenger revenue per available seat mile for Continental's mainline jet operations has continued to decline since September 11, 2001, dropping 4.1% for the year ended December 31, 2002 versus the same period in 2001 and 3.6% in the first quarter of 2003 versus the first quarter of 2002. Overall passenger revenue declined 7.0% during 2002 compared to 2001, and was flat in the first quarter of 2003 compared to the same period in 2002. Business traffic in most markets continues to be weak, and carriers continue to offer reduced fares to attract 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. If Continental does so, then Continental would report greater fixed costs, which could result in lower or more volatile earnings or both. For example, for the year ended December 31, 2002, Continental's net loss of $451 million included net income for ExpressJet of $84 million. For the quarter ended March 31, 2003, Continental's net loss of $221 million included net income for ExpressJet of $26 million.

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. During 2002, the amount of Continental's long-term debt increased 26%. Continental also has significant operating leases and facility rental costs. 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 March 31, 2003, Continental had approximately:

- $5.6 billion (including current maturities) of long-term debt and capital lease obligations.

- $248 million liquidation amount of Continental-obligated mandatorily redeemable preferred securities of trust ($241 million net of unamortized discount).

- $546 million of stockholders' equity.

- $1.18 billion in cash, cash equivalents and short-term investments.

Continental has substantial commitments for capital expenditures, including for the acquisition of new aircraft. As of March 31, 2003, Continental had firm commitments for 67 aircraft from Boeing, with an estimated cost of approximately $2.5 billion. The 67 aircraft are scheduled to be delivered between late 2003 and mid 2008, with four Boeing 737-800 aircraft scheduled for delivery in the fourth quarter of 2003. Continental has been offered backstop financing for approximately 12 firm aircraft and is currently in negotiations regarding the offer. Continental does not have backstop financing or any other financing currently in place for the remainder of the aircraft. In addition, at March 31, 2003, Continental had firm commitments to purchase 13 spare engines related to the new Boeing aircraft for approximately $80 million. Continental does not have any financing currently in place for such spare engines. These spare engines are scheduled to be delivered through March 2005. Further financing will be needed to satisfy Continental's capital commitments for its aircraft and aircraft-related expenditures such as engines, spare parts and related items. There can be no assurance that sufficient financing will be available for the aircraft on order and other capital expenditures.

As of March 31, 2003, ExpressJet had firm commitments for an additional 74 regional jets from Empresa Brasileira de Aeronautica S.A. ("Embraer"), with an estimated aggregate cost of $1.5 billion. Effective February 26, 2003, ExpressJet and Embraer amended the purchase agreement to slow the pace of regional jet deliveries. ExpressJet will take delivery of 24 regional jets during the remainder of 2003 (for a total of 36 in 2003), down from its original plan for 48 deliveries, and will take 21 aircraft deliveries in 2004, down from 36. As a result, ExpressJet will increase its aircraft deliveries to 21 and eight for 2005 and 2006, up from two and zero for these years, respectively. 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. In addition, ExpressJet expects to purchase 15 spare engines for approximately $41 million through 2006. ExpressJet does not have any financing currently in place for such spare engines. ExpressJet would have no obligation to acquire the spare engines if the firm order aircraft are not delivered for any reason.

Continental also has significant operating lease and facility rental obligations. 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, each of Moody's, Standard and Poor's and Fitch, Inc. downgraded the credit ratings of a number of major airlines, including Continental's credit ratings. Additional downgrades were made in March and April 2003 and further downgrades are possible due to the impact of the war in Iraq. Reductions in Continental's credit ratings have increased the interest Continental pays on new issuances of debt and may increase the cost and reduce the availability of financing to Continental in the future.

Continental does not have debt obligations that would be accelerated as a result of a credit rating downgrade, but under two letters of credit facilities securing our worker's compensation program, Continental could be required to substitute approximately $67 million of cash collateral for spare engines that currently serve as collateral if the rating of its senior unsecured debt is lowered below CCC- by Standard & Poor's or Caa3 by Moody's. Continental's senior unsecured debt is currently rated "CCC+" on CreditWatch with negative implications by Standard & Poor's and "Caa2" with negative outlook by Moody's.

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

Until recently, fuel costs have been at historically high levels and 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 15.3% and 9.5% of Continental's operating expenses for the three months ended March 31, 2003 and 2002, respectively. Fuel prices and supplies are influenced significantly by international political and economic circumstances, such as the political crises in Venezuela and Nigeria and the war 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 (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 80% of its fuel requirements for the second quarter of 2003 with petroleum call options at approximately $33 per barrel. Continental has not hedged its fuel requirements beyond the end of the second quarter of 2003. If a future fuel supply shortage were to arise from OPEC production curtailments, a disruption of oil imports, the continued military action in Iraq, post war unrest in that country, other conflicts in the Middle East, or otherwise, higher fuel prices or further 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. Continental's mechanics, represented by the International Brotherhood of Teamsters, ratified a new four-year collective bargaining agreement in December 2002. The mechanics agreement makes an adjustment to current pay and recognizes current industry conditions with a provision to re-open negotiations regarding wages, pension and health insurance provisions in January 2004. 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 the pilot 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, and United may further decrease them and may emerge from bankruptcy with significantly lower labor costs than Continental's. Delta and Northwest Airlines have each recently announced that they are seeking to decrease their labor costs significantly, and American Airlines, Inc. ("American Airlines") has recently agreed with its major labor groups on labor cost reductions, although two of the labor groups have announced that they intend to call a new vote regarding these recently agreed cost reductions. In addition, Northwest Airlines has publicly acknowledged that it may file for bankruptcy unless it renegotiates its outstanding labor agreements. 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.

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, including American Airlines and Northwest Airlines, 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 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. Other major U.S. airlines have alliances or planned alliances more extensive than Continental's. 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 which are less than optimal. 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, although pursuant a supplemental appropriations bill approved by both houses of Congress and signed by the President in April 2003, some of these costs will be reimbursed by the U.S. government. 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. 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.

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. 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, 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.

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, but have also been impacted by numerous other factors that are not necessarily seasonal, including the extent and nature of competition from other airlines, fare actions, excise and similar taxes, security fees, changing levels of operations, fuel prices, weather, air traffic control delays, foreign currency exchange rates and general economic conditions.

RISK FACTORS RELATING TO THE 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 Notes will be rejected. The New Notes will be issued in exchange for the Old Notes only after timely receipt by the Exchange Agent of the Old 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 Notes in exchange for New 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 Notes notification of defects or irregularities with respect to tenders of Old Notes for exchange.

If you do not exchange your Old Notes for New Notes pursuant to the Exchange Offer, or if your tender of Old Notes is not accepted, your Old Notes will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon. In general, you may not offer or sell Old 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 Notes under the Securities Act. To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old 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 December 25, 2002. A letter, dated January 24, 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 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 subsequent appraisal indicates that the loan to Collateral value is greater than 45%, Continental is required to provide additional collateral or to reduce the principal amount of Notes outstanding so that the loan to Collateral value is not greater than 45%. Continental deposited $13,056,950 as Cash Collateral at the initial issuance of the Old Notes so that the initial loan to Collateral value would not exceed 45%, based on the appraisal determined as of August 25, 2002. The loan to Collateral value, determined using the appraisal as of December 25, 2002, would have been 45.8%, without giving effect to such deposit of Cash Collateral. Continental

expects to satisfy the 45% requirement at the time the next appraisal is required based upon its projected purchases of spare parts, in which case Continental will be entitled to withdraw such Cash Collateral. However, no assurance can be given that such 45% requirement will be satisfied. See "Description of the 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 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 Notes. If a Policy Provider Default occurs and such proceeds are not sufficient to repay all such amounts due on the Notes, then holders (to the extent not repaid from the proceeds of the sale of Collateral) would have only unsecured claims against Continental and the Policy Provider.

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. Northwest Airlines has publicly acknowledged that it may file for bankruptcy unless it renegotiates its outstanding labor agreements, and other airlines may file for bankruptcy protection as well. Moreover, recent 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

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, except for certain provisions that 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 under the Indenture and the Collateral Agreements, including accelerating the Notes or foreclosing the lien on the Collateral securing the Notes. See "Description of the Notes--Remedies".

The Controlling Party will be:

- The Policy Provider or, if a Policy Provider Default is continuing, the holders of more than 50% in aggregate unpaid principal amount of the Notes then outstanding.

- Under certain circumstances, the Liquidity Provider.

MAXIMUM INTEREST RATE IF CONTINENTAL DEFAULTS

If Continental fails to pay accrued interest on the Notes when due on a Distribution Date and fails to cure such nonpayment, the interest rate for the interest due on such Distribution Date will be subject to a maximum equal to the Capped Interest Rate. If Continental cures such nonpayment, such maximum rate will not apply. However, the amounts available under the Liquidity Facility and the Policy for the payment of accrued interest are limited by the same maximum rate. Accordingly, if Continental fails to make a payment of interest when due and the interest rate then applicable exceeds the Capped Interest Rate, the amount that the Trustee may draw under the Liquidity Facility and Policy (or, if applicable, withdraw from the Cash Collateral Account) to make such payment will be calculated at the Capped Interest Rate. If Continental subsequently cures, Continental will be obligated to pay the accrued interest calculated without regard to such maximum rate. If Continental fails to cure, the Noteholders will not have a claim for interest due on such Distribution Date above the amount calculated at the Capped Interest Rate.

CERTAIN LIMITATIONS WITH RESPECT TO THE COLLATERAL

The Notes are secured by a lien on the Pledged Spare Parts. See "Description of the 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 Notes--Collateral--Designated Locations". The lien of the Notes will not apply to any spare part not located at a Designated Location.

Upon initial issuance of the Old Notes, Continental made a cash collateral deposit with the Security Agent of $13,056,950 so that the initial loan to Collateral value would not exceed 45%. In addition, Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such subsequent appraisal indicates that the loan to Collateral value is greater than 45%, Continental is required to provide additional collateral or to reduce the principal amount of Notes outstanding so that the loan to Collateral value is not greater than 45%. 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 Notes below the then current rating for the Notes (determined without regard to the Policy) or a withdrawal or suspension of the rating of the Notes. See "Description of the 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 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 NOTES

Prior to the Exchange Offer, there has been no public market for the Notes. Continental does not intend to apply for listing of the Notes on any national securities exchange or otherwise. Morgan Stanley & Co. Incorporated (the "Initial Purchaser") has previously made a market in the Old Notes and Continental has been advised by the Initial Purchaser that it presently intends to make a market in the New 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 Notes or the New Notes, and any such market-making activity may be discontinued at any time without notice at the sole discretion of the Initial Purchaser. There can be no assurance as to the liquidity of the public market for the Notes or that any active public market for the 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 Notes.

RISK FACTORS RELATING TO THE POLICY PROVIDER

IF THE FINANCIAL CONDITION OF THE POLICY PROVIDER DECLINES, THE RATING OF THE NOTES MAY DECLINE

The Aaa rating by Moody's of the Notes is based, primarily, on the existence of the Policy that insures the complete and timely payment of interest relating to the Notes on each Interest Payment Date and the payment of outstanding principal no later than the Final Legal Maturity Date. MBIA Insurance Corporation, the Policy Provider, has issued the Policy. If the Policy Provider's financial condition declines or if it becomes insolvent, the Trustee may be unable to recover the full amount due under the Policy. In addition, such a decline or insolvency could lead Moody's to downgrade the ratings of the Notes because of a concern that the Policy Provider may be unable to make payments to the holders of the Notes under the Policy. For information on the financial information generally available relating to the Policy Provider, see "Description of the Policy Provider" and "Description of the Policy and the Policy Provider Agreement--The Policy".

POLICY PROTECTION IS LIMITED

Although the Trustee may make drawings under the Policy for interest payments on each Interest Payment Date, the Trustee may not make drawings for principal payments until the Final Legal Maturity Date except in certain limited circumstances. This limits the protection afforded to holders of Notes by the Policy.

USE OF PROCEEDS

There will be no cash proceeds payable to Continental from the issuance of the New Notes pursuant to the Exchange Offer. The proceeds from the sale of the Old 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 three months ended March 31, 2003 were:

THREE MONTHS ENDED MARCH 31, 2003	YEAR ENDED DECEMBER 31,				
	2002	2001	2000	1999	1998
--(1)	--(1)	--(1)	1.51	1.80	1.93

- ----------

(1) For the three months ended March 31, 2003 and the years ended December 31, 2002 and 2001, earnings were inadequate to cover fixed charges and the coverage deficiency was $307 million, $616 million and $143 million, respectively.

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

- our pre-tax income (loss); 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.

THE COMPANY

Continental Airlines, Inc. ("Continental" or the "Company") is a major United States air carrier engaged in the business of transporting passengers, 0cargo 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 its indirect 53.1%-owned subsidiary, ExpressJet Airlines, Inc. (operating as Continental Express and referred to in this Prospectus as "ExpressJet") and its wholly owned subsidiary, Continental Micronesia, Inc. ("CMI"), served 225 airports worldwide at March 31, 2003. As of March 31, 2003, Continental flew to 130 domestic and 95 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 March 31, 2003, and is one of the leading airlines providing service to Mexico and Central America, serving 28 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 March 31, 2003, Continental operated 67% of the average daily jet departures from Liberty International, 84% of the average daily jet departures from Bush Intercontinental, and 67% 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. In connection with the offering, Continental's ownership of Holdings fell to 53.1%. 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 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 March 31, 2003, ExpressJet served 97 destinations in the U.S., 13 cities in Mexico and five 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. ("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 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.

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) and American Eagle Airlines, Inc. In 2002, Continental introduced the first train-to-plane alliance in the United States with Amtrak.

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 ("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 is planned for Summer 2003, subject to satisfaction of certain conditions.

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 March 31, 2003 Continental and ExpressJet served 16 European cities, five Canadian cities, six Mexican cities, six Central American cities, four South American cities, 14 Caribbean destinations, Tel Aviv, Hong Kong (though service between Hong Kong and Newark was suspended in April 2003) and Tokyo.

Continental's Houston hub is the focus of its operations in Mexico and Central America. As of March 31, 2003, Continental and ExpressJet flew from Bush Intercontinental to 20 cities in Mexico, every country in Central America, six cities in South America, three cities in Canada, three cities in Europe, two Caribbean destinations and Tokyo.

From Continental's Cleveland hub, Continental and ExpressJet flew to Montreal, Toronto, London, Cancun, Mexico, Nassau and San Juan, Puerto Rico as of March 31, 2003.

CONTINENTAL MICRONESIA

From its hub operations based on the island of Guam, as of March 31, 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. In January 2002, Continental placed its code on selected flights operated by KLM and KLM Cityhopper from Amsterdam to more than 40 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 agreement terminates in May 2003, unless extended by the parties.

Continental also currently has international codesharing agreements with Air Europa, Air China, EVA Airways Corporation (an airline based in Taiwan), British European, Virgin Atlantic Airways ("Virgin") 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.

OUTLOOK

The current U.S. domestic airline environment is the worst in Continental's history, and may deteriorate further if hostilities in the Middle East continue. 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 have 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. Northwest Airlines has publicly acknowledged that it may file for bankruptcy unless it renegotiates its outstanding labor agreements, and 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 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, until recently fuel prices had significantly escalated due to the war in Iraq and political tensions in Venezuela and Nigeria. 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 2003 (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, continued military action in Iraq or another conflict elsewhere in the world, a significant spread of Severe Acute Respiratory Syndrome, or "SARS", decreased consumer demand or sustained high fuel prices. However, Continental expects to incur a significant loss for the full year in 2003, regardless of such adverse factors.

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 military action 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 continued military action in Iraq.

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 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 currently expects its net cash flows for the second quarter of 2003, excluding amounts expected to be received from the U.S. government discussed in the third bullet point below, to be slightly negative at approximately $0.5 million per day, including required debt payments and capital expenditures. In addition, Continental expects to incur significant losses in that quarter and for the full year 2003.

- 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 has caused a further decline in passenger traffic, particularly to Hong Kong and certain other cities in Asia that Continental serves. Both of these events have disproportionately affected Continental's international passenger traffic. Continental has responded to the reduced actual and anticipated demand by announcing temporary capacity reductions on certain trans-Atlantic and trans-Pacific routes (including the suspension of its flights between Hong Kong and Newark) 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 at the end of 2002 and until recently have been at historically high levels. Even though Continental has hedged approximately 80% of its fuel requirements for the second quarter of 2003, the continued military action in Iraq, post war unrest in that country, 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, for every one dollar increase in the price of crude oil, Continental's annual fuel expense would be approximately $40 million higher.

- 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 a supplemental appropriations bill approved by both houses of Congress and signed by the President in April 2003, Continental and other U.S. carriers will be reimbursed for certain security fees paid or collected by such carriers and compensated for other security related costs. Although Continental is still in the process of estimating the amount of reimbursement and compensation that it will receive, Continental believes that it will be in the range of $175 million to $200 million.

- 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. Continental had approximately $1.18 billion of cash, cash equivalents and short-term investments at March 31, 2003. Continental continues to hold 53.1% of the outstanding stock of Holdings, the publicly traded parent of its regional jet subsidiary, which stock 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 (implementation of which is subject to certain conditions) with Northwest Airlines and Delta to permit Continental to compete more effectively with other carriers and alliance groups.

- Continental is engaged in labor negotiations with the union representing its pilots. Continental cannot predict the outcome of these negotiations or the financial impact on Continental of any new labor contract with its pilots. Recent significant concession agreements with labor groups at US Airways and United have had the effect of lowering industry standard wages and benefits. In addition, American Airlines has recently agreed with its major labor groups on labor cost reductions, although two of the labor groups have announced that they intend to call a new vote regarding these recently agreed cost reductions. Continental's negotiations may be influenced by these and other labor cost developments.

- Continental has several noncontributory defined benefit plans covering substantially all of Continental's employees. As of December 31, 2002, these plans were underfunded by approximately $1.2 billion as measured by SFAS 87, "Employers Accounting for Pensions". Continental's contributions for the remainder of 2003 are expected to be $89 million as of March 31, 2003. Absent any changes to the plans (which in most cases are subject to collective bargaining agreements with our unions) or a waiver of required payments from the Internal Revenue Service, the minimum funding requirement in 2004 is expected to be significantly greater than in 2003.

- At April 15, 2003, under the most restrictive provisions of a credit facility agreement with an outstanding balance of $165 million at March 31, 2003, Continental is required to maintain a minimum unrestricted cash balance of $600 million. Also, a separate credit facility agreement with an outstanding balance of $43 million at March 31, 2003 requires, beginning in June 2003, Continental to maintain a 1 to 1 ratio of EBITDAR (earnings before interest, income taxes, depreciation and aircraft 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.

DESCRIPTION OF THE POLICY PROVIDER

GENERAL

The information set forth in this section, including any financial statements incorporated by reference herein, has been provided by MBIA Insurance Corporation ("MBIA" or the "Policy Provider") for inclusion in this Prospectus, and such information has not been independently verified by Continental, the Initial Purchaser, the Trustee or the Liquidity Provider. Accordingly, notwithstanding anything to the contrary herein, none of Continental, the Initial Purchaser, the Trustee or the Liquidity Provider assumes any responsibility for the accuracy, completeness, or applicability of such information.

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Parent Company"). The Parent Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments, and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control, and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Prospectus or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy Provider set forth under the heading "Description of the Policy Provider" or incorporated by reference herein. Additionally, MBIA makes no representation regarding the Notes or the advisability of investing in the Notes.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA FINANCIAL INFORMATION

The following document filed by the Parent Company with the Commission is incorporated herein by reference:

- the Parent Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Any documents filed by the Parent Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Prospectus and prior to the termination of the offering of the New Notes shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The consolidated financial statements of MBIA, a wholly owned subsidiary of the Parent Company, and its subsidiaries as of December 31, 2002 and December 31, 2001 and for each of the three years in the period ended December 31, 2002, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Parent Company for the year ended December 31, 2002 are hereby incorporated by reference into this Prospectus and shall be deemed to be a part hereof. All financial statements of MBIA and its subsidiaries included in documents filed by the Parent Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934

subsequent to the date of this Prospectus and prior to the termination of the offering of the New Notes shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the respective dates of filing such documents.

The Parent Company files annual, quarterly, and special reports, information statements and other information with the Commission under File No. 1-9583. Copies of the Commission filings (including the Parent Company's Annual Report on Form 10-K for the year ended December 31, 2002) are available (i) over the Internet at the Commission web site at HTTP://WWW.SEC.GOV; (ii) at the Commission's public reference room in Washington D.C.; and (iii) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

The tables below present selected financial information of MBIA determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP") as well as generally accepted accounting principles ("GAAP"):

	SAP

	DECEMBER 31, 2002	DECEMBER 31, 2001
	(AUDITED)	(AUDITED)
	(IN MILLIONS)	
Admitted Assets	$9,212	$8,545
Liabilities	6,054	5,688
Capital and Surplus	3,158	2,857

GAAP

	DECEMBER 31, 2002	DECEMBER 31, 2001
	(AUDITED)	(AUDITED)
	(IN MILLIONS)	
Assets	$10,588	$9,460
Liabilities	4,679	4,234
Shareholders' Equity	5,909	5,226

FINANCIAL STRENGTH RATING OF MBIA

Moody's rates the financial strength of MBIA "Aaa".

The above rating reflects the current assessment by Moody's of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above rating may be obtained only from Moody's. The above rating is not a recommendation to buy, sell, or hold any Notes, and such rating may be subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Notes. MBIA does not guaranty the market price of the Notes nor does it guaranty that the rating on the Notes will not be revised or withdrawn.

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. The summary does not purport to be complete and is qualified in its entirely by reference to all of the provisions of the Registration Rights Agreement, which has been filed as an exhibit to the Registration Statement and copies of which 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 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 Notes within 120 days after December 6, 2002, which is the date on which the Old 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 Letter of Transmittal (which together constitute the Exchange Offer), all Old 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 Notes will be issued in exchange for an equal face amount of outstanding Old Notes accepted in the Exchange Offer. Old 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 Notes as of [_____], 2003. The Exchange Offer is not conditioned upon any minimum principal amount of Old Notes being tendered for exchange. However, the obligation to accept Old Notes for exchange pursuant to the Exchange Offer is subject to certain conditions, as set forth herein under "--Conditions".

Old 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 Notes for the purposes of receiving the New Notes and delivering New 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 Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by holders thereof (other than (i) a broker-dealer who acquired such Old 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 Notes are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such New Notes and have no arrangement with any person to participate in a distribution of such New Notes.

By tendering the Old Notes in exchange for New 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 Notes acquired directly from Continental for its own account;
- any New 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 Notes and has no arrangement or understanding to participate in a distribution of the New Notes.

If a holder of Old Notes is engaged in or intends to engage in a distribution of the New Notes or has any arrangement or understanding with respect to the distribution of the New 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 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 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 Notes received in exchange for Old Notes where such Old 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 Exp+iration 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 Notes pursuant to the Registration Statement and at no cost to the holders of Old Notes:

- as promptly as practicable file with the Commission a shelf registration statement (the "Shelf Registration Statement") covering resales of the Old 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 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 neither the consummation of the Exchange Offer nor the declaration by the Commission of the Shelf Registration Statement to be effective (each, a "Registration Event") occurs on or prior to the 210th calendar day following the Issuance Date, the interest rate per annum borne by the 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 Notes otherwise become transferable by 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 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 Notes who do not exchange their Old Notes for New Notes in the

Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Notes, unless such Old 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 applicable state securities laws. See "Risk Factors--Risk Factors Relating to the Notes and the Exchange Offer--Consequences of Failure to Exchange".

EXPIRATION DATE; EXTENSIONS; AMENDMENTS; TERMINATION

The term "Expiration Date" shall mean [_____], 2003 (30 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. Notwithstanding any extension of the Exchange Offer, if the Exchange Offer is not consummated by July 4, 2003, the interest rate borne by the Notes is subject to increase. See "--General".

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 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 delay acceptance of any Old Notes, to extend the Exchange Offer or to terminate the Exchange Offer and not permit acceptance of Old 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 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 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 NOTES

The New Notes will bear interest at the Stated Interest Rate from the most recent date to which interest has been paid on the Old Notes. Accordingly, registered holders of New 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. Old Notes accepted for exchange will cease to accrue interest from and after the date of completion of the Exchange Offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment for accrued interest on the Old 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 their rights to receive the accrued interest on the Old 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 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 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 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 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 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 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 Notes may tender such Old Notes in the Exchange Offer. The term "holder" with respect to the Exchange Offer means any person in whose name Old 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 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 Notes, either make appropriate arrangements to register ownership of the Old 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., 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 "Eligible Institution") unless the Old 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 Notes listed therein, such Old Notes must be endorsed or accompanied by bond powers and a proxy which authorizes such person to tender the Old Notes on behalf of the registered holder, in each case as the name of the registered holder or holders appears on the Old Notes.

If the Letter of Transmittal or any Old 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 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 Notes not properly tendered or any Old 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 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 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 Notes, nor shall any of them incur any liability for failure to give such notification. Tenders of Old Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Old 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 Notes, unless otherwise provided in the Letter of Transmittal, as soon as practicable 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 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 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 NOTES FOR EXCHANGE; DELIVERY OF NEW NOTES

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, all Old Notes properly tendered will be accepted promptly after the Expiration Date, and the New Notes will be issued promptly after acceptance of the Old Notes. See "--Conditions" below. For purposes of the Exchange Offer, Old 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 Notes for Old 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 Notes or a timely Book-Entry Confirmation of such Old Notes into the Exchange Agent's account at DTC;
- 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 Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or nonexchanged Old Notes will be returned without expense to the tendering holder thereof (or, in the case of Old Notes tendered by the book-entry transfer procedures described below, such nonexchanged Old Notes will be credited to an account maintained with DTC) as promptly as practicable after the expiration or termination of the Exchange Offer.

BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Old 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 Notes in the Exchange Offer. Any DTC Participant may make book-entry delivery of Old Notes by causing DTC to transfer such Old Notes into the Exchange Agent's account at DTC in accordance with DTC's ATOP procedures for transfer. However, although delivery of Old 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 of a Book-Entry Confirmation, that states that DTC has received an express acknowledgment from a DTC Participant tendering Old 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 Notes desires to tender such Old Notes, and (i) the Old Notes are not immediately available, or (ii) time will not permit such holder's Old 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 Notes and the amount of Old 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 Old 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 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 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 Notes to be withdrawn, identify the Old Notes to be withdrawn

(including the principal amount of such Old Notes) and (where certificates for Old Notes have been transmitted) specify the name in which such Old Notes are registered, if different from that of the withdrawing holder. If certificates for Old 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 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 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 Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old 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 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 Notes will be credited to an account maintained with DTC for the Old Notes) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old 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 Notes will not be required to be accepted for exchange, nor will New Notes be issued in exchange for, any Old Notes, and Continental may terminate or amend the Exchange Offer as provided herein before the acceptance of such Old 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 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 Notes to be received by such holder or holders of Old 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.

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:	BY OVERNIGHT DELIVERY OR HAND:
Wilmington Trust Company	Wilmington Trust Company
DC-1615 Reorg Services	Corporate Trust Reorg Services
PO Box 8861	1100 North Market Street
Wilmington, Delaware 19899-8861	Wilmington, Delaware 19890-1615

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 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 Notes pursuant to the Exchange Offer. If, however, certificates representing New Notes or Old 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 Notes tendered, or if tendered Old 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 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.

DESCRIPTION OF THE NOTES

The following summary describes the material terms of the Notes. The summary does not purport to be complete and is qualified in its entirety by all provisions of the Notes, the Indenture, the Security Agreement, the Collateral Maintenance Agreement and the Reference Agency Agreement (collectively, the

"Operative Documents"), each of which has been filed as an exhibit to the Registration Statement and copies of which are 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

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

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

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

The New 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 Notes will be issued only in minimum denominations of $1,000 or integral multiples thereof, except that one Note may be issued in a different denomination. (Section 2.1(b))

The Notes are secured by a lien on the Collateral. The Notes rank equally in right of payment with all of Continental's other unsubordinated obligations, except to the extent of the assets subject to such lien, as to which the Notes effectively rank senior.

On the Issuance Date, the Trustee, for the benefit of the Noteholders, entered into the Liquidity Facility, the fee letter with respect thereto, the Policy and the Policy Provider Agreement (collectively, the "Support Documents"). (Section 3.10)

PAYMENTS OF PRINCIPAL AND INTEREST

Continental has issued $200,000,000 in aggregate principal amount of Old Notes. The Notes are limited to $200,000,000 of principal in the aggregate. Subject to the provisions of the Indenture, the entire principal amount of the Notes is scheduled to be paid to the Noteholders on December 6, 2007 (the "Final Scheduled Payment Date"). The "Final Legal Maturity Date" is December 6, 2009.

Interest accrues on the unpaid principal amount of each Note at the variable rate per annum set forth on the cover page of this Prospectus (plus, if applicable, 0.50% during the period specified in the Registration Rights Agreement), subject to a maximum equal to the Capped Interest Rate applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment (the "Stated Interest Rate"). For all other periods, the interest rate on the Notes will not be capped. 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 March 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 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 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 2.7)

Payments of interest on the Notes are supported by a Liquidity Facility provided by the Liquidity Provider for the benefit of the holders of the Notes. The Liquidity Facility will provide an amount sufficient to pay interest on the Notes at the Stated Interest Rate on up to eight successive Interest Payment Dates. The Liquidity Facility does not provide for drawings or payments thereunder to pay for principal of, or Premium, if any, or Break Amount, if any, with respect to, the Notes. See "Description of the Liquidity Facility".

Except in specified circumstances, after use of any available funds under the Liquidity Facility and the Cash Collateral Account, the payment of interest on the Notes at the Stated Interest Rate is supported by the Policy provided by the Policy Provider. Payment of principal of the Notes no later than the Final Legal Maturity Date is also supported by the Policy. See "Description of the Policy and the Policy Provider Agreement--The Policy".

Payments of interest and principal will be distributed by the 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 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 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 (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, the Trustee, the Liquidity Provider and the Policy Provider. Holders of the Notes (the "Noteholders") may obtain such information from the Trustee.

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 will be calculated as follows:

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 Notes may be redeemed at any time 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 Notes to and including the date of redemption. In addition, if a Note is redeemed before the third anniversary of the Issuance Date (except in connection with a redemption to satisfy the maximum Collateral Ratio or minimum Rotable Ratio requirement 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 Note: (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%. (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 Noteholder whose Notes are to be redeemed, identifying the Notes and the principal amount thereof to be redeemed. If less than all of the Notes are to be redeemed, the Trustee will select the 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 redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption, unless Continental fails to make the redemption payment for such Notes. (Sections 4.3, 4.4 and 4.5)

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 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 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 Issuance Date, Continental entered into a Security Agreement (the "Security Agreement" and, together with any other 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 Issuance Date, Continental entered into a Collateral Maintenance Agreement (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 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 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 "Collateral Ratio" applicable to the Notes, which shall mean a percentage determined by dividing (i) the aggregate principal amount of all outstanding 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. Such valuations will also be used to calculate the "Rotable Ratio" applicable to the 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 Notes minus the sum of

the Cash Collateral held by the Collateral Agent. The calculation of the Collateral Ratio and Rotable Ratio will be set forth in a certificate of Continental. (Collateral Maintenance Agreement, Article 2)

If the Collateral Ratio as so determined is greater than 45%, Continental will be required, within 90 days after the date of Continental's certificate calculating such Collateral Ratio, 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 Notes at Continental's request (a "Rating Agency") that the use of such additional collateral and the related agreements to reduce the Collateral Ratio will not result in a reduction of the rating for the Notes below the then current rating for the Notes (such rating determined without regard to the Policy) or a withdrawal or suspension of the rating of the 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; o redeem some or all of the Notes; or
- any combination of the foregoing;

such that the Collateral Ratio, as recalculated giving effect to such action (but otherwise using the information most recently used to determine the Collateral Ratio), would not be greater than 45%. (Collateral Maintenance Agreement, Section 3.1(a))

If the Rotable Ratio as so determined is less than 150%, Continental will be required, within 90 days after the date of Continental's certificate calculating such Rotable Ratio, 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);
- deliver Notes to the Trustee for cancellation;
- redeem some or all of the Notes; or
- any combination of the foregoing;

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

If Continental provides additional Cash Collateral to comply with 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 Ratio (calculated to exclude such Cash Collateral) not to be greater than 45% and to cause the Rotable Ratio (calculated to exclude such Cash Collateral) not to be less than 150%. (Collateral Maintenance Agreement, Section 3.1(e)) If the Collateral Ratio is less than the maximum Collateral Ratio and the Rotable Ratio is greater than the minimum Rotable Ratio, 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)).

Continental deposited Cash Collateral of $13,056,950 with the Security Agent upon initial issuance of the Old Notes, which resulted in an initial Collateral Ratio of 45% based on the initial appraisal as of August 25, 2002, prepared by SH&E. See "Description of the Appraisal". Without giving effect to such deposit, the initial Collateral Ratio would have been 48%. Using the appraisal of the Collateral determined as of December 25, 2002, and without giving effect to such deposit, the Collateral Ratio would have been 45.8%. See "Description of the Appraisal". The calculation of the Collateral Ratio at the time of the next semiannual appraisal due in August 2003 will be made without giving effect to such Cash Collateral deposit. Continental expects to satisfy the maximum Collateral Ratio requirement at that time based on its projected purchases of spare parts, in which case Continental will be entitled to withdraw such Cash Collateral. However, no assurance can be given that the maximum Collateral Ratio requirement will be satisfied based on such purchases. If it is not, Continental will be required to take one or more of the other actions described above (other than providing Cash Collateral) to satisfy such requirement.

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

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 Notes or deliver Notes to the Trustee for cancellation (or a combination thereof) in a percentage of the outstanding principal amount of all 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 the appraised value of the Collateral. (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 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. (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 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 the Company'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 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 the Company 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 the Company 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 Ratio, as subsequently determined, to exceed the maximum Collateral Ratio.

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.

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 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").

- Failure by Continental to observe or perform (or cause to be obtained

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 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)

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 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 (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)

Except to enforce the right to receive payment when due of principal, interest, Premium, if any, and Break Amount, if any, 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 the 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 and during such 60-day period, and the Controlling Party has not given the Trustee a direction inconsistent with the request. (Section 7.6)

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, 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)

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 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 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.

CONTROLLING PARTY

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, except for certain provisions that cannot be amended or waived without the consent of each Noteholder affected thereby. 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))

The "Controlling Party" will be:

- The Policy Provider or, if a Policy Provider Default is continuing, the holders of more than 50% in aggregate unpaid principal amount of the 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 and the Policy Provider Agreement--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))

"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 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 Distribution Date, to the Trustee, the Policy Provider, the Liquidity Provider and any 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 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 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 Noteholder, to the extent required to pay certain fees, taxes, charges and other amounts payable.

- To the 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 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 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 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 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.

POSSIBLE ISSUANCE OF SUBORDINATED NOTES

Continental may elect to issue additional notes under the Indenture that are subordinated in the right to receive distributions to the Notes (the "Subordinated Notes"). The Indenture provides that Continental's ability to issue any Subordinated Notes is contingent upon its obtaining written confirmation from the Rating Agency that the issuance of such Subordinated Notes will not result in a withdrawal or downgrading of the rating of the Notes (without regard to the Policy).

MODIFICATIONS AND WAIVER OF THE INDENTURE AND CERTAIN OTHER AGREEMENTS

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 in addition to or in place of certificated Notes.
- 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 provide for the issuance of the Subordinated Notes.
- 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 relating to transfers and exchanges of the Notes or beneficial interests therein.
- To provide for any successor Trustee or Collateral Agent.
- 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 and the Policy Provider can amend or modify any provision of the Collateral Maintenance Agreement (including the provisions described under "--Appraisals and Maintenance of Ratios", "--Fleet Reduction", "--Liens", "--Maintenance", "--Insurance" and "--Use and Possession") without the consent of the Trustee, the Collateral Agent or any Noteholders, except for certain limited provisions. 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. 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. However, no such amendment, supplement or waiver may, without the consent of each Noteholder affected:

- Reduce the amount of Notes whose holders must consent to an amendment, supplement or waiver.

- Reduce the rate or extend the time for payment of interest on any 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 Note.

- Change the place of payment where, or the coin or currency in which, any 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 (except to provide for distributions on Subordinated Notes after the distribution to Noteholders as originally provided 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 Note.

- Make any changes to provisions in the Indenture that involve the waiver of defaults, the right of Noteholders to receive payment of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, any Note on or after the respective due dates.

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

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)

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

GENERAL

The New 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 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 Notes in definitive, fully registered form ("Definitive Notes") only if (i) DTC notifies the Trustee that DTC is unwilling or unable to continue as depositary for such Notes and successor depositary 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. (Section 2.5(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 Notes and receipt of instructions for re-registration, the Trustee will reissue the Notes as Definitive Notes to Note Owners. (Section 2.5(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 Note, however, will be made only upon presentation and surrender of such Note at the office or agency specified in the notice of final distribution to 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 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 with respect to the Notes.

Any Notes registered in the name of DTC or its nominee will trade in DTC's Same-Day Funds Settlement System until maturity. DTC will require secondary

market trading activity in the Notes to settle in immediately available funds. Continental cannot give any assurance as to the effect, if any, of settlement in same-day funds on trading activity in the Notes.

DESCRIPTION OF THE LIQUIDITY FACILITY

The following summary describes the material terms of the Liquidity Facility and certain provisions of the Indenture relating to the Liquidity Facility. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Liquidity Facility and the Indenture, each of which has been filed as an exhibit to the Registration Statement and copies of which are available as set forth under "Where You Can Find More Information".

GENERAL

Morgan Stanley Capital Services Inc. (the "Liquidity Provider") has entered into a revolving credit agreement (the "Liquidity Facility") with the Trustee with respect to the Notes. On any Distribution Date, if, after giving effect to the subordination provisions of the Indenture, the Trustee does not have sufficient funds for the payment of interest on the Notes, the Liquidity Provider is required to make an advance (an "Interest Drawing") in the amount needed to fund the interest shortfall (calculated assuming that Continental will not cure the nonpayment of interest) up to the Maximum Available Commitment.

The maximum amount of Interest Drawings available under the Liquidity Facility will be sufficient to pay interest on the Notes on up to eight consecutive quarterly Interest Payment Dates at the Stated Interest Rate (calculated assuming that Continental will not cure any nonpayment of interest). If interest payment defaults occur which exceed the amount covered by and available under the Liquidity Facility, the Noteholders will bear their allocable share of the deficiencies to the extent that there are no other sources of funds. The initial Liquidity Provider may be replaced by one or more other entities under certain circumstances.

DRAWINGS

The aggregate amount available under the Liquidity Facility at March 6, 2003, the first Interest Payment Date after the Issuance Date, was $48,733,333.33.

Except as otherwise provided below, the Liquidity Facility will enable the Trustee to make Interest Drawings thereunder promptly on or after any Distribution Date if, after giving effect to the subordination provisions of the Indenture, there are insufficient funds available to the Trustee to pay interest on the Notes at the Stated Interest Rate (calculated assuming that Continental will not cure any nonpayment of interest); provided, however, that the maximum amount available to be drawn under the Liquidity Facility on any Distribution Date to fund any shortfall of interest on the Notes will not exceed the then Maximum Available Commitment.

The "Maximum Available Commitment" at any time is an amount equal to the then Required Amount of the Liquidity Facility less the aggregate amount of each Interest Drawing outstanding thereunder at such time, provided that, following a Non-Extension Drawing, a Downgrade Drawing or a Final Drawing, the Maximum Available Commitment shall be zero.

The "Required Amount" will be equal, on any day, to the sum of the aggregate amount of interest, calculated at the Capped Interest Rate, that would be payable on the Notes on each of the eight consecutive quarterly Interest Payment Dates immediately following such day or, if such day is an Interest Payment Date, on such day and the succeeding seven quarterly Interest Payment Dates, in each case calculated on the outstanding aggregate principal amount of the Notes on such day and without regard to expected future payments of principal.

"Capped Interest Rate" is 12% per annum.

The Liquidity Facility does not provide for drawings thereunder to pay for principal of, or Premium, if any, or Break Amount, if any, with respect to, the Notes or any interest thereon in excess of an amount equal to eight full quarterly installments of interest calculated at the Capped Interest Rate thereon. (Liquidity Facility, Section 2.02; Indenture, Section 3.5)

Each payment by the Liquidity Provider reduces by the same amount the Maximum Available Commitment, subject to reinstatement as hereinafter described. With respect to any Interest Drawings, upon reimbursement of the Liquidity Provider in full or in part for the amount of such Interest Drawings plus interest thereon, the Maximum Available Commitment will be reinstated to an amount not to exceed the then Required Amount. However, the Liquidity Facility will not be so reinstated at any time if (i) the Notes are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (ii) the Liquidity Provider Reimbursement Date has occurred. Any amounts paid by the Policy Provider to the Liquidity Provider as described in "Description of the Notes--Controlling Party" or "Description of the Policy and the Policy Provider Agreement--Liquidity Provider Drawing" will not reinstate the Liquidity Facility but any reimbursement of such amounts received by the Policy Provider under the distribution provisions of the Indenture will reinstate the Liquidity Facility to the extent of such reimbursement unless (i) the Notes are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (ii) the

Liquidity Provider Reimbursement Date has occurred. With respect to any other drawings under the Liquidity Facility, amounts available to be drawn thereunder are not subject to reinstatement. The Required Amount will be automatically reduced from time to time to an amount equal to the next eight successive quarterly interest payments due on the Notes (without regard to expected future payments of principal) at the Capped Interest Rate. (Liquidity Facility, Section 2.04(a); Indenture, Section 3.5(j)) Upon the occurrence of the Liquidity Provider Reimbursement Date, no further drawings under the Liquidity Facility will be permitted.

If at any time the short-term unsecured debt rating of the Liquidity Provider Guarantor then issued by either Moody's or Standard & Poor's is lower than the Threshold Rating or the Liquidity Provider Guarantor's guarantee ceases to be in full force and effect or becomes invalid or unenforceable or the Liquidity Provider Guarantor denies its liability thereunder, and the Liquidity Facility is not replaced with a Replacement Facility within ten days after notice of such downgrading or such event and as otherwise provided in the Indenture, the Liquidity Facility will be drawn in full up to the then Maximum Available Commitment (the "Downgrade Drawing"). The proceeds of a Downgrade Drawing will be deposited into a cash collateral account (the "Cash Collateral Account") and used for the same purposes and under the same circumstances and subject to the same conditions as cash payments of Interest Drawings under the Liquidity Facility would be used. (Liquidity Facility, Section 2.02(c); Indenture, Section 3.5(c)) If a qualified Replacement Facility is subsequently provided, the balance of the Cash Collateral Account will be repaid to the replaced Liquidity Provider.

A "Replacement Facility" means an irrevocable liquidity facility (or liquidity facilities) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agency to confirm in writing its ratings then in effect for the Notes (before downgrading of such ratings, if any, as a result of the downgrading of the Liquidity Provider but without regard to the Policy), which shall have been consented to by the Policy Provider, which consent shall not be unreasonably withheld or delayed, in a face amount (or in an aggregate face amount) equal to the amount of interest payable on the Notes (at the Capped Interest Rate and without regard to expected future payments of principal) on the eight Interest Payment Dates following the date of replacement of the Liquidity Facility and issued by a person (or persons) having unsecured short-term debt ratings issued by each of Moody's and Standard & Poor's which are equal to or higher than the Threshold Rating. (Indenture, Appendix I) The provider of any Replacement Facility will have the same rights (including, without limitation, priority distribution rights and rights as "Controlling Party") under the Indenture as the initial Liquidity Provider.

"Threshold Rating" means the short-term unsecured debt rating of P-1 by Moody's Investors Service, Inc. ("Moody's") and A-1 by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's").

The Liquidity Facility provides that the Liquidity Provider's obligations thereunder will expire on the earliest of:

- 364 days after the Issuance Date (counting from, and including, the Issuance Date).
- The date on which the Trustee delivers to the Liquidity Provider a certification that all of the Notes have been paid in full.
- The date on which the Trustee delivers to the Liquidity Provider a certification that a Replacement Facility has been substituted for such Liquidity Facility.
- The fifth Business Day following receipt by the Trustee of a Termination Notice from the Liquidity Provider (see "--Liquidity Events of Default and Termination").
- The date on which no amount is or may (by reason of reinstatement) become available for drawing under the Liquidity Facility.
- The occurrence of the Liquidity Provider Reimbursement Date.

The Liquidity Facility provides that it will be automatically extended for additional 364-day periods unless the Liquidity Provider notifies the Trustee that it does not agree to such extension.

The Indenture provides for the replacement of the Liquidity Facility if such Liquidity Facility is scheduled to expire earlier than 15 days after the Final Legal Maturity Date and the Liquidity Facility is not extended at least 25 days prior to its then scheduled expiration date. If the Liquidity Facility is not so extended or replaced by the 25th day prior to its then scheduled expiration date, the Liquidity Facility will be drawn in full up to the then Maximum Available Commitment (the "Non-Extension Drawing"). The proceeds of the Non-Extension Drawing will be deposited in the Cash Collateral Account as cash collateral to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under the Liquidity Facility would be used. (Liquidity Facility, Section 2.02(b); Indenture, Section 3.5(d))

Subject to certain limitations, Continental may, at its option, arrange for a Replacement Facility at any time to replace the Liquidity Facility (including, without limitation, any Replacement Facility described in the following sentence). In addition, if the Liquidity Provider shall determine not to extend the Liquidity Facility, then the Liquidity Provider may, at its option, arrange for a Replacement Facility to replace the Liquidity Facility (i) during the period no earlier than 40 days and no later than 25 days prior to the then scheduled expiration date of the Liquidity Facility and (ii) at any time after such scheduled expiration date. The Liquidity Provider may also arrange for a

Replacement Facility to replace the Liquidity Facility at any time after a Downgrade Drawing thereunder. If any Replacement Facility is provided at any time after a Downgrade Drawing or a Non-Extension Drawing, the funds on deposit in the Cash Collateral Account will be returned to the Liquidity Provider being replaced. (Indenture, Section 3.5 (e))

Upon receipt by the Trustee of a Termination Notice from the Liquidity Provider, the Trustee shall request a final drawing (a "Final Drawing") under the Liquidity Facility in an amount equal to the then Maximum Available Commitment thereunder. The Trustee will hold the proceeds of the Final Drawing in the Cash Collateral Account as cash collateral to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under the Liquidity Facility would be used. (Liquidity Facility, Section 2.02(d); Indenture, Section 3.5(i))

Drawings under the Liquidity Facility will be made by delivery by the Trustee of a certificate in the form required by the Liquidity Facility. Upon receipt of such a certificate, the Liquidity Provider is obligated to make payment of the drawing requested thereby in immediately available funds. Upon payment by the Liquidity Provider of the amount specified in any drawing under the Liquidity Facility, the Liquidity Provider will be fully discharged of its obligations under the Liquidity Facility with respect to such drawing and will not thereafter be obligated to make any further payments under the Liquidity Facility in respect of such drawing to the Trustee or any other person.

REIMBURSEMENT OF DRAWINGS

The Trustee must reimburse amounts drawn under the Liquidity Facility by reason of an Interest Drawing, Final Drawing, Downgrade Drawing or Non-Extension Drawing and interest thereon, but only to the extent that the Trustee has funds available therefor.

INTEREST DRAWINGS AND FINAL DRAWINGS

Amounts drawn by reason of an Interest Drawing or Final Drawing under the Liquidity Facility will be immediately due and payable, together with interest on the amount of such drawing. From the date of the drawing to (but excluding) the third business day following the Liquidity Provider's receipt of the notice of such Interest Drawing, interest will accrue at the Base Rate plus 2.00% per annum. Thereafter, interest will accrue at Liquidity Facility LIBOR for the applicable interest period plus 2.00% per annum. In the case of the Final Drawing, however, the Trustee may convert the Final Drawing into a drawing bearing interest at the Base Rate plus 2.00% per annum on the last day of an interest period for such Drawing.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to (a) the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a business day, for the next preceding business day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a business day, the average of the quotations for such day for such transactions received by the Liquidity Provider from three Federal funds brokers of recognized standing selected by it, plus (b) one-quarter of one percent (1/4 of 1%).

"Liquidity Facility LIBOR" means, with respect to any interest period, (i) the rate per annum appearing on display page 3750 (British Bankers Association--LIBOR) of the Dow Jones Markets Service (or any successor or substitute therefor) at approximately 11:00 A.M. (London time) two business days before the first day of such interest period, as the rate for dollar deposits with a maturity comparable to such interest period, or (ii) if the rate calculated pursuant to clause (i) above is not available, the average (rounded upwards, if necessary, to the next 1/16 of 1%) of the rates per annum at which deposits in dollars are offered for the relevant interest period by three banks of recognized standing selected by the Liquidity Provider in the London interbank market at approximately 11:00 A.M. (London time) two business days before the first day of such interest period in an amount approximately equal to the principal amount of the LIBOR Advance to which such interest period is to apply and for a period comparable to such interest period.

DOWNGRADE DRAWINGS AND NON-EXTENSION DRAWINGS

The amount drawn under the Liquidity Facility by reason of a Downgrade Drawing or a Non-Extension Drawing will be treated as follows:

- Such amount will be released on any Distribution Date to the Liquidity Provider to the extent that such amount exceeds the Required Amount.
- Any portion of such amount withdrawn from the Cash Collateral Account to pay interest on the Notes will be treated in the same way as Interest Drawings.
- The balance of such amount will be invested in certain specified eligible investments.

Any Downgrade Drawing, other than any portion thereof applied to the payment of interest on the Notes, will bear interest (x) subject to clause (y) below, at a rate equal to Liquidity Facility LIBOR for the applicable interest period plus a specified margin on the outstanding amount from time to time of such Downgrade Drawing and (y) from and after the date, if any, on which it is converted into a Final Drawing as described below under "--Liquidity Events of Default and Termination", at a rate equal to Liquidity Facility LIBOR for the applicable interest period (or, as described in the first paragraph under "--Interest Drawings and Final Drawings", the Base Rate) plus 2.00% per annum.

Any Non-Extension Drawing, other than any portion thereof applied to the

payment of interest on the Notes, will bear interest (x) subject to clause (y) below, in an amount equal to the investment earnings on amounts deposited in the Cash Collateral Account plus a specified margin on the outstanding amount from time to time of such Non-Extension Drawing and (y) from and after the date, if any, on which it is converted into a Final Drawing as described below under "--Liquidity Events of Default and Termination", at a rate equal to Liquidity Facility LIBOR for the applicable interest period (or, as described in the first paragraph under "--Interest Drawings and Final Drawings", the Base Rate) plus 2.00% per annum.

LIQUIDITY EVENTS OF DEFAULT AND TERMINATION

Events of default under the Liquidity Facility (each, a "Liquidity Event of Default") consist of:

- The acceleration of the Notes.
- Certain bankruptcy or similar events involving Continental. (Liquidity Facility, Section 1.01)

If any Liquidity Event of Default has occurred and is continuing and the Notes are Non-Performing, the Liquidity Provider may, in its discretion, give a notice of termination of the Liquidity Facility (a "Termination Notice"). The Termination Notice will have the following consequences:

- The Liquidity Facility will expire on the fifth Business Day after the date on which such Termination Notice is received by the Trustee.
- The Trustee will promptly request, and the Liquidity Provider will make, a Final Drawing in an amount equal to the then Maximum Available Commitment.
- Any drawing remaining unreimbursed as of the date of termination will be automatically converted into a Final Drawing.
- All amounts owing to the Liquidity Provider automatically will be accelerated.

Notwithstanding the foregoing, the Trustee will be obligated to pay amounts owing to the Liquidity Provider only to the extent of funds available therefor after giving effect to the payments in accordance with the provisions set forth under "Description of the Notes--Priority of Distributions". (Liquidity Facility, Section 6.01) Upon the circumstances described above under "Description of the Notes--Remedies", the Liquidity Provider may become the Controlling Party with respect to the exercise of remedies under the Indenture. (Indenture, Section 3.8(c))

Upon the occurrence of the Liquidity Provider Reimbursement Date, the Liquidity Facility will automatically expire, any drawing remaining unreimbursed as of such date will be automatically converted into a Final Drawing and all amounts owing to the Liquidity Provider automatically will be accelerated. On and after such date, no drawings under the Liquidity Facility will be permitted.

LIQUIDITY PROVIDER

The initial Liquidity Provider for the Notes is Morgan Stanley Capital Services Inc. The obligations of Morgan Stanley Capital Services Inc. are guaranteed by Morgan Stanley, its parent company (the "Liquidity Provider Guarantor"). Morgan Stanley has short-term unsecured debt ratings of P-1 from Moody's and A-1 from Standard & Poor's.

DESCRIPTION OF THE POLICY AND THE POLICY PROVIDER AGREEMENT

The following summary describes the material terms of the Policy and certain provisions of the Policy Provider Agreement. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Policy, which has been filed as an exhibit to the Registration Statement and copies of which are available as set forth under "Where You Can Find More Information".

THE POLICY

The Policy Provider has issued a certificate guarantee insurance policy (the "Policy") in favor of the Trustee for the benefit of the Noteholders and the Liquidity Provider. Drawings under the Policy may be made under the following six circumstances:

INTEREST DRAWINGS

If on any Distribution Date (other than the date on which a Policy Drawing is made as described in "--Proceeds Deficiency Drawing", "--Non-Performance Drawing" or "--Final Policy Drawing") after giving effect to the subordination provisions of the Indenture and to the application of any drawing paid under the Liquidity Facility in respect of interest due on the Notes on such Distribution Date and any withdrawal of funds from the Cash Collateral Account in respect of such interest (collectively, "Prior Funds"), the Trustee does not then have sufficient funds available for the payment of all amounts due and owing in respect of accrued interest on the Notes at the Stated Interest Rate (without giving effect to any acceleration and calculated assuming that Continental will not cure the nonpayment of interest), the Trustee is to request a Policy Drawing under the Policy in an amount sufficient to enable the Trustee to pay such accrued interest.

PROCEEDS DEFICIENCY DRAWING

If on any Distribution Date (other than the date on which a Policy Drawing is made as described in "--Non-Performance Drawing" or "--Final Policy Drawing") established by the Trustee by reason of its receipt of a payment constituting the proceeds from the sale of Pledged Spare Parts comprising all of the Pledged Spare Parts subject to the lien of the Security Agreement at the time of such sale, after giving effect to the subordination provisions of the Indenture and to the application of Prior Funds, the Trustee does not then have sufficient funds available for the payment in full of the then outstanding principal amount of the Notes together with accrued and unpaid interest thereon at the Stated Interest Rate (calculated assuming that Continental will not cure the nonpayment of interest and excluding any accrued and unpaid Premium or Break Amount) (collectively, the "Outstanding Amount"), the Trustee is to request a Policy Drawing under the Policy in an amount sufficient to enable the Trustee to pay the Outstanding Amount.

NON-PERFORMANCE DRAWING

If a Payment Default exists under the Notes (without giving effect to any acceleration or any payments by the Liquidity Provider or the Policy Provider) for eight consecutive Interest Periods (such period, the "Non-Performing Period") (regardless of whether any proceeds from the sale of any Collateral are distributed by the Trustee during such period) and continues to exist on the Interest Payment Date on which such eighth Interest Period ends (or, if such Interest Payment Date falls within the applicable period specified in the proviso to the definition of "Non-Performing", continues to exist on the Business Day immediately following such period (the "Relevant Date")), and on the 25th day following such Interest Payment Date or, if applicable, the Relevant Date (or, if such 25th day is not a Business Day, the next Business Day) (the "Non-Performance Payment Date") after giving effect to the subordination provisions of the Indenture and to the application of Prior Funds, the Trustee does not then have sufficient funds available for the payment in full of the Outstanding Amount as of the Non-Performance Payment Date, unless the Policy Provider shall have paid on any day prior thereto the Outstanding Amount as of such day pursuant to a Policy Drawing as described in "--Proceeds Deficiency Drawing" or "--Final Policy Drawing", the Trustee is to request a Policy Drawing under the Policy in an amount sufficient to enable the Trustee to pay such Outstanding Amount. If the Non-Performance Payment Date is established, the Trustee shall send to the Noteholders written notice thereof promptly, but no later than three Business Days, after the occurrence of the Interest Payment Date on which the Non-Performing Period ends or, if applicable, the Relevant Date.

Notwithstanding the foregoing, if the Non-Performance Payment Date is scheduled to occur prior to the Final Scheduled Payment Date, instead of paying such amount on the Non-Performance Payment Date, the Policy Provider may, so long as no Policy Provider Default is continuing, elect (the "Policy Provider Election"), by giving notice to the Trustee at least 10 days prior to the Non-Performance Payment Date, to pay:

- Any shortfall on the Non-Performance Payment Date in funds required to pay accrued interest on the Notes.
- Thereafter, on each Distribution Date, an amount equal to the scheduled principal (on the Final Scheduled Payment Date) and interest (without regard to any acceleration thereof) payable on the Notes on such Distribution Date.

Notwithstanding the Policy Provider Election, the Policy Provider may, on any Business Day (which shall be a Distribution Date) elected by the Policy Provider upon 20 days' notice, cause the Trustee to make a drawing under the Policy for an amount equal to the Outstanding Amount as of such day. Further, notwithstanding the Policy Provider Election, upon the occurrence of a Policy Provider Default, the Trustee shall, on any Business Day elected by the Trustee upon 20 days' notice to the Policy Provider, make a drawing under the Policy for an amount equal to the Outstanding Amount as of such day.

FINAL POLICY DRAWING

If on the Final Legal Maturity Date, after giving effect to the subordination provisions of the Indenture and to the application of any Prior Funds, unless the Policy Provider shall have paid on any day prior thereto the Outstanding Amount as of such day as described in "--Proceeds Deficiency Drawing" or "--Non-Performance Drawing", the Trustee does not then have sufficient funds available for the payment in full of the Outstanding Amount as of such date, the Trustee is to request a Policy Drawing under the Policy in an amount sufficient to enable the Trustee to pay such Outstanding Amount.

AVOIDANCE DRAWING

If, at any time, the Trustee has actual knowledge of the issuance of any Final Order, the Trustee is to give prompt notice to the Liquidity Provider and the Policy Provider of such Final Order and, prior to the expiration of the Policy, to request a Policy Drawing for the relevant Avoided Payment and to deliver to the Policy Provider a copy of the documentation required by the Policy with respect to such Final Order. To the extent that any portion of such Avoided Payment is to be paid to the Trustee (and not to any receiver, conservator, debtor-in-possession or trustee in bankruptcy as provided in the Policy), the Trustee shall establish as a Distribution Date the date that is the earlier of three Business Days after the date of the expiration of the Policy and the Business Day that immediately follows the 25th day after that notice for distribution of such portion of the proceeds of such Policy Drawing.

LIQUIDITY PROVIDER DRAWING

On or after the Business Day which is 24 months from the earliest to occur of (1) the date on which an Interest Drawing shall have been made under the Liquidity Facility and remains unreimbursed from payments made by Continental at the end of such 24-month period, (2) the date on which any Downgrade Drawing, Non-Extension Drawing or Final Drawing that was deposited into the Cash Collateral Account shall have been applied to pay any scheduled payment of interest on the Notes and remains unreimbursed from payments made by Continental at the end of such 24-month period and (3) the date on which all of the Notes have been accelerated and remain unpaid by Continental at the end of such 24-month period (in each case, disregarding any reimbursements from payments by the Policy Provider and from proceeds from the sale of Collateral distributed by the Trustee during such 24-month period) (such Business Day, the "Liquidity Provider Reimbursement Date"), the Policy Provider (upon 20 days' prior notice from the Trustee on behalf of the Liquidity Provider) will be required to honor drawings under the Policy by the Trustee on behalf of the Liquidity Provider for all outstanding drawings under the Liquidity Facility, together with interest thereon.

GENERAL

All requests by the Trustee for a Policy Drawing under the Policy (other than a Policy Drawing as described in "--Liquidity Provider Drawing") are to be made by it no later than 1:00 p.m. (New York City time) on (or, in the case of any Avoided Payment, at least three Business Days prior to) the applicable Distribution Date and in the form required by the Policy and delivered to the Policy Provider in accordance with the Policy. All proceeds of any Policy Drawing under the Policy (other than a Policy Drawing as described in "--Liquidity Provider Drawing") by the Trustee are to be deposited by the Trustee in a separate policy account and from there distributed to the Noteholders without regard to the subordination provisions of the Indenture. In the case of any Avoided Payments, however, all or part of the Policy Drawing will be paid directly to the bankruptcy receiver, conservator, debtor-in-possession or trustee to the extent such amounts have not been paid by the Noteholders. If any request for a Policy Drawing is rejected as not meeting the requirements of the Policy, the Trustee is to resubmit such request so as to meet such requirements.

The Policy provides that if such a request for a Policy Drawing is properly submitted or resubmitted it will pay to the Trustee for deposit in a separate policy account the applicable payment under the Policy no later than 3:00 p.m. on the later of the relevant Distribution Date and the date the request is received by the Policy Provider (if the request is received by 1:00 p.m. on such date) or the next Business Day (if the request is received after that time).

Once any payment under the Policy is paid to the Trustee, the Policy Provider will have no further obligation in respect of such payment. THE POLICY PROVIDER SHALL NOT BE REQUIRED TO MAKE ANY PAYMENT EXCEPT AT THE TIMES AND IN THE AMOUNTS AND UNDER THE CIRCUMSTANCES EXPRESSLY SET FORTH IN THE POLICY.

The Policy does not cover (i) shortfalls, if any, attributable to the liability of the Trustee for withholding taxes, if any (including interest and penalties in respect of that liability), (ii) any interest on the Notes in excess of the Capped Interest Rate, (iii) any Premium or other acceleration payment payable in respect of the Notes, (iv) any Break Amount or (v) any failure of the Trustee to make any payment due to the Noteholders from funds received.

The Policy Provider's obligation under the Policy will be discharged to the extent that funds are received by the Trustee for distribution to the Noteholders, whether or not the funds are properly distributed by the Trustee.

The Policy is noncancellable. The Policy expires and terminates without any action on the part of the Policy Provider or any other person on the date (the "Termination Date") that is one year and one day following the date on which the Outstanding Amount is paid on the Notes, unless an Insolvency Proceeding has commenced and has not been concluded or dismissed on the Termination Date, in which case on the later of (i) the date of the conclusion or dismissal of such Insolvency Proceeding without continuing jurisdiction by the court in such Insolvency Proceeding and (ii) the date on which the Policy Provider has made all payments required to be made under the terms of such Policy in respect of Avoided Payments. No portion of the premium under the Policy is refundable for any reason including payment or provision being made for payment.

The Policy is issued under and pursuant to, and shall be construed under, the laws of the State of New York.

DEFINITIONS

"Avoided Payment" means with respect to the Policy any amount paid or required to be paid thereunder that is voided under any applicable bankruptcy, insolvency, receivership or similar law in an Insolvency Proceeding, and, as a result of which, the Trustee, the Liquidity Provider or any Noteholder is required to return all or any portion of such voided payment (including any disgorgement from the Noteholders or the Liquidity Provider resulting from an Insolvency Proceeding whether such disgorgement is determined on a theory of preferential conveyance or otherwise) in accordance with a final, non-appealable order of a court of competent jurisdiction.

"Final Order" means the order referred to in the definition of the term "Avoided Payment".

"Insolvency Proceeding" means the commencement, after the Issuance Date, of any bankruptcy, insolvency, readjustment of debt, reorganization, marshalling of

assets and liabilities or similar proceedings by or against Continental or the Liquidity Provider and the commencement, after the Issuance Date, of any proceedings by Continental or the Liquidity Provider for the winding up or liquidation of its affairs or the consent, after the Issuance Date, to the appointment of a trustee, conservator, receiver or liquidator in any bankruptcy, insolvency, readjustment of debt, reorganization, marshalling of assets and liabilities or similar proceedings of or relating to Continental or the Liquidity Provider.

THE POLICY PROVIDER AGREEMENT

The Trustee, Continental and the Policy Provider have entered into an insurance and indemnity agreement (the "Policy Provider Agreement") pursuant to which Continental has agreed to reimburse the Policy Provider for amounts paid pursuant to claims made under the Policy. Pursuant to the Policy Provider Agreement, Continental has agreed to pay the Policy Provider a premium based on the outstanding principal of the Notes and a fee in connection with any prepayment of the Notes and to reimburse the Policy Provider for certain expenses.

DESCRIPTION OF THE APPRAISAL

SH&E, an independent aviation appraisal and consulting firm, has prepared an appraisal of the spare parts included in the Collateral as of December 25, 2002. A letter, dated January 24, 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 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.

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 ("Rotables"). For example, thrust reversers, auxiliary power units and landing gear are Rotables. 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. For example, engine cowlings, engine blades and duct assemblies are repairable expendable parts and bolts, screws, tubes and hoses are consumable expendable parts. Spare engines are not included in the Collateral. Set forth below is certain information about the spare parts of the types included in the Collateral and the appraised value of such spare parts set forth in SH&E's appraisal referred to above:

	SPARE PARTS QUANTITY(1)			
AIRCRAFT MODEL	EXPENDABLES	ROTABLES	TOTAL	APPRAISED VALUE
737-700.....	877	24	901	
737-700/800.....	278,912	6,942	285,854	
737-800.....	3,777	191	3,968	
737-900.....	821	10	831	
737-7/8/9 Subtotal.....	284,387	7,167	291,554	$185,972,600
757-200.....	185,731	3,391	189,122	69,352,800
757-300.....	10,946	96	11,042	3,116,700
767-200.....	25,485	227	25,712	8,946,700
767-400.....	51,147	1,586	52,733	55,741,200
777-200.....	111,210	3,006	114,216	113,712,000
Total.....	668,906	15,473	684,379	$436,841,900

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(1) This quantity of spare parts used in preparing the appraised value was determined as of December 25, 2002. 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. See "Description of the Notes--Collateral".

In connection with the issuance of the Old Notes, SH&E prepared an appraisal, dated as of October 31, 2002, of the spare parts of the types included in the Collateral owned by Continental as of August 25, 2002, prepared on substantially the same basis as the appraisal described above. The total appraised value of the spare parts according to such appraisal was $415,429,000.

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 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 Notes. If a Policy Provider Default occurs and such proceeds are not

sufficient to repay all such amounts due on the Notes, then holders (to the extent not repaid from the proceeds of the sale of Collateral) would have only unsecured claims against Continental and the Policy Provider.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

EXCHANGE OF OLD NOTES FOR NEW NOTES

The following summary describes the material generally applicable U.S. federal income tax consequences to Noteholders of the exchange of the Old Notes for New Notes. This summary is intended to address the beneficial owners of Notes that are citizens or residents of the United States, corporations, partnerships or other entities created or organized in or under the laws of the United States or any State, or estates or trusts the income of which is subject to U.S. federal income taxation regardless of its source that will hold the Notes as capital assets. The summary does not address all of the federal income tax consequences that may be relevant to all Noteholders in light of their particular circumstances (including, for example, any special rules applicable to tax-exempt organizations, broker-dealers, insurance companies, foreign entities and persons who are not citizens or residents of the United States) and does not address any tax consequences other than federal income tax consequences.

The exchange of Old Notes for New Notes (the "Exchange") pursuant to the Exchange Offer will be treated as a continuation of the holder's investment in the Old Notes and will not be a taxable event for U.S. federal income tax purposes. As a result, a holder of an Old Note whose Old Note is accepted in an Exchange Offer will not recognize gain or loss on the Exchange. Similarly, there would be no federal income tax consequences to a Noteholder that does not participate in the Exchange Offer. A tendering holder's tax basis in the New Notes will be the same as such holder's tax basis in its Old Notes. A tendering holder's holding period for the New Notes received pursuant to the Exchange Offer will include its holding period for the Old Notes surrendered therefor.

ALL HOLDERS OF OLD NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE EXCHANGE OF OLD NOTES FOR NEW NOTES AND OF THE OWNERSHIP AND DISPOSITION OF NEW NOTES RECEIVED IN THE EXCHANGE OFFER IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired 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, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until such date all broker-dealers effecting transactions in the New Notes may be required to deliver a prospectus.

Continental will not receive any proceeds from any sale of New Notes by broker-dealers. New Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Notes. Any broker-dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit of any such resale of New Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Starting on the Expiration Date, Continental will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal.

Continental has agreed to pay all expenses incident to the Exchange Offer other than commissions or concessions of any brokers or dealers, fees of counsel to the Holders and certain transfer taxes, and will indemnify the Holders of the New Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the Notes is being passed upon for Continental by Hughes Hubbard & Reed LLP, New York, New York.

EXPERTS

The consolidated financial statements (including the financial statement schedule) of Continental Airlines, Inc. appearing in Continental Airlines, Inc.'s Annual Report (Form 10-K), as amended, for the year ended December 31, 2002 have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference. Such consolidated financial statements (including the financial statement schedule) are, and audited consolidated financial statements to be included in subsequently filed documents will be, incorporated herein by reference in reliance upon such reports of Ernst & Young LLP pertaining to such consolidated financial statements (to the extent covered by consents filed with the Commission) given on the authority of such firm as experts in accounting and auditing.

The consolidated balance sheets of MBIA Inc. and subsidiaries and MBIA Insurance Corporation and subsidiaries as of December 31, 2002 and December 31, 2001 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2002, incorporated herein by reference, have been incorporated herein in reliance on the reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing. Any other audited financial statements of such companies that are incorporated or that are deemed to be incorporated herein by reference that are the subject of a report by PricewaterhouseCoopers LLP, independent accountants, will be so incorporated by reference in reliance upon such reports and upon the authority of such firms as experts in accounting and auditing to the extent covered by consents of PricewaterhouseCoopers LLP filed with the SEC.

The references to SH&E, and to its appraisal reports, dated as of October 31, 2002 and January 24, 2003, are included herein in reliance upon the authority of such firm as an expert with respect to the matters contained in its appraisal reports.

APPENDIX I--INDEX OF TERMS

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APPENDIX II--APPRAISAL LETTER

SH&E INTERNATIONAL AIR TRANSPORT CONSULTANCY

A FULL APPRAISAL OF SELECTED SPARE PARTS

Prepared for:

CONTINENTAL AIRLINES

Prepared by:
SH&E

JANUARY 24, 2003

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1.0 INTRODUCTION, DETERMINATION & ASSUMPTIONS

1.1 INTRODUCTION

Continental Airlines, Inc. ("Continental" the "Client") has retained Simat, Helliesen & Eichner, Inc. ("SH&E") to prepare an update to its opinion of the Current (or Fair) Market Value ("CMV") of an inventory of selected spare parts owned by Continental (collectively the "Subject Assets"). This report is an update to SH&E's previous report dated October 31, 2002.

As part of the appraisal, SH&E conducted limited physical inspections of Continental's warehouse facilities at Newark (3 locations), Cleveland, Los Angeles (2 locations), Houston - George Bush Intercontinental (4 locations), Houston - Hobby, Honolulu (2 locations) and Orlando. Together, these locations account for 80% of the subject asset value.

1.2 DETERMINATION

SH&E has determined the aggregate Adjusted(1) Current Market Value of the Subject Assets to be:

$ 436.8 MILLION

As a point of reference, this updated appraisal represents an increase of $21.4 million from the valuation provided in the previous report dated October 31, 2002 that was based on an inventory listing as of August 25, 2002.

- ---

(1) Adjustments were made to the CMV to reflect serviceability levels and inventory accuracy

TABLE 1-1: CONTINENTAL AIRLINES SELECTED SPARE PARTS VALUATION SUMMARY ($000)

	UNADJUSTED CURRENT MARKET VALUE		
	Serviceable	Unserviceable	Total
737-7/8/9	$157,991.7	$56,175.8	$214,167.6
757-200	$62,373.7	$17,599.7	$79,973.4
757-300	$2,944.5	$434.0	$3,378.4
767-200	$6,340.1	$7,193.2	$13,533.3
767-400	$51,935.1	$9,576.8	$61,511.8
777-200	$97,444.4	$32,665.2	$130,109.6
Total	$379,029.5	$123,644.7	$502,674.2

TABLE 1-2: CONTINENTAL AIRLINES SELECTED SPARE PARTS VALUATION SUMMARY ($000)

	ADJUSTED CURRENT MARKET VALUE		
SH&E Value Group	Serviceable	Unserviceable	Total
737-7/8/9	$157,991.7	$27,980.8	$185,972.6
757-200	$62,373.7	$6,979.1	$69,352.8
757-300	$2,944.5	$172.2	$3,116.7
767-200	$6,340.1	$2,606.6	$8,946.7
767-400	$51,935.1	$3,806.1	$55,741.2
777-200	$97,444.4	$16,267.6	$113,712.0

Total	$379,029.5	$57,812.4	$436,841.9

1.3 ASSUMPTIONS

SH&E relied on the following assumptions while performing this valuation:

- The global commercial aviation industry and, more specifically, the aviation spare parts aftermarket will continue to recover from the financial distress experienced since early 2001.
- The SH&E values assume the Subject Assets meet all relevant specifications and performance capabilities.
- SH&E relied upon Continental's determination as to the serviceability or unserviceability of the Subject Assets. Any variation in their status would affect the values referenced herein.
- SH&E has not addressed any ownership rights and has assumed that the Subject Assets are owned by the Client.
- The Subject Asset's records are in compliance with International Civil Aviation Organization (ICAO) standards and furthermore, all Life Limited Parts ("LLP's") records are traceable "back to birth"(2).
- All normally required maintenance has been performed including compliance with all mandatory Airworthiness Directives.
- All of the data and information provided by Continental is an accurate representation of the actual conditions or circumstances of the Subject Assets.
- The Subject Assets have not been involved in any major incident or accident that resulted in significant damage to the asset.

(2) "Back-to-birth" records are those that provide operating history information for each LLP from the date of its first delivery by the Original Equipment Manufacturer (OEM) to its first operator and for each subsequent installation.

2.0 DESCRIPTION OF ASSETS

2.1 SPARE PARTS NOMENCLATURE

Aircraft and engine spare parts are generally categorized as follows:

ROTABLES

Rotable parts are those components that can be repeatedly and economically restored to a serviceable condition over a period approximating the life of the flight equipment to which they are related. When in need of overhaul, rotable components are generally worth 30-50% of new and, after overhaul, they are typically worth 70-85% of new depending on the age of the aircraft type.

Examples of rotable parts include thrust reversers, auxiliary power units, landing gears, generators, valves and actuators. Rotable parts normally have an unique serial number.

REPAIRABLES

Repairables are those components or parts that can be economically restored to a serviceable or overhauled condition, but that have a life that is considerably less than the life of the flight equipment to which they are related. In addition, they can only be overhauled or repaired a limited number of times. When in need of overhaul or repair, repairable parts are typically worth 30-50% of new and, after overhaul 60-80 % of new.

In the Continental system, these parts are classified as Expendables (because they are ultimately consumed) with a notation in the part record that the part is to be "recovered" and inspected to determine if repair is cost effective prior to being scrapped.

Examples of repairable or Recoverable Expendable parts include engine cowlings, fairings, and engine blades, flap track assemblies, certain bearings, duct assemblies and fittings.

EXPENDABLES

Expendables are parts or material that, once used, cannot be re-used and, if not serviceable, they generally cannot be overhauled or repaired.

LIFE LIMITED PARTS

Life limited parts (LLP) have a finite operating life that is defined by hours, cycles or calendar limit and are usually found in engines and landing gear assemblies. When a LLP reaches its life limit, it cannot be overhauled or repaired and must be destroyed.

The condition of aircraft and engine parts is classified as follows:

NEW

New parts are parts that have never been used and are normally in the manufacturer's original packaging.

OVERHAULED

Overhauled parts are rotable or repairable parts that have been repaired and tested to defined overhaul standards that can be specified by the manufacturer, an airline or the repair vendor. The overhaul process restores the part to near new service standard.

SERVICEABLE

Serviceable parts are parts that have been inspected and tested and found to be within prescribed service limits.

AS REMOVED

An 'As Removed' part is in the condition that it was when it was removed from an operator's aircraft or engine. Such a part can be installed, if operating normally prior to removal, without prior testing on an aircraft or engine in the same operator's fleet. In all other cases, an As Removed part must be inspected and tested in an approved manner before it can be declared serviceable.

UNSERVICEABLE

Unserviceable (sometimes referred to as Repairable) components or parts have been either removed from service for not working correctly or, upon inspection and testing, were found not to meet certain prescribed standards. Such parts can be sent to suitably qualified facilities for repair or overhaul as required.

BEYOND ECONOMIC REPAIR

An unserviceable part that, when inspected and tested, is found to require repairs that are estimated to cost more than the part is worth is declared 'Beyond Economic Repair' (BER) and is usually scrapped.

AIRWORTHINESS OF PARTS

All parts, regardless of whether or not they are classified as 'New', 'Overhauled' or 'Serviceable' only remain airworthy as long as the part continues to comply with all manufacturer's storage, maintenance and FAA Airworthiness Directives requirements.

2.2 SUMMARY OF THE CONTINENTAL INVENTORY

The Subject Assets are selected airframe, avionic and engine spare parts for Continental's in-service fleet of Boeing 737-700, 737-800 and 737-900 together with Boeing 757-200, 757-300, 767-200, 767-400 and 777-200 aircraft. The aircraft inventories include the total inventory population for all of those aircraft except for the 757-200. The 757 parts include only those acquired after October 1994.

SH&E was provided with an electronic inventory listing from CO's 'SCEPTRE/ICS' inventory management system dated as of December 25, 2002. The inventory listed each Continental part number ("MEPN") and information for each MEPN by fleet, category (expendable or rotable), historic average cost (also last purchase price and catalogue price if available), and the percentage serviceable. The inventory consisted of 25,465 line items with a total of 789,737 individual parts. A total of 2,110 line items containing 105,358 parts (see Appendix B) were excluded from this appraisal for the following reasons:

1. The parts are for an aircraft modification program that will be completed by the next appraisal (cockpit doors).

2. The parts are assets supplied and owned by vendors but tracked in the Continental maintenance system (brake and tire sets).

3. Or, are branded parts specific to Continental and can only be used by the airline (seat covers, carpet and cushion, and fabric).

These parts except for the cockpit doors, which are new items, were also removed from the previous appraisal.

The majority of the Subject Assets were assessed to be in a new or overhauled maintenance condition. Continental claimed that the accuracy of the inventory management systems found by SH&E at the inspected facilities was representative of other stations in the system and SH&E found no indications to the contrary. It should be noted that SH&E did not compare or reconcile the part cost basis provided to SH&E with values reported on Continental's Balance Sheet.

TABLE 2-1: SELECTED SPARE PARTS DISTRIBUTION

Value Group	Fleet	Expendable	Rotable	Total
	737-700/800	278,912	6,942	285,854
	737-800	3,777	191	3,968
	737-900	821	10	831
737-7/8/900 Total		284,387	7,167	291,554
757-200	757-200	185,731	3,391	189,122
757-300	757-300	10,946	96	11,042
767-200	767-200	25,485	227	25,712
767-400	767-400	51,147	1,586	52,733
777-200	777-200	111,210	3,006	114,216
Grand Total		668,906	15,473	684,379

*These summary tables reflect the current part count after all inventory adjustments. See Appendix B for a detailed summary of inventory adjustments.

2.3 COMPARISON OF THE TWO APPRAISALS

For this appraisal SH&E used data as of December 25, 2002; in the prior appraisal, the inventory was dated as of August 25, 2002

2.3.1 INVENTORY SIZE COMPARISON

The inventory as of December 25, 2002 contained 742 more Continental part numbers and contained 59,454 more individual parts. The following table summarizes the differences.

TABLE 2-2: INVENTORY AS OF DECEMBER 2002

Aircraft	Lines	Parts
737-7/8/9	6,036	335,753
757-200	7,568	212,363
757-300	674	12,662
767-200	1,298	26,574
767-400	3,970	67,597
777-200	5,919	134,788
Grand Total	25,465	789,737

TABLE 2-3: INVENTORY AS OF AUGUST 2002

Aircraft	Lines	Parts
737-7/8/9	5,756	279,537
757-200	7,386	212,424
757-300	659	12,080
767-200	1,260	26,418
767-400	3,867	67,304

777-200	5,795	132,520
Grand Total	24,723	730,283

TABLE 2-4: INVENTORY - DIFFERENCES

Aircraft	Lines	Parts
737-7/8/9	280	56,216
757-200	182	(61)
757-300	15	582
767-200	38	156
767-400	103	293
777-200	124	2,268
Grand Total	742	59,454

*THE COUNT OF PARTS AS OF JANUARY 2003 IS BEFORE ALL INVENTORY ADJUSTMENTS. SEE APPENDIX B FOR A DETAILED SUMMARY OF INVENTORY ADJUSTMENTS.

The change in inventory represents an increase in unadjusted current market value of approximately $47.9 Million.

2.3.2 SIGNIFICANT CHANGES IN THE INVENTORY

SH&E noted that the proportion of unserviceable parts has increased by approximately $50 million (before maintenance adjustment) since the previous inventory. This change was expected as it was noted during the prior appraisal that the proportion of unserviceable parts was relatively low compared with U.S. industry average.

SH&E also noted that Continental acquired 4 new APUs(3) with an approximate current market value of $2.5 million.

- --------------------

(3) An APU is an Auxiliary Power Unit. It is a small jet engine used to provide electrical and pneumatic power to aircraft system when on the ground and power for starting the main engines. Certain of the engines can be used to provide emergency in-flight electrical power.

2.3.3 OTHER OBSERVATIONS

- At Newark Liberty International Airport, Continental is building a new spare parts facility which is due for completion in April 2003. Once complete, parts from the current hanger location and off-airport warehouse will be consolidated into the single facility.
- The Guam station holds inventory representing approximately $25 million in value and was recently damaged by a typhoon. Accordingly, SH&E was unable to inspect this facility. Continental reports that the facility is being repaired. Continental further informs us that the associated damage, to the spare parts was minimal, and affected parts are being repaired. SH&E will inspect the facility at the next appraisal update.
- SH&E observed different packaging standards between different stations although all were acceptable by industry standards. SH&E recommended that all parts in excess of $2,500 be individually packaged even when stored within a bin.
- Previously at the Houston - Morales (MOR) location, SH&E discovered several rotable parts were reported as being present at the facility inventory when they were actually installed on an aircraft. Continental was aware of the problem and advised it was being corrected. SH&E retested samples of this inventory and the problem appears to have been corrected.

3.1 DEFINITION OF TERMS

3.1.1 BASE VALUE

The Base Value ("BV") is the appraiser's opinion of the underlying economic value of an asset in an open, unrestricted and stable market environment with a reasonable balance of supply and demand, and also assumes full considerations of its "highest and best use". An asset's BV is founded in the historical trend of values and in the projection of value trends and presumes an arm's-length, cash transaction between willing, able and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing.

Since BV pertains to a somewhat idealized asset and market combination it may not necessarily reflect the actual value of the asset in question, but is a nominal starting value to which adjustments may be applied to determine an actual value. Since BV is related to long-term market trends, the BV definition is normally applied to analyses of historical values and projections of residual values and lease rates.

3.1.2 CURRENT MARKET VALUE

The Current (or Fair) Market Value ("CMV" or "FMV") is the appraiser's opinion of the most likely trading price that may be generated for an individual asset under the market circumstances that are perceived to exist at the time in question. CMV assumes that the asset is valued for its highest, best use, that the parties to the hypothetical sale transaction are willing, able, prudent and knowledgeable. Neither are under any unusual pressure for a prompt sale, and that the transaction would be negotiated in an open and unrestricted market on an arm's-length basis, for cash or equivalent consideration, and given an adequate amount of time for effective exposure to prospective buyers. Unless stated otherwise, the total CMV of multiple assets represents the aggregate of the individual asset's Current Market Values were they to be sold on an asset-by-asset basis and not the value of the assets if sold in bulk.

3.2 SPARE PARTS APPRAISAL METHODOLOGY

SH&E's standard parts appraisal can be summarized as a calculation of an adjustment to the owner's internal inventory value. The statistically based adjustment is achieved by the development of a representative, dollar-weighted, stratified sample of the parts, the valuation of that sample and then, the application of a derived adjustment factor to the sample and then to the entire population of parts. That process is more fully described below.

3.2.1 SAMPLING PROCESS

SH&E obtained an itemized database of the parts to be valued from Continental. The data identified each part by aircraft type, rotable or expendable category, description, manufacturer's part number, quantity, and percent serviceable. The data also provided an average acquisition cost for each part. Some parts were listed with zero cost and those were handled separately.

SH&E compiled a single database of the selected Continental inventory that contained 25,465 line items. The inventory was then grouped by aircraft type with common trading characteristics and subsequently, by category. For this valuation, SH&E initially grouped all 737 aircraft together but kept the 757 and 767 parts separate. It should be noted that the later model 767-400 has significant systems and parts commonality with the 777 aircraft.

Each of the groupings was then sorted by descending unit cost value and then divided into four to six separate strata of approximately equal total value based on Continental's reported cost or value for each line item. A further stratum was created in some cases to provide consideration for parts with a reported zero average acquisition value. Approximately 1,500 line items were selected for the initial sampling and these served as the basis of the pricing and physical sampling process. The pricing sample was further increased to include all matching parts in SH&E's internal parts database.

3.2.2 SAMPLE VALUATION

The CMV of the individual parts that make up each sample was determined by investigating the current sale price for new or overhauled parts, based on information from independent third parties, manufacturers' parts lists and SH&E files.

SH&E performed a detailed pricing survey for the prior appraisal and, for this update, spot checked values from each pool of parts and found no significant change in the individual part's values. New pricing was performed on a small group of parts with higher values to validate their pricing consistency with similar parts from the prior appraisal. A small sample of new parts was sent to several major parts vendors who provided current trading values. As before, most of these parts are associated with new production aircraft with a limited secondary market and many of the returned vendor-provided values were new prices or catalogue values.

3.2.3 CURRENT MARKET VALUE DETERMINATION

SH&E applied the results of the sample pricing to each appropriate strata and, in addition, applied price matches from other sources. Over 30 different sources including price catalogs from the major manufacturers, US government procurement data, airline parts pooling price lists and inventory and purchase records from seven major U.S. and European airlines files were reviewed in order to determine additional current market values. More than three million parts pricing records were examined in order to match a part number and reference price for each part in the Continental inventory.

SH&E obtained a market price for the small sample of parts based on an assumption that each part would be purchased independently, as a single unit, and in a new or overhauled condition for rotables and new condition for expendables. In cases where more than one quote was obtained, SH&E attempted to determine the most reasonable value.

This file matching procedure, using both the initial sample and SH&E's internal resources, was successful in determining market price for approximately 17,500 line items representing approximately 71% of the line items and 74% of the historic cost.

3.2.4 CONDITION AND QUANTITY ADJUSTMENT

The CMV of unserviceable parts was calculated using ratios of serviceable to unserviceable values obtained from prior SH&E parts appraisals and applied to SH&E's findings made during the physical inspection and audit.

Continental provided SH&E with a percentage unserviceable by part number. This statistic was tested against internal records but, during this appraisal, no supplier audits or surveys' were made to validate the unserviceable percentages provided by the airline. Selected vendor audit will be performed during the next full appraisal.

For this update, SH&E revisited Continental's parts facilities in Newark, Cleveland, Los Angeles and Houston (George Bush) and performed first time visits to Honolulu, Houston Hobby and Orlando to physically inspect the assets and to verify the accuracy of the inventory reporting system. As before the accuracy of Continental's inventory was above industry standard and Honolulu and Cleveland both had no discrepancies. SH&E's review of the associated records also revealed no discrepancies.

The physical sample audit indicated accuracy above U.S. industry norms, however, SH&E did note that the airline creates a large number of "kits." A kit is a package of parts, either multiple units of the same part or a collection of necessary parts needed to complete a certain maintenance task. Sometimes the kit contains a rotable item along with the necessary expendable material to perform installation. Almost all the material was new. It should be noted that the "kitting" process makes the kit unique to Continental but the parts can be made generic simply by disassembling the kit. For this valuation the kit parts were treated as independent parts.

4.0 THE MARKET FOR THE SUBJECT ASSETS

The potential market for Continental Airlines' spare parts remains positive. In the main, the parts are associated with aircraft that have enjoyed extensive production runs and also have a wide operator base. The two exceptions are the 757-300 and the 767-400; these aircraft have both limited production runs and small operator bases. There have been a total of 63 757-300 aircraft ordered for 7 operators and 37 767-400 aircraft ordered for two operators, Continental and Delta. That said, there is very significant commonality between the 757-200 and 757-300 aircraft and also between the 767-400 and the 777.

The parts aftermarket, generally estimated to exceed $1.3 billion in annual revenues, has obtained the majority of its product from either airline surplus sales or from dismantled aircraft. There have been no significant sales of surplus parts for the late generation aircraft represented by this parts inventory or for their associated engines. Nor have any of these aircraft types been dismantled for parts other than incident-related aircraft. Consequently, there is very little of this type of airframe material available on the parts aftermarket. The same is true for the engine market where the Original Equipment Manufacturers ("OEM") have maintained a tight control of any aftermarket relating to newer generation engines. SH&E is of the opinion that the Subject Assets, if offered for sale, would include some of the most marketable material in the commercial aviation parts aftermarket.

5.0 QUALIFICATIONS

Founded in 1963 and with offices in New York, Boston, Washington, London and Amsterdam, SH&E is the world's largest consulting firm specializing in commercial aviation. Its staff of over 90 personnel encompasses expertise in all disciplines of the industry and the firm has provided appraisal, consulting, strategic planning and technical services to airlines, leasing companies, government agencies, airframe and engine manufacturers, and financial institutions.

SH&E's appraisal staff are all members of the International Society of Transport Aircraft Trading (ISTAT), the internationally recognized body for the certification of aircraft appraisers. SH&E performs all appraisals in accordance with the definitions, guidelines and standards set forth by ISTAT. SH&E's officer responsible for all appraisals is an ISTAT Senior Appraiser.

SH&E annually values approximately $20 billion of aviation assets including commercial and military equipment, airline fleets and lease portfolios. The appraisals range from full appraisals involving detailed aircraft and record inspections conducted by SH&E's technical staff to the valuation of tax-based leases. SH&E's proprietary aircraft residual value model is widely accepted by the rating agencies as a reliable forecasting tool. In addition to the above aircraft valuations, SH&E annually values in excess of $3 billion worth of aircraft spare parts and spare engines. SH&E routinely values flight simulators, hangar tooling, ground equipment, gates, slots, maintenance facilities and Fixed Base Operations.

A related service that SH&E offers its Clients is Asset Management. Over the last few years, SH&E has been the principal asset manager responsible for the recovery and subsequent remarketing of a number of individual aircraft and some significant portfolios.

This active participation in the market place provides SH&E with practical and first hand knowledge of the values and lease rates of aircraft, engines and parts.

6.0 LIMITATIONS

SH&E used information supplied by the Client together with in-house data accumulated through other recent studies of aircraft parts transactions.

SH&E's opinions are based upon historical relationships and expectations that it believes are reasonable.

Some of the underlying assumptions, including those described above are detailed explicitly or implicitly elsewhere in this report, may not materialize because of unanticipated events and circumstances. SH&E's opinions could, and would, vary materially, should any of the above assumptions prove to be inaccurate.

The opinions expressed herein are not given for, or as an inducement or endorsement for, any financial transaction. They are prepared for the exclusive use of the addressee. SH&E accepts no responsibility for damages, if any, that result from decisions made or actions taken based on this report.

This report does not address the validity of title or ownership of the items discussed herein.

This report reflects SH&E's expert opinion and best judgment based upon the information available to it at the time of its preparation. SH&E does not have, and does not expect to have, any financial interest in the appraised property.

For SH&E:

/s/ CLIVE G. MEDLAND
- ----------
Clive G. Medland, FRAeS
Senior Vice President
Senior Appraiser
International Society of
Transport Aircraft Trading

January 24, 2003

SH&E INTERNATIONAL AIR TRANSPORT CONSULTANCY

SELECTED SPARE PARTS VALUATION SUMMARY BY MATERIAL CLASS

Dollars in (000)

VALUE GROUP	ROTABLE	EXPENDABLE	GRAND TOTAL
737-7/8/9	$153,526.8	$32,445.7	$185,972.6
757-200	$49,898.8	$19,454.1	$69,352.8
757-300	$2,267.0	$849.7	$3,116.7
767-200	$6,611.4	$2,335.3	$8,946.7
767-400	$46,714.4	$9,026.8	$55,741.2
777-200	$88,442.0	$25,270.0	$113,712.0
TOTAL	$347,460.4	$89,381.5	$436,841.9

APPENDIX B
SUMMARY OF INVENTORY ADJUSTMENTS

SELECTED SPARE PARTS: SUMMARY OF INVENTORY ADJUSTMENTS

Starting CO Inventory			Less brakes, tires, cockpit doors				Less CO specific parts			Total Adjustments to Inventory			Inventory After Adjustments		
Group	Lines	Qty	Group	Lines	Qty	Reason	Group	Lines	Qty	Group	Lines	Qty	Group	Lines	Qty
737-7/8/9	6,036	335,753	737-7/8/9	1	50	DOOR	737-7/8/9	470	44,149	737-7/8/9	471	44,199	737-7/8/9	5,565	291,554
757-200	7,568	212,363	757-200	3	99	BRAKE/TIRE	757-200	395	23,142	757-200	398	23,241	757-200	7,170	189,122
757-300	674	12,662	757-300	2	14	BRAKE/TIRE	757-300	46	1,606	757-300	48	1,620	757-300	626	11,042
767-200	1,298	26,574	767-200	2	9	BRAKE/TIRE	767-200	38	853	767-200	40	862	767-200	1,258	25,712
767-400	3,970	67,597	767-400	1	35	BRAKE/TIRE	767-400	282	14,829	767-400	283	14,864	767-400	3,687	52,733
777-200	5,919	134,788	777-200	3	294	BRAKE/TIRE	777-200	867	20,278	777-200	870	20,572	777-200	5,049	114,216
Total	25,465	789,737	Total	12	501		Total	2,098	104,857	Total	2,110	105,358	Total	23,355	684,379

*CO specific parts include: seat covers, carpet, cushions, curtains, fabric, cloth, placards

APPENDIX C
PROPORTION OF SERVICEABLE AND
UNSERVICEABLE PARTS

COMPARISON OF THE SELECTED PARTS INVENTORY VALUATIONS

DOLLARS IN (000)

CONTINENTAL AIRLINES SELECTED SPARE PARTS VALUATION SUMMARY ($000) DECEMBER 2002

	UNADJUSTED CURRENT MARKET VALUE			ADJUSTED CURRENT MARKET VALUE			
Value Group	Serviceable	Unserviceable	Total	Serviceable	Unserviceable	Total	% Unserviceable
737-7/8/9	$157,991.7	$56,175.8	$214,167.6	$157,991.7	$27,980.8	$185,972.6	15%
757-200	$62,373.7	$17,599.7	$79,973.4	$62,373.7	$6,979.1	$69,352.8	10%
757-300	$2,944.5	$434.0	$3,378.4	$2,944.5	$172.2	$3,116.7	6%
767-200	$6,340.1	$7,193.2	$13,533.3	$6,340.1	$2,606.6	$8,946.7	29%
767-400	$51,935.1	$9,576.8	$61,511.8	$51,935.1	$3,806.1	$55,741.2	7%
777-200	$97,444.4	$32,665.2	$130,109.6	$97,444.4	$16,267.6	$113,712.0	14%
TOTAL	$379,029.5	$123,644.7	$502,674.2	$379,029.5	$57,812.4	$436,841.9	13%

CONTINENTAL AIRLINES SELECTED SPARE PARTS VALUATION SUMMARY ($000) AUGUST 2002

	UNADJUSTED CURRENT MARKET VALUE			ADJUSTED CURRENT MARKET VALUE			
Value Group	Serviceable	Unserviceable	Total	Serviceable	Unserviceable	Total	% Unserviceable
737-7/8/9	$158,726.5	$33,816.2	$192,542.7	$158,726.5	$16,811.8	$175,538.3	10%
757-200	$62,627.8	$15,171.1	$77,799.0	$62,627.8	$6,009.3	$68,637.2	9%
757-300	$2,927.8	$372.3	$3,300.1	$2,927.8	$147.6	$3,075.4	5%
767-200	$6,948.4	$4,070.4	$11,018.7	$6,948.4	$1,407.8	$8,356.1	17%
767-400	$50,651.2	$5,196.2	$55,847.3	$50,651.2	$2,056.1	$52,707.3	4%
777-200	$100,107.0	$14,129.3	$114,236.3	$100,107.0	$7,007.5	$107,114.6	7%
TOTAL	$381,988.8	$72,755.4	$454,744.2	$381,988.8	$33,440.2	$415,429.0	8%

DIFFERENCES (DECEMBER 2002 - AUGUST 2002) ($000)

	UNADJUSTED CURRENT MARKET VALUE			ADJUSTED CURRENT MARKET VALUE		
Value Group	Serviceable	Unserviceable	Total	Serviceable	Unserviceable	Total
737-7/8/9	($734.8)	$22,359.6	$21,624.9	($734.8)	$11,169.0	$10,434.2
757-200	($254.1)	$2,428.6	$2,174.5	($254.1)	$969.8	$715.7
757-300	$16.6	$61.6	$78.3	$16.6	$24.6	$41.3
767-200	($608.3)	$3,122.8	$2,514.5	($608.3)	$1,198.8	$590.6
767-400	$1,283.9	$4,380.6	$5,664.5	$1,283.9	$1,750.0	$3,033.9
777-200	($2,662.6)	$18,535.9	$15,873.3	($2,662.6)	$9,260.0	$6,597.4
TOTAL	($2,959.3)	$50,889.3	$47,930.0	($2,959.3)	$24,372.3	$21,413.0

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company's Certificate of Incorporation and Bylaws provide that the Company will indemnify each of its directors and officers to the full extent permitted by the laws of the State of Delaware and may indemnify certain other persons as authorized by the Delaware General Corporation Law (the "GCL"). Section 145 of the GCL provides as follows:

"(a) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and

incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees)."

The Certificate of Incorporation and Bylaws also limit the personal liability of directors to the Company and its stockholders for monetary damages resulting from certain breaches of the directors' fiduciary duties. The bylaws of the Company provide as follows:

"No Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the GCL, or (iv) for any transaction from which the Director derived any improper personal benefit. If the GCL is amended ... to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the GCL, as so amended."

The Company maintains directors' and officers' liability insurance.

ITEM 21. EXHIBITS.

The Index to Exhibits to this Registration Statement is incorporated herein by reference.

ITEM 22. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (1)(i) and (1)(ii) shall not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by any such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on April 22, 2003.

CONTINENTAL AIRLINES, INC.

By: /S/ JENNIFER L. VOGEL

Jennifer L. Vogel
Vice President, General Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated, on April 22, 2003.

SIGNATURE	TITLE
GORDON M. BETHUNE* Gordon M. Bethune	Chairman of the Board, Chief Executive Officer (Principal Executive Officer) and Director
LAWRENCE W. KELLNER*	President, Chief Operating Officer and Director

Lawrence W. Kellner

/S/ JEFFREY J. MISNER Jeffrey J. Misner	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/S/ CHRIS KENNY Chris Kenny	Vice President and Controller (Principal Accounting Officer)
THOMAS J. BARRACK, JR.* Thomas J. Barrack, Jr.	Director
DAVID BONDERMAN* David Bonderman	Director
KIRBYJON CALDWELL* Kirbyjon Caldwell	Director
PATRICK FOLEY* Patrick Foley	Director
DOUGLAS H. MCCORKINDALE* Douglas H. McCorkindale	Director
GEORGE G.C. PARKER* George G.C. Parker	Director
RICHARD W. POGUE* Richard W. Pogue	Director

SIGNATURE	TITLE
WILLIAM S. PRICE III* William S. Price III	Director
Donald L. Sturm	Director
KAREN HASTIE WILLIAMS* Karen Hastie Williams	Director
CHARLES A. YAMARONE* Charles A. Yamarone	Director

*BY: /S/ JENNIFER L. VOGEL
Jennifer L. Vogel
Attorney-in-Fact

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
4.1	Indenture, dated as of December 6, 2002, among Continental Airlines, Inc., Wilmington Trust Company, as Trustee, Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider, made with respect to the issuance of Floating Rate Secured Notes Due 2007
4.2	Form of Exchange Floating Rate Secured Note Due 2007 (included in Exhibit 4.1)
4.3	Collateral Maintenance Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. and MBIA Insurance Corporation
4.4	Spare Parts Security Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. and Wilmington Trust Company, as Security Agent
4.5	Reference Agency Agreement, dated as of December 6, 2002, among Continental Airlines, Inc., Wilmington Trust Company, as Trustee, and Wilmington Trust Company, as Reference Agent
4.6	Revolving Credit Agreement, dated as of December 6, 2002, between Wilmington Trust Company, as Trustee, and Morgan Stanley Capital Services Inc., as Liquidity Provider
4.7	Guarantee Agreement, dated as of December 6, 2002, by Morgan Stanley, relating to the Revolving Credit Agreement

4.8	Financial Guarantee Insurance Policy #39753 of MBIA Insurance Corporation
4.9	Exchange and Registration Rights Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. and Morgan Stanley & Co. Incorporated
4.10	Purchase Agreement, dated as of December 2, 2002, between Continental Airlines, Inc. and Morgan Stanley & Co. Incorporated, as Initial Purchaser
5.1	Opinion of Hughes Hubbard & Reed LLP relating to validity of the New Notes
12.1	Computation of Ratio of Earnings to Fixed Charges
23.1	Consent of Ernst & Young LLP
23.2	Consent of PricewaterhouseCoopers LLP
23.3	Consent of Hughes Hubbard & Reed LLP (included in its opinion filed as exhibit 5.1)
23.4	Consent of Simat, Helliesen & Eichner, Inc.
24.1	Powers of Attorney
25.1	Statement of Eligibility of Wilmington Trust Company for the Floating Rate Secured Notes Due 2007, on Form T-1 (to be filed by amendment)
99.1	Form of Letter of Transmittal

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
99.2	Form of Notice of Guaranteed Delivery
99.3	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
99.4	Form of Letter to Clients

INDENTURE

Dated as of December 6, 2002

Among

CONTINENTAL AIRLINES, INC.

WILMINGTON TRUST COMPANY,
as Trustee

MORGAN STANLEY CAPITAL SERVICES INC.,
as Liquidity Provider

and

MBIA INSURANCE CORPORATION,
as Policy Provider

$200,000,000

Floating Rate Secured Notes due 2007

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INDENTURE dated as of December 6, 2002, among CONTINENTAL AIRLINES, INC., a Delaware corporation (the "COMPANY"), WILMINGTON TRUST COMPANY, a Delaware banking corporation ("WTC"), not in its individual capacity but solely as Trustee (the "TRUSTEE"), MORGAN STANLEY CAPITAL SERVICES INC., a Delaware corporation ("MSCS"), as Liquidity Provider, and MBIA INSURANCE CORPORATION, a New York insurance company, as Policy Provider.

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities.

ARTICLE 1.

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 DEFINITIONS.

Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in Section 1 of the Definitions Appendix attached hereto as Appendix I, which shall be a part of this Indenture as if fully set forth in this place.

Section 1.2 RULES OF CONSTRUCTION.

The rules of construction for this Indenture are set forth in Section 2 of the Definitions Appendix.

ARTICLE 2.

THE SECURITIES

Section 2.1 TITLE, FORM, DENOMINATION AND EXECUTION OF SECURITIES.

(a) The Initial Securities shall be known as the "INITIAL FLOATING RATE SECURED NOTES DUE 2007" and the Exchange Securities shall be known as the "EXCHANGE FLOATING RATE SECURED NOTES DUE 2007", in each case, of the Company. Each Security shall be substantially in the form set forth as Exhibit A hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the Company or the Officers executing the Securities, as evidenced by the Company's or the Officers' execution of the Securities.

(b) The Initial Securities shall be issued only in fully registered form without coupons and only in denominations of $100,000 or integral multiples of $1,000 in excess thereof, except that one Security may be issued in a different denomination. The Exchange Securities will be issued in denominations of $1,000

or integral multiples thereof, except that one Security may be issued in a different denomination. Each Security shall be dated the date of its authentication. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to $200,000,000 except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Sections 2.4, 2.6, 2.12, 2.14 or 10.5. The issuance of the Securities hereunder shall be collectively considered a single extension of credit to the Company.

(c) The Initial Securities offered and sold in reliance on Rule 144A shall be issued, and will only be available, in the form of one or more global Securities substantially in the form of Exhibit A hereto with such applicable legends as are provided for in Section 2.2 (each, a "RESTRICTED GLOBAL SECURITY") duly executed by the Company and duly authenticated by the Trustee as herein provided. The Restricted Global Securities shall be in definitive, fully registered form without interest coupons and be registered in the name of DTC and deposited with the Trustee, at its Corporate Trust office, as custodian for DTC. The aggregate principal amount of any Restricted Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC for such Restricted Global Security, as provided in Section 2.6 hereof, which adjustments shall be conclusive as to the aggregate principal amount of any such Global Security.

(d) The Initial Securities offered and sold outside the United States in reliance on Regulation S shall be issued, and will only be available, in the form of one or more global Securities substantially in the form of Exhibit A hereto (each, a "REGULATION S GLOBAL SECURITY") duly executed by the Company and duly authenticated by the Trustee as herein provided. The Regulation S Global Securities shall be in definitive, fully registered form without interest coupons and be registered in the name of DTC and deposited with the Trustee, at its Corporate Trust Office, as custodian for DTC, for credit initially and during the Restricted Period to the respective accounts of beneficial owners of such Securities (or to such other accounts as they may direct) at Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Clearstream. As used herein, the term "RESTRICTED PERIOD", with respect to the Regulation S Global Securities offered and sold in reliance on Regulation S, means the period of 40 consecutive days beginning on and including the later of (i) the day on which the Securities are first offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S and (ii) the Closing Date. The aggregate principal amount of any Regulation S Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC for such Global Security, as provided in Section 2.6 hereof, which adjustments shall be conclusive as to the aggregate principal amount of any such Global Security. The Restricted Global Security and Regulation S Global Security are sometimes collectively referred to herein as the "GLOBAL SECURITIES".

(e) Initial Securities offered and sold to any Institutional Accredited Investor that is not a QIB in a transaction exempt from registration under the Securities Act (and other than as described in Section 2.1(d)) shall be issued substantially in the form of Exhibit A hereto in definitive, fully registered form without interest coupons with such applicable legends as are provided for

in Section 2.2 (the "RESTRICTED DEFINITIVE SECURITIES") duly executed by the Company and duly authenticated by the Trustee as herein provided. Securities issued pursuant to Section 2.5(b) in exchange for interests in a Regulation S Global Security shall be issued in definitive, fully registered form without interest coupons (the "REGULATION S DEFINITIVE SECURITIES"). The Restricted Definitive Securities and the Regulation S Definitive Securities are sometimes collectively referred to herein as the "DEFINITIVE SECURITIES".

(f) The Exchange Securities shall be issued in the form of one or more global Securities substantially in the form of Exhibit A hereto (each, a "GLOBAL EXCHANGE SECURITY"), except that (i) the Restricted Legend shall be omitted and (ii) the Exchange Securities shall contain such appropriate insertions, omissions, substitutions and other variations from the form set forth in Exhibit A hereto relating to the nature of the Exchange Securities as the Officers of the Company executing such Exchange Securities on behalf of the Company may determine, as evidenced by such Officers' execution on behalf of the Company of such Exchange Securities. The Global Exchange Securities shall be in registered form and be registered in the name of DTC and deposited with the Trustee, at its Corporate Trust Office, as custodian for DTC. The aggregate principal amount of any Global Exchange Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC for such Global Exchange Security, which adjustments shall be conclusive as to the aggregate principal amount of any such Global Exchange Security. Subject to clauses (i) and (ii) of the first sentence of this Section 2.1(f), the terms hereof applicable to the Global Securities shall apply to the Global Exchange Securities, MUTATIS MUTANDIS, unless the context otherwise requires.

(g) The definitive Securities shall be in registered form and shall be typed, printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner, all as determined by the Officers executing such Securities, as evidenced by their execution of such Securities.

(h) The Securities shall be signed for the Company by the manual or facsimile signatures of two Officers. If an Officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

Section 2.2 RESTRICTIVE LEGENDS.

All Initial Securities issued pursuant to this Indenture shall be "RESTRICTED SECURITIES" and shall bear a legend to the following effect (the "RESTRICTED LEGEND") except as provided in Section 2.6 or unless the Company and the Trustee determine otherwise consistent with applicable law:

> "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR

BENEFIT OF, ANY PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC. RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO CONTINENTAL AIRLINES, INC., (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; AND (3) AGREES THAT IF IT SHOULD RESELL OR OTHERWISE TRANSFER THIS SECURITY IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC., THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO CONTINENTAL AIRLINES, INC. OR ITS AGENT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS."

Each Global Security and Global Exchange Security shall bear the following legend on the face thereof:

"UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO CONTINENTAL AIRLINES, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER,

EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IN EXCHANGE FOR THIS SECURITY IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 2.5 AND 2.6 OF THE INDENTURE REFERRED TO HEREIN."

Section 2.3 AUTHENTICATION OF SECURITIES.

(a) Subject to the limits set forth herein, the Trustee shall authenticate Securities for original issue upon written order of the Company signed by two Officers. The order shall specify the amount of Securities to be authenticated and the date on which the original issue of Securities is to be authenticated, shall provide instructions with respect to the delivery thereof and shall be accompanied by the documents specified in Section 12.4.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or any Affiliate of the Company.

(b) No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder

Section 2.4 TRANSFER AND EXCHANGE.

All Securities issued upon any registration of transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same interest therein, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

A Securityholder may transfer a Security, or request that a Security be exchanged for Securities (including, without limitation, subject to the proviso to this sentence, Exchange Securities) in authorized denominations and in an aggregate principal amount equal to the principal amount of such Security surrendered for exchange of other authorized denominations, by surrender of such Security to the Trustee with the form of transfer notice thereon duly completed and executed, and otherwise complying with the terms of this Indenture, including providing evidence of compliance with any restrictions on transfer, in form satisfactory to the Company, the Trustee and the Registrar; PROVIDED that exchanges of Initial Securities for Exchange Securities shall occur only after an Exchange Offer Registration Statement shall have been declared effective by the SEC (notice of which shall be provided to the Trustee by the Company) and otherwise only in accordance with the terms of the Exchange Offer. No such transfer shall be effected until, and such transferee shall succeed to the rights of a Securityholder only upon, final acceptance and registration of the transfer by the Registrar in the Register. Prior to the registration of any transfer of a Security by a Securityholder as provided herein, the Company, the Registrar, the Paying Agent and the Trustee shall deem and treat the person in whose name the Security is registered on the Register as the absolute owner and holder thereof for the purpose of receiving payment of all amounts payable with respect to such Security and for all other purposes, and none of the Company, the Registrar, the Paying Agent or the Trustee shall be affected by any notice to the contrary. Furthermore, DTC shall, by acceptance of a Global Security, agree that transfers of beneficial interests in such Global Security may be effected only through a book-entry system maintained by DTC (or its agent) and that ownership of a beneficial interest in the Security shall be required to be reflected in a book-entry. When Securities are presented to the Registrar with a request to register the transfer thereof or to exchange them for other authorized denominations of a Security in a principal amount equal to the aggregate principal amount of Securities surrendered for exchange, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met.

To permit registrations of transfers and exchanges in accordance with the terms, conditions and restrictions hereof, the Company shall execute, and the Trustee shall authenticate, Securities at the Registrar's request. No service charge shall be made to a Securityholder for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Securities. All Securities surrendered for registration of transfer or exchange shall be canceled and subsequently destroyed by the Trustee.

Section 2.5 BOOK-ENTRY PROVISIONS FOR RESTRICTED GLOBAL SECURITIES AND REGULATION S GLOBAL SECURITIES.

(a) Members of, or participants in, DTC ("AGENT MEMBERS") shall have no rights under this Indenture with respect to any Global Security held on their behalf by DTC, or the Trustee as its custodian, and DTC may be treated by the Company, the Trustee and any agent of the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Trustee from giving effect to any written certification, proxy or other

authorization furnished by DTC or shall impair, as between DTC and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Security. Upon the issuance of any Global Security, the Registrar or its duly appointed agent shall record DTC as the registered holder of such Global Security.

(b) Transfers of any Global Security shall be limited to transfers of such Restricted Global Security or Regulation S Global Security in whole, but not in part, to DTC. Beneficial interests in the Restricted Global Security and any Regulation S Global Security may be transferred in accordance with the rules and procedures of DTC and the provisions of Section 2.6. Beneficial interests in a Restricted Global Security or a Regulation S Global Security shall be delivered to all beneficial owners thereof in the form of Restricted Definitive Securities or Regulation S Definitive Securities, as the case may be, if (i) DTC notifies the Trustee that it is unwilling or unable to continue as depositary for such Restricted Global Security or Regulation S Global Security, as the case may be, and a successor depositary is not appointed by the Trustee within 90 days of such notice, and (ii) after the occurrence and during the continuance of an Event of Default, owners of beneficial interests in a Global Security with a principal amount aggregating not less than a majority of the outstanding principal amount of the Global Security advise the Trustee, the Company and DTC through Agent Members in writing that the continuation of a book-entry system through DTC or its successor is no longer in their best interests.

(c) Any beneficial interest in one of the Global Securities that is transferred to a Person who takes delivery in the form of an interest in another Global Security will, upon such transfer, cease to be an interest in such Global Security and become an interest in the other Global Security and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

(d) In connection with the transfer of an entire Restricted Global Security or an entire Regulation S Global Security to the beneficial owners thereof pursuant to paragraph (b) of this Section 2.5, such Restricted Global Security or Regulation S Global Security, as the case may be, shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Restricted Global Security or Regulation S Global Security, as the case may be, an equal aggregate principal amount of Restricted Definitive Securities or Regulation S Definitive Securities, as the case may be, of authorized denominations. None of the Company, the Registrar, the Paying Agent or the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such registration instructions. Upon the issuance of Definitive Securities, the Company and the Trustee shall recognize the Person in whose name the Definitive Securities are registered in the Register as Securityholders hereunder.

(e) Any Definitive Security delivered in exchange for an interest in the Restricted Global Security pursuant to paragraph (b) of this Section 2.5 shall, except as otherwise provided by paragraph (e) of Section 2.6, bear the Restricted Legend.

(f) Prior to the expiration of the Restricted Period, any Regulation S Definitive Security delivered in exchange for an interest in a Regulation S Global Security pursuant to paragraph (b) of this Section 2.5 shall bear the Restricted Legend.

(g) The registered holder of any Restricted Global Security or Regulation S Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(h) Neither the Company nor the Trustee shall be liable if the Trustee or the Company is unable to locate a qualified successor clearing agency.

Section 2.6 SPECIAL TRANSFER PROVISIONS.

Unless and until (i) an Initial Security is sold under an effective Shelf Registration Statement, or (ii) an Initial Security is exchanged for an Exchange Security pursuant to an effective Exchange Offer Registration Statement, in each case pursuant to the terms of the Registration Rights Agreement, the following provisions shall apply to such Initial Securities:

(a) TRANSFERS TO NON-QIB INSTITUTIONAL ACCREDITED INVESTORS. The following provisions shall apply with respect to the registration of any proposed transfer of a Security to any Institutional Accredited Investor that is neither a QIB nor a Non-U.S. Person:

(i) The Registrar shall register the transfer of any Security, whether or not bearing the Restricted Legend, only if (x) the requested transfer is at least two years after the later of the (A) Closing Date and (B) the last date on which such Security was held by the Company or any affiliate of the Company or (y) the proposed transferor is an Initial Purchaser who is transferring Securities purchased under the Purchase Agreement and the proposed transferee has delivered to the Registrar a letter substantially in the form of Exhibit C hereto and the aggregate principal amount of the Securities being transferred is at least $100,000. Except as provided in the foregoing sentence, the Registrar shall not register the transfer of any Security to any Institutional Accredited Investor that is neither a QIB nor a Non-U.S. Person.

(ii) If the proposed transferor is an Agent Member holding a beneficial interest in a Restricted Global Security, upon receipt by the Registrar of (x) the documents, if any, required by paragraph (i) and (y) instructions given in accordance with DTC's and the Registrar's procedures, the Registrar shall reflect on its books and records the date of the transfer and a decrease in the principal amount of such Restricted Global Security in an amount equal to the principal amount of the beneficial interest in such Restricted Global Security to be transferred, and the

Trustee shall execute, authenticate and deliver to the transferor or at its direction, one or more Restricted Definitive Securities of like tenor and amount.

(b) TRANSFERS TO QIBS. The following provisions shall apply with respect to the registration of any proposed transfer of an Initial Security to a QIB (excluding Non-U.S. Persons):

(i) If the Security to be transferred consists of a Restricted Definitive Security, or of an interest in any Regulation S Global Security during the Restricted Period, the Registrar shall register the transfer if such transfer is being made by a proposed transferor who has checked the box provided for on the form of Initial Security stating, or has otherwise advised the Company, the Trustee and the Registrar in writing, that the sale has been made in compliance with the provisions of Rule 144A to a transferee who has signed the certification provided for on the form of Initial Security stating, or has otherwise advised the Company, the Trustee and the Registrar in writing, that it is purchasing the Initial Security for its own account or an account with respect to which it exercises sole investment discretion and that it, or the Person on whose behalf it is acting with respect to any such account, is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A.

(ii) Upon receipt by the Registrar of the documents required by clause (i) above and instructions given in accordance with DTC's and the Registrar's procedures therefor, the Registrar shall reflect on its books and records the date of such transfer and an increase in the principal amount of a Restricted Global Security in an amount equal to the principal amount of the Restricted Definitive Securities or interests in such Regulation S Global Security, as the case may be, being transferred, and the Trustee shall cancel such Definitive Securities or decrease the amount of such Regulation S Global Security so transferred.

(c) TRANSFERS OF INTERESTS IN THE REGULATION S GLOBAL SECURITY OR REGULATION S DEFINITIVE SECURITIES. After the expiration of the Restricted Period, the Registrar shall register any transfer of interests in any Regulation S Global Security or Regulation S Definitive Security without requiring any additional certification. Until the expiration of the Restricted Period, interests in the Regulation S Global Security may only be held through Agent Members acting for and on behalf of Euroclear and Clearstream.

(d) TRANSFERS TO NON-U.S. PERSONS AT ANY TIME. The following provisions shall apply with respect to any registration of any transfer of an Initial Security to a Non-U.S. Person:

(i) Prior to the expiration of the Restricted Period, the Registrar shall register any proposed transfer of an Initial Security to a Non-U.S. Person upon receipt of a certificate substantially in the form set forth as Exhibit B hereto from the proposed transferor.

(ii) After the expiration of the Restricted Period, the Registrar shall register any proposed transfer to any Non-U.S. Person if the Security to be transferred is a Restricted Definitive Security or an interest in a Restricted Global Security, upon receipt of a certificate substantially in the form of Exhibit B from the proposed transferor. The Registrar shall promptly send a copy of such certificate to the Company.

(iii) Upon receipt by the Registrar of (x) the documents, if any, required by clause (ii) and (y) instructions in accordance with DTC's and the Registrar's procedures, the Registrar shall reflect on its books and records the date of such transfer and a decrease in the principal amount of such Restricted Global Security in an amount equal to the principal amount of the beneficial interest in such Restricted Global Security to be transferred, and, upon receipt by the Registrar of instructions given in accordance with DTC's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Regulation S Global Security in an amount equal to the principal amount of the Restricted Definitive Security or the Restricted Global Security, as the case may be, to be transferred, and the Trustee shall cancel the Definitive Security, if any, so transferred or decrease the amount of such Restricted Global Security.

(e) RESTRICTED LEGEND. Upon the transfer, exchange or replacement of Securities not bearing the Restricted Legend, the Registrar shall deliver Securities that do not bear the Restricted Legend. Upon the transfer, exchange or replacement of Securities bearing the Restricted Legend, the Registrar shall deliver only Securities that bear the Restricted Legend unless either (i) the circumstances contemplated by paragraph (d)(ii) of this Section 2.6 exist or (ii) there is delivered to the Registrar an opinion of counsel to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

(f) GENERAL. By acceptance of any Security bearing the Restricted Legend, each Holder of such Security acknowledges the restrictions on transfer of such Security set forth in such Restricted Legend and otherwise in this Indenture and agrees that it will transfer such Security only as provided in such Restricted Legend and otherwise in this Indenture. The Registrar shall not register a transfer of any Security unless such transfer complies with the restrictions on transfer, if any, of such Security set forth in such Restricted Legend and otherwise in this Indenture. In connection with any transfer of Securities, each Securityholder agrees by its acceptance of the Securities to furnish the Registrar or the Trustee such certifications, legal opinions or other information as either of them may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in accordance with the terms and provisions of this Article 2; PROVIDED that the

Registrar shall not be required to determine the sufficiency of any such certifications, legal opinions or other information.

Until such time as no Securities remain Outstanding, the Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.5 or this Section 2.6. The Trustee, if not the Registrar at such time, shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

Section 2.7 TERMS OF SECURITIES.

The outstanding principal amount of the Securities shall be due on December 6, 2007. The Securities shall bear interest on the unpaid principal amount thereof from time to time outstanding from the most recent Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the Closing Date) at the rate per annum for each Interest Period equal to the Debt Rate for such Interest Period (calculated on the basis of a year of 360 days and actual days elapsed during the period for which such amount accrues). Accrued interest on the Securities shall be payable in arrears on each Interest Payment Date, until the principal amount of the Securities has been paid in full, PROVIDED that if such payment in full is not made on an Interest Payment Date, accrued interest shall be paid on the date of such payment in full rather than the next Interest Payment Date. Interest on the Securities shall accrue with respect to the first but not the last day of each Interest Period. The Securities shall bear interest, payable on demand, at the Payment Due Rate (calculated on the basis of a year of 360 days and actual days elapsed during the period for which such amount accrues) on any part of the principal amount, and, to the extent permitted by applicable Law, interest and any other amounts payable thereunder not paid when due, in each case for the period the same is overdue. Amounts under any Security shall be overdue if not paid when due (whether at stated maturity, by acceleration or otherwise). Notwithstanding anything to the contrary contained herein, if any date on which a payment under any Security becomes due and payable is not a Business Day then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest payable thereunder.

Section 2.8 REGISTRAR AND PAYING AGENT.

The Company shall maintain an office or agency where Securities eligible for transfer or exchange may be presented for registration of transfer or for exchange ("REGISTRAR") and an office or agency where Securities may be presented for payment ("PAYING AGENT"). The Registrar shall keep a register of the Securities and of their transfer and exchange ("REGISTER"). Such Register shall be in written form in the English language. At all reasonable times such Register shall be open for inspection by the Trustee. The Company may have one or more co-Registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent.

The Company may enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

The Company initially appoints WTC as Registrar and Paying Agent.

Section 2.9 PAYING AGENT TO HOLD PAYMENTS IN TRUST.

Each Paying Agent shall hold in trust for the benefit of Securityholders all Payments held by the Paying Agent for the payment of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, the Securities and shall notify the Trustee of any default by the Company in making any such payment. The Company at any time may require a Paying Agent to pay all Payments held by it to the Trustee and account for any funds disbursed and the Trustee may at any time during the continuance of any Payment Default, upon written request to a Paying Agent, require such Paying Agent to pay all Payments held by it to the Trustee and to account for any Payments distributed. Upon receipt of such Payment, the Trustee shall immediately deposit all such amounts in the Collection Account. Upon doing so the Paying Agent shall have no further liability for the Payments.

The Paying Agent, as agent for the Company, shall exclude and withhold at the appropriate rate from each payment of principal of, interest on, Premium, if any, Break Amount, if any, and other amounts due hereunder or under each Security (and such exclusion and withholding shall constitute payment in respect of such Security) any and all United States withholding taxes applicable thereto as required by Law. The Paying Agent agrees to act as such withholding agent and, in connection therewith, whenever any present or future United States taxes or similar charges are required to be withheld with respect to any amounts payable hereunder or in respect of the Securities, to withhold such amounts and timely pay the same to the appropriate authority in the name of and on behalf of the Securityholders, that it will file any necessary United States withholding tax returns or statements when due, and that as promptly as possible after the payment thereof it will deliver to each Securityholder (with a copy to the Company) appropriate receipts showing the payment thereof, together with such additional documentary evidence as any such Securityholder may reasonably request from time to time.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(a) hold all Payments received by it as such agent for the payment of the principal of, interest on, Premium, if any, or Break Amount, if any, with respect to the Securities in trust for the benefit of the Persons entitled thereto until such Payments shall be paid to such Persons or otherwise disposed of as herein provided;

(b) promptly give the Trustee notice of any failure by the Company to make any payment of the principal of, interest on, Premium, if any, or Break Amount, if any, with respect to, the Securities when the same shall be due and payable; and

(c) at any time during the continuance of any such failure, upon the written request of the Trustee, forthwith pay to the Trustee all Payments so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, direct any Paying Agent to pay to the Trustee all Payments held in trust by such Paying Agent, such Payments to be held by the Trustee upon the same trusts as those upon which such Payments were held by such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such Payments held by it as Paying Agent.

Any Payments deposited with the Trustee or any Paying Agent in trust for the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Security and unclaimed for two (2) years after such principal, interest, Premium, if any, or Break Amount, if any, has become due and payable shall be paid to the Company on its request, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof and all liability of the Trustee or such Paying Agent with regard to such Payments shall thereupon cease.

Section 2.10 RECORD DATES.

The Person in whose name any Security is registered at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date to the extent provided by such Security, except if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, in which case defaulted interest shall be paid to the Person in whose name the Outstanding Security is registered at the close of business on the subsequent record date (which shall be not less than five (5) Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Company to the Holders of Securities not less than fifteen (15) days preceding such subsequent record date (a "SPECIAL RECORD DATE") pursuant to Section 2.16.

Section 2.11 SECURITYHOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee on or before each Distribution Date and at such other times as the Trustee may request in writing a list in such form and as of such date as

the Trustee may reasonably require of the names and addresses of Securityholders.

Section 2.12 MUTILATED, DEFACED, DESTROYED, LOST AND STOLEN SECURITIES.

In case any temporary or definitive Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, subject to compliance with the following sentence and in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute, and the Trustee shall authenticate and deliver, a new Security, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and substitution for the Security so apparently destroyed, lost or stolen. In every case the applicant for a substitute Security shall furnish to the Company and to the Trustee and any agent of the Company or the Trustee such security or indemnity as may be required by them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof.

Upon the issuance of any substitute Security pursuant to the preceding paragraph, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. In case any Security which has matured or is about to mature, shall become mutilated or defaced or be apparently destroyed, lost or stolen, the Company may, instead of issuing a substitute Security, pay or authorize the payment of such Security (without surrender of such Security except in the case of a mutilated or defaced Security), as applicable, if the applicant for such payment shall furnish to the Company and to the Trustee and any agent of the Company or the Trustee such security or indemnity as any of them may require to save each of them harmless from all risks, however remote, and, in every case of apparent destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee and any agent of the Company or the Trustee evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof.

Every substitute Security issued pursuant to the provisions of this Section by virtue of the fact that any Security is apparently destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the apparently destroyed, lost or stolen Security shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall also be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities duly authenticated and delivered hereunder. Every substitute Security issued pursuant to the provisions of this Section 2.12 by virtue of the fact that any Security is mutilated or defaced shall constitute an additional contractual obligation of the Company and shall be entitled to all the benefits of (but shall also be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities of the same series duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated

or defaced or apparently destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.13 TREASURY SECURITIES.

In determining whether the Holders of the required principal amount of Securities have given or concurred in any amendment, request, demand, authorization, direction, notice, consent or waiver under this Indenture or any other Operative Document, Securities owned by the Company or any of its Affiliates shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that, for the purposes of determining whether the Trustee shall be protected in relying on any such amendment, request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee that neither the Company nor any of its majority-owned subsidiaries is affiliated with the pledgee or any Affiliate of the pledgee and that the pledgee has the present right (subject to no contrary obligation or understanding) so to act with respect to the Securities as a Holder independently of any direction by or interest of the Company or any of its Affiliates. In case of a dispute as to such right, the Trustee in good faith shall be entitled to rely upon the advice of counsel, including counsel for the Company. Upon request of the Trustee, the Company shall promptly furnish to the Trustee a certificate of an Officer listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of the Company or any of its Affiliates; and subject to Sections 8.1 and 8.2 herein, the Trustee shall be entitled to accept such certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

Section 2.14 TEMPORARY SECURITIES.

Until definitive Securities are ready for delivery, the Company may prepare, and, upon written order of the Company, the Trustee shall authenticate, temporary Securities in any authorized denominations. Temporary Securities shall be substantially of the tenor of the definitive Securities in lieu of which they are issued but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate and deliver definitive Securities in exchange for temporary Securities. Until so exchanged, the temporary Securities shall be entitled to the same benefits under this Indenture as definitive Securities of the same series.

Section 2.15 CANCELLATION.

The Company may at any time deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange or payment. The

Trustee and no one else shall cancel all Securities surrendered for transfer, exchange, payment or cancellation. The Company may not issue new Securities to replace Securities it has paid or which have been delivered to the Trustee for cancellation. The Trustee shall destroy all canceled Securities and, if requested, deliver a certificate of such destruction to the Company. If the Company shall acquire any of the Securities, such acquisition shall not operate as a satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancellation.

Section 2.16 DEFAULTED INTEREST.

If any payment of interest on the Securities due on any Interest Payment Date becomes an Overdue Scheduled Payment, the Company shall pay such defaulted interest, plus interest on the defaulted interest, at the Payment Due Rate to the extent permitted by law and the terms thereof, to the persons who are Securityholders on a subsequent Special Record Date. The Company shall fix the Special Record Date and payment date. At least fifteen (15) days before the Special Record Date, the Company shall mail to each Securityholder a notice that states the Special Record Date, the payment date and the amount of defaulted interest to be paid.

Section 2.17 CUSIP NUMBERS.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use) and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; PROVIDED, HOWEVER, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

Section 2.18 ISSUANCE OF SUBORDINATED SECURITIES.

After the Closing Date, the Company shall be entitled to issue a second series of securities under this Indenture (the "SUBORDINATED SECURITIES") that shall have such terms as shall be set forth in an amendment to this Indenture, PROVIDED that in no event shall any such amendment (i) provide for a distribution to be made on such Subordinated Securities on a Distribution Date prior to all distributions having been made pursuant to clauses FIRST through SEVENTH, inclusive, of Section 3.2 or (ii) (x) provide such Subordinated Securities the benefit of any credit support similar to the Liquidity Facility or the Policy (unless claims for fees, interest, expenses, reimbursement of advances and other obligations arising from such credit support rank below clause SEVENTH of Section 3.2) or (y) amend or modify any of the provisions of Section 3.5, 3.6(d) or 3.8(c), unless, in the case of either clause (x) or (y), the prior written consent of the Liquidity Provider shall have been obtained. The Subordinated Securities shall not be issued, and no such amendment to this Indenture shall be made, unless the Controlling Party shall have consented in writing to such issuance and amendment and the Company shall have obtained Ratings Confirmation with respect to such issuance and amendment. Upon Request

of the Company, the Trustee shall execute and deliver an amendment to the Indenture permitted by this Section 2.18.

ARTICLE 3.

LIQUIDITY PROVIDER AND POLICY PROVIDER

Section 3.1 WRITTEN NOTICE OF DISTRIBUTION.

(a) No later than 3:00 p.m. (New York City time) on the Business Day immediately preceding each Distribution Date, each of the following Persons shall deliver to the Trustee a Written Notice setting forth the following information as at the close of business on such Business Day:

(i) The Liquidity Provider shall set forth the amounts to be paid to it in accordance with clauses "first", "second", "third", "fourth" and "fifth" of Section 3.2; and

(ii) The Policy Provider shall set forth the amounts to be paid to it in accordance with clauses "first", "second", "third", "fourth" and "eighth" of Section 3.2.

The notices required under this Section 3.1(a) may be in the form of a schedule or similar document provided to the Trustee by the Persons referenced therein or by any one of them, which schedule or similar document may state that, unless there has been a prepayment of the Securities, such schedule or similar document is to remain in effect until any substitute notice or amendment shall be given to the Trustee by the Person providing such notice. Any amounts requested and received under the Policy Fee Letter or the Policy Provider Agreement or any amounts for which the Policy Provider is not entitled to be reimbursed pursuant to the provisions of the Policy Provider Agreement may not be requested by the Policy Provider under this Section 3.1(a) nor distributed to the Policy Provider under Section 3.2.

(b) At such time as the Liquidity Provider or the Policy Provider shall have received all amounts owing to it pursuant to Section 3.2 hereof and its commitment or obligations under the Liquidity Facility or the Policy, as the case may be, shall have terminated or expired, such Person shall, by a Written Notice, so inform the Trustee.

(c) The Trustee shall be fully protected in relying on any of the information set forth in a Written Notice provided by the Liquidity Provider or the Policy Provider pursuant to paragraphs (a) or (b) above and shall have no independent obligation to verify, calculate or recalculate any amount set forth in any Written Notice delivered in accordance with such paragraphs.

(d) In the event the Trustee shall not receive from any Person any information set forth in paragraph (a) above which is required to enable the Trustee to make a distribution to such Person pursuant to Section 3.2, the

Trustee shall request such information and, failing to receive any such information, the Trustee shall not make such distribution(s) to such Person. In such event, the Trustee shall make distributions pursuant to clauses "FIRST" through "TENTH" of Section 3.2 to the extent it shall have sufficient information to enable it to make such distributions, and shall continue to hold any funds remaining, after making such distributions, until the Trustee shall receive all necessary information to enable it to distribute any funds so withheld.

(e) On such dates (but not more frequently than monthly) as the Liquidity Provider or the Policy Provider shall request, but in any event automatically at the end of each calendar quarter, the Trustee shall send to such Person a written statement reflecting all amounts on deposit with the Trustee pursuant to Section 3.1(d) hereof.

Section 3.2 PRIORITY OF DISTRIBUTIONS; SUBORDINATION.

Except as otherwise provided in Sections 3.1(d), 3.3, 3.5(b), 3.5(k) and 3.6, amounts on deposit in the Collection Account on any Distribution Date shall be promptly distributed in the following order of priority and in accordance with the information provided to the Trustee pursuant to Section 3.1(a) hereof:

FIRST, if an Event of Default shall have occurred and be continuing on such Distribution Date, such amount as shall be required to reimburse (i) the Trustee for any reasonable out-of-pocket costs and expenses actually incurred by it (to the extent not previously reimbursed) in the protection of, or the realization of the value of, the Collateral, shall be applied by the Trustee in reimbursement of such costs and expenses, (ii) the Policy Provider for any amounts of the nature described in clause (i) above actually incurred by it under the Policy Provider Agreement (to the extent not previously reimbursed), shall be distributed to the Policy Provider, and (iii) the Liquidity Provider, the Policy Provider or any Securityholder for payments, if any, made by it to the Trustee in respect of amounts described in clause (i) above, shall be distributed to the Liquidity Provider, the Policy Provider or to the Trustee for the account of such Securityholder, in each such case, pro rata on the basis of all amounts described in clauses (i) through (iii) above.

SECOND, such amount as shall be required to pay (i) all accrued and unpaid Liquidity Expenses owed to the Liquidity Provider and (ii) all accrued and unpaid Policy Expenses owed to the Policy Provider, shall be distributed to the Liquidity Provider and the Policy Provider pro rata on the basis of the amount of Liquidity Expenses and Policy Expenses owed to the Liquidity Provider and the Policy Provider;

THIRD, such amount as shall be required to pay (i) the aggregate amount of accrued and unpaid interest on all Liquidity Obligations (at the rate, or in the amount, provided in the Liquidity Facility and determined after application of the proceeds of any Policy Drawing pursuant to Section 3.6(d) or other payment by the Policy Provider to the Liquidity Provider in respect of any interest on Drawings in accordance with the provisions of Section 3.8(c)), (ii) the aggregate amount of accrued and unpaid Policy

Provider Interest Obligations and (iii) if the Policy Provider has paid pursuant to Section 3.6(d) or the proviso to Section 3.8(c) to the Liquidity Provider all outstanding Drawings and interest thereon owing to the Liquidity Provider under the Liquidity Facility, the amount of such payments made to the Liquidity Provider attributable to interest accrued on Drawings under the Liquidity Facility, shall be distributed to the Liquidity Provider and the Policy Provider, as the case may be, pro rata on the basis of the amounts owed to the Liquidity Provider and the Policy Provider under subclauses (i), (ii) and (iii) of this clause "third";

FOURTH, such amount as shall be required (i)(A) if the Cash Collateral Account had been previously funded as provided in Section 3.5(f), unless (1) on such Distribution Date the Securities are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (2) the Final Drawing shall have occurred, to fund the Cash Collateral Account up to the Required Amount (less the amount of any repayments of Interest Drawings under the Liquidity Facility while subclause (i)(A)(1) above is applicable) shall be deposited in the Cash Collateral Account, (B) if the Liquidity Facility shall become a Downgraded Facility or a Non-Extended Facility at a time when unreimbursed Interest Drawings under the Liquidity Facility have reduced the Available Amount to zero, unless (1) on such Distribution Date the Securities are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (2) the Final Drawing shall have occurred, to deposit into the Cash Collateral Account an amount equal to the Required Amount (less the amount of any repayments of Interest Drawings under the Liquidity Facility while subclause (i)(B)(1) above is applicable) shall be deposited in the Cash Collateral Account, and (C) if neither subclause (i)(A) nor subclause (i)(B) of this clause "fourth" is applicable, to pay or reimburse the Liquidity Provider in an amount equal to the amount of all Liquidity Obligations then due under the Liquidity Facility (other than amounts payable pursuant to Section 3.6(d) or clause "second" or "third" of this Section 3.2), net of any and all payments made by the Policy Provider to the Liquidity Provider with respect to the principal of any Interest Drawing, and (ii) if the Policy Provider has paid pursuant to the proviso to Section 3.8(c) to the Liquidity Provider all outstanding Drawings and interest thereon owing to the Liquidity Provider under the Liquidity Facility, the amount of such payments made to the Liquidity Provider in respect of principal of Drawings under the Liquidity Facility, shall be paid to the Policy Provider, pro rata on the basis of the amounts of all such deficiencies and/or unreimbursed Liquidity Obligations payable to the Liquidity Provider and the amount of such unreimbursed Policy Provider Obligations payable to the Policy Provider, in each instance, under this clause "fourth";

FIFTH, if any amounts are to be distributed pursuant to either subclause (i)(A) or (i)(B) of clause "fourth" above, then the Liquidity Provider shall be paid the excess of (x) the aggregate outstanding amount of unreimbursed Advances (whether or not then due) under the Liquidity Facility over (y) the Required Amount (less the amount of any repayments of

Interest Drawings under the Liquidity Facility while subclause (i)(A)(1) or (i)(B)(1), as the case may be, of clause "fourth" above is applicable);

SIXTH, if an Event of Default shall have occurred and be continuing on such Distribution Date and at all times thereafter, such amount as shall be required to reimburse or pay (i) the Trustee for any Tax (other than Taxes imposed on compensation paid hereunder), expense, fee, charge or other loss incurred by or any other amount payable to the Trustee in connection with the transactions contemplated hereby (to the extent not previously reimbursed), shall be applied by the Trustee in reimbursement of such amount, and (ii) each Securityholder for payments, if any, made by it pursuant to an indemnity provided pursuant to Section 7.6(c) hereof in respect of amounts described in subclause (i) above, shall be distributed to the Trustee for the account of such Securityholder, in each such case, pro rata on the basis of all amounts described in subclauses (i) and (ii) of this clause "sixth";

SEVENTH, such amount as shall be required to pay in full amounts due to the Securityholders on such Distribution Date;

EIGHTH, such amount as shall be required to pay the Policy Provider all Policy Provider Obligations then due and unpaid (other than amounts payable pursuant to clauses "first", "second", "third" and "fourth" of this Section 3.2) shall be paid to the Policy Provider;

NINTH, such amount as shall be required to pay in full the aggregate unpaid amount of fees and expenses payable as of such Distribution Date to the Trustee pursuant to the terms of this Indenture (other than amounts payable pursuant to clauses "first" and "sixth" of this Section 3.2), shall be distributed to the Trustee; and

TENTH, the balance, if any, of any such amount remaining thereafter shall be paid 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 been paid, in which case such amount shall be held in the Collection Account for later distribution in accordance with this Article 3 or paid to the Company upon discharge of the Indenture pursuant to Article 9.

Section 3.3 OTHER PAYMENTS.

(a) Any payments received by the Trustee for which no provision as to the application thereof is made in this Indenture shall be distributed by the Trustee in the order of priority specified in Section 3.2 hereof.

(b) Notwithstanding the priority of payments specified in Section 3.2, in the event any Investment Earnings on amounts on deposit in the Cash Collateral Account resulting from an Unapplied Provider Advance are deposited in the

Collection Account, such Investment Earnings shall be used to pay interest payable in respect of such Unapplied Provider Advance to the extent of such Investment Earnings.

(c) If the Trustee receives any Payment after the Scheduled Payment Date relating thereto, then the Trustee shall deposit such Payment in the Collection Account and distribute such Payment on the next Distribution Date in accordance with the priority of distributions set forth in Section 3.2 hereof.

Section 3.4 PAYMENTS TO LIQUIDITY PROVIDER AND POLICY PROVIDER.

Any amounts distributed hereunder to the Liquidity Provider or Policy Provider shall be paid to the Liquidity Provider or Policy Provider by wire transfer of funds to the address the Liquidity Provider or Policy Provider shall provide to the Trustee. The Trustee shall provide a Written Notice of any such transfer to the Liquidity Provider or Policy Provider, as the case may be, at the time of such transfer.

Section 3.5 LIQUIDITY FACILITY.

(a) INTEREST DRAWINGS. If on any Distribution Date, after giving effect to the subordination provisions of Section 3.2, the Trustee shall not have sufficient funds for the payment of any amounts due and owing in respect of accrued interest on the Securities (at the Debt Rate), then, prior to 12:30 p.m. (New York City time) on such Distribution Date, the Trustee shall request a drawing (each such drawing, an "INTEREST DRAWING") under the Liquidity Facility (and concurrently with the making of such request, the Trustee will give notice to the Policy Provider of such insufficiency of funds) in an amount equal to the lesser of (x) an amount sufficient to pay the amount of such accrued interest (at the Debt Rate) and (y) the Available Amount, and shall pay such amount to the Securityholders in accordance with the provisions of this Indenture in payment of such accrued interest.

(b) APPLICATION OF INTEREST DRAWINGS. Notwithstanding anything to the contrary contained in this Indenture, all payments received by the Trustee in respect of an Interest Drawing under the Liquidity Facility and all amounts withdrawn by the Trustee from the Cash Collateral Account, and payable in each case to the Securityholders, shall be promptly distributed to the Securityholders in accordance with the provisions of this Indenture, PROVIDED that if (x) the Trustee shall receive any amount in respect of an Interest Drawing under the Liquidity Facility or a withdrawal from the Cash Collateral Account to pay Accrued Interest after such Accrued Interest has been fully paid to the Securityholders by a Policy Drawing under the Policy pursuant to Section 3.6(a) hereof or (y) the Trustee shall receive any amount in respect of a Policy Drawing under the Policy pursuant to Section 3.6(a) hereof to fully pay Accrued Interest after such Accrued Interest has been paid (in full or in part) to the Securityholders by an Interest Drawing under the Liquidity Facility or a withdrawal from the Cash Collateral Account, the Trustee, in the case of either clause (x) or (y), shall pay an amount equal to the amount of such Interest Drawing or withdrawal directly to the Policy Provider as reimbursement of such Policy Drawing rather than to the Securityholders.

(c) DOWNGRADE DRAWINGS. (i) A Downgrade Drawing under the Liquidity Facility shall be requested by the Trustee as provided in Section 3.5(c)(iii), if at any time, (x) so long as MSCS is the Liquidity Provider, the short-term unsecured debt rating of the Liquidity Guarantor is lower than the applicable Threshold Rating issued by either Moody's or Standard & Poor's or the related Liquidity Guarantee ceases to be in full force and effect or becomes invalid or unenforceable or the Liquidity Guarantor denies its liability thereunder, or (y) if MSCS is not the Liquidity Provider, the short-term unsecured debt rating of the Liquidity Provider is lower than the applicable Threshold Rating issued by either Moody's or Standard & Poor's (in each case, a "DOWNGRADE EVENT", and the Liquidity Facility, a "DOWNGRADED FACILITY"), unless an event described in Section 3.5(c)(ii) occurs.

(ii) If at any time the Liquidity Facility becomes a Downgraded Facility, the Trustee shall not request a Downgrade Drawing thereunder in accordance with Section 3.5(c)(iii), if the Liquidity Provider or the Company has arranged for a Replacement Liquidity Provider to issue and deliver a Replacement Liquidity Facility to the Trustee within 10 days after receiving notice of a Downgrade Event (but not later than the expiration date of such Downgraded Facility).

(iii) If the Trustee is required to request a Downgrade Drawing under Section 3.5(c)(i), the Trustee shall, on the 10th day referred to in Section 3.5(c)(ii) (or if such 10th day is not a Business Day, on the next succeeding Business Day) (or, if earlier, the expiration date of such Downgraded Facility), request a drawing in accordance with and to the extent permitted by such Downgraded Facility (such drawing, a "DOWNGRADE DRAWING") of the Available Amount. Amounts drawn pursuant to a Downgrade Drawing shall be maintained and invested as provided in Section 3.5(f) hereof. The Liquidity Provider may also arrange for a Replacement Liquidity Provider to issue and deliver a Replacement Liquidity Facility at any time after such Downgrade Drawing so long as such Downgrade Drawing has not been reimbursed in full to the Liquidity Provider.

(d) NON-EXTENSION DRAWINGS. If the Liquidity Facility is scheduled to expire on a date (the "STATED EXPIRATION DATE") prior to the date that is 15 days after the Final Legal Maturity Date, then, no earlier than the 60th day and no later than the 40th day prior to the then Stated Expiration Date, the Trustee shall request that the Liquidity Provider extend the Stated Expiration Date until the earlier of (i) the date which is 15 days after the Final Legal Maturity Date and (ii) the date that is the day immediately preceding the 364th day occurring after the last day of the applicable Consent Period (unless the obligations of the Liquidity Provider under the Liquidity Facility are earlier terminated in accordance with the Liquidity Facility). Whether or not the Liquidity Provider has received a request from the Trustee, the Liquidity Provider shall advise the Trustee, no earlier than the 40th day (or, if earlier, the date of the Liquidity Provider's receipt of such request, if any, from the Trustee) and no later than the 25th day prior to the Stated Expiration Date then in effect (such period, the "CONSENT PERIOD"), whether, in its sole discretion, it agrees to extend such Stated Expiration Date. If (A) on or before the date on which such Consent Period ends, the Liquidity Facility shall not have been

replaced in accordance with Section 3.5(e) and (B) the Liquidity Provider fails irrevocably and unconditionally to advise the Trustee on or before the date on which such Consent Period ends that such Stated Expiration Date then in effect shall be so extended, the Trustee shall, on the date on which such Consent Period ends (or as soon as possible thereafter), in accordance with the terms of the expiring Liquidity Facility (a "NON-EXTENDED FACILITY"), request a drawing under such expiring Liquidity Facility (such drawing, a "NON-EXTENSION DRAWING") of all available and undrawn amounts thereunder. Notwithstanding the immediately preceding three sentences, so long as MSCS is the Liquidity Provider, the Stated Expiration Date shall be automatically extended, effective on the 25th day prior to such Stated Expiration Date (unless such Stated Expiration Date is on or after the date that is 15 days after the Final Legal Maturity Date), for a period of 364 days after the Stated Expiration Date (unless the obligations of the Liquidity Provider are earlier terminated in accordance with the Liquidity Facility) without the necessity of any act by the Trustee or the Liquidity Provider, unless the Liquidity Provider shall advise the Trustee, prior to such 25th day, that it does not agree to such extension of the Stated Expiration Date, in which event, the Trustee shall, on such 25th day (or as soon as possible thereafter), in accordance with and to the extent permitted by the terms of the Non-Extended Facility, request a Non-Extension Drawing under the Non-Extended Facility of all available and undrawn amounts thereunder. Amounts drawn pursuant to a Non-Extension Drawing shall be maintained and invested in accordance with Section 3.5(f) hereof.

(e) ISSUANCE OF REPLACEMENT LIQUIDITY FACILITY. (i) At any time, the Company may, at its option, with cause or without cause, arrange for a Replacement Liquidity Facility to replace any Liquidity Facility (including any Replacement Liquidity Facility provided pursuant to Section 3.5(e)(ii) hereof); PROVIDED, HOWEVER, that the initial Liquidity Provider shall not be replaced by the Company as a Liquidity Provider without the consent of such initial Liquidity Provider unless (A) there shall have become due to such initial Liquidity Provider, or such initial Liquidity Provider shall have demanded, amounts pursuant to Section 3.01, 3.02 or 3.03 of the Liquidity Facility and the replacement of such initial Liquidity Provider would reduce or eliminate the obligation to pay such amounts or the Company determines in good faith that there is a substantial likelihood that such initial Liquidity Provider will have the right to claim any such amounts (unless such initial Liquidity Provider waives, in writing, any right it may have to claim such amounts), which determination shall be set forth in a certificate delivered by the Company to such initial Liquidity Provider setting forth the basis for such determination and accompanied by an opinion of outside counsel selected by the Company and reasonably acceptable to such initial Liquidity Provider verifying the legal conclusions, if any, of such certificate relating to such basis, PROVIDED that, in the case of any likely claim for such amounts based upon any proposed, or proposed change in, law, rule, regulation, interpretation, directive, requirement, request or administrative practice, such opinion may assume the adoption or promulgation of such proposed matter, (B) it shall become unlawful or impossible for such initial Liquidity Provider (or its Facility Office) to maintain or fund its LIBOR Advances as described in Section 3.10 of the Liquidity Facility, (C) the Liquidity Facility of the initial Liquidity Provider shall become a Downgraded Facility or a Non-Extended Facility or a Downgrade Drawing or a Non-Extension Drawing shall have occurred under the Liquidity

Facility of the initial Liquidity Provider or (D) the initial Liquidity Provider shall have breached any of its payment (including, without limitation, funding) obligations under the Liquidity Facility. If such Replacement Liquidity Facility is provided at any time after a Downgrade Drawing or Non-Extension Drawing has been made, all funds on deposit in the Cash Collateral Account will be returned to the Liquidity Provider being replaced.

(ii) If the Liquidity Provider shall determine not to extend the Liquidity Facility in accordance with Section 3.5(d), then the Liquidity Provider may, at its option, arrange for a Replacement Liquidity Facility to replace the Liquidity Facility during the period no earlier than 40 days and no later than 25 days prior to the then effective Stated Expiration Date. In addition, so long as the initial Liquidity Provider is the Liquidity Provider, at any time after a Non-Extension Drawing has been made under the Liquidity Facility, the Liquidity Provider may, at its option, arrange for a Replacement Liquidity Facility to replace the Liquidity Facility.

(iii) No Replacement Liquidity Facility arranged by the Company or a Liquidity Provider in accordance with clause (i) or (ii) above or pursuant to Section 3.5(c), respectively, shall become effective and no such Replacement Liquidity Facility shall be deemed a "Liquidity Facility" under the Operative Documents and the Support Documents, unless and until (A) each of the conditions referred to in sub-clauses (iv)(x) and (z) below shall have been satisfied, (B) if such Replacement Liquidity Facility shall materially adversely affect the rights, remedies, interests or obligations of the Securityholders under any of the Operative Documents or the Support Documents, the Trustee shall have consented, in writing, to the execution and issuance of such Replacement Liquidity Facility and (C) in the case of a Replacement Liquidity Facility arranged by a Liquidity Provider under Section 3.5(e)(ii) or pursuant to Section 3.5(c), such Replacement Liquidity Facility is acceptable to the Company.

(iv) In connection with the issuance of each Replacement Liquidity Facility, the Trustee shall (x) prior to the issuance of such Replacement Liquidity Facility, obtain written confirmation from each Rating Agency that such Replacement Liquidity Facility will not cause a reduction of any rating then in effect for the Securities by such Rating Agency (without regard to any downgrading of any rating of any Liquidity Provider being replaced pursuant to Section 3.5(c) hereof and without regard to the Policy) or a withdrawal or suspension of the rating of the Securities by such Rating Agency and the written consent of the Policy Provider (which consent will not be unreasonably withheld or delayed), (y) pay all Liquidity Obligations then owing to the replaced Liquidity Provider (which payment shall be made first from available funds in the Cash Collateral Account as described in clause (iii) of Section 3.5(f) hereof, and thereafter from any other available source, including, without limitation, a drawing under the Replacement Liquidity Facility) and (z) cause the issuer of the Replacement Liquidity Facility to deliver the Replacement Liquidity Facility to the Trustee, together with a legal opinion opining

that such Replacement Liquidity Facility is an enforceable obligation of such Replacement Liquidity Provider.

(v) Upon satisfaction of the conditions set forth in clauses (iii) and (iv) of this Section 3.5(e) with respect to a Replacement Liquidity Facility, (w) the replaced Liquidity Facility shall terminate, (x) the Trustee shall, if and to the extent so requested by the Company or the Liquidity Provider being replaced, execute and deliver any certificate or other instrument required in order to terminate the replaced Liquidity Facility, shall surrender the replaced Liquidity Facility to the Liquidity Provider being replaced and shall execute and deliver the Replacement Liquidity Facility and any associated Fee Letter, (y) each of the parties hereto shall enter into any amendments to this Indenture necessary to give effect to (1) the replacement of the applicable Liquidity Provider with the applicable Replacement Liquidity Provider and (2) the replacement of the applicable Liquidity Facility with the applicable Replacement Liquidity Facility and (z) the applicable Replacement Liquidity Provider shall be deemed to be a Liquidity Provider with the rights and obligations of a Liquidity Provider hereunder and under the other Operative Documents and the Support Documents and such Replacement Liquidity Facility shall be deemed to be a Liquidity Facility hereunder and under the other Operative Documents and the Support Documents.

(f) CASH COLLATERAL ACCOUNT; WITHDRAWALS; INVESTMENTS. In the event the Trustee shall draw all available amounts under the Liquidity Facility pursuant to Section 3.5(c), 3.5(d) or 3.5(i) hereof, or in the event amounts are to be deposited in the Cash Collateral Account pursuant to subclause (i)(A) or (i)(B) of clause "fourth" of Section 3.2, amounts so drawn or to be deposited, as the case may be, shall be deposited by the Trustee in the Cash Collateral Account. All amounts on deposit in the Cash Collateral Account shall be invested and reinvested in Eligible Investments in accordance with Section 8.13(b) hereof.

On each Interest Payment Date, Investment Earnings on amounts on deposit in the Cash Collateral Account shall be deposited in the Collection Account and applied on such Interest Payment Date in accordance with Section 3.2 or 3.3 (as applicable). The Trustee shall deliver a written statement to the Company, the Liquidity Provider and the Policy Provider one day prior to each Interest Payment Date setting forth the amount of Investment Earnings held in the Cash Collateral Account as of such date. In addition, from and after the date funds are so deposited, the Trustee shall make withdrawals from such accounts as follows:

(i) on each Distribution Date, the Trustee shall, to the extent it shall not have received funds to pay accrued and unpaid interest due and owing on the Securities (at the Debt Rate) after giving effect to the subordination provisions of Section 3.2, withdraw from the Cash Collateral Account, and pay to the Securityholders, an amount equal to the lesser of (x) an amount necessary to pay accrued and unpaid interest (at the Debt Rate) on such Securities and (y) the amount on deposit in the Cash

Collateral Account (so long as the aggregate amount of unreplenished withdrawals, including such withdrawal, does not exceed the Required Amount for such Distribution Date);

(ii) on each date on which principal of the Securities shall have been paid to the Securityholders pursuant to Section 3.2 hereof, the Trustee shall withdraw from the Cash Collateral Account such amount as is necessary so that, after giving effect to such payment of principal on such date (and any reduction in the amounts on deposit in the Cash Collateral Account resulting from a prior withdrawal of amounts on deposit in the Cash Collateral Account on such date) and any transfer of Investment Earnings from such Cash Collateral Account to the Collection Account on such date, an amount equal to the sum of the Required Amount (calculated for purposes of this clause (ii) on the basis of the Capped Interest Rate) plus (if on a Distribution Date not coinciding with an Interest Payment Date) Investment Earnings on deposit in the Cash Collateral Account (after giving effect to any such transfer of Investment Earnings) will be on deposit in the Cash Collateral Account and shall first, pay such withdrawn amount to the Liquidity Provider until the Liquidity Obligations owing to such the Liquidity Provider shall have been paid in full, and second, deposit any remaining withdrawn amount in the Collection Account;

(iii) if a Replacement Liquidity Facility shall be delivered to the Trustee following the date on which funds have been deposited into the Cash Collateral Account, the Trustee shall withdraw all amounts on deposit in the Cash Collateral Account and shall pay such amounts to the replaced Liquidity Provider until all Liquidity Obligations owed to such Person shall have been paid in full, and shall deposit any remaining amount in the Collection Account; and

(iv) following the payment of all sums payable with respect to the Securities, on the date on which the Trustee shall have been notified by the Liquidity Provider that the Liquidity Obligations owed to the Liquidity Provider have been paid in full, the Trustee shall withdraw all amounts on deposit in the Cash Collateral Account and shall distribute such amounts in accordance with the order of priority set forth in Section 3.2.

(g) REINSTATEMENT. With respect to any Interest Drawing under the Liquidity Facility, upon the reimbursement of the Liquidity Provider for all or any part of the amount of such Interest Drawing, together with any accrued interest thereon, the Available Amount of the Liquidity Facility shall be reinstated by an amount equal to the amount of such Interest Drawing so reimbursed to the Liquidity Provider but not to exceed the Stated Amount; PROVIDED, HOWEVER, that the Liquidity Facility shall not be so reinstated in part or in full at any time if (x) the Securities are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (y) the Final Drawing shall have occurred; PROVIDED FURTHER, that any payment by the Policy Provider to the Liquidity Provider of any amounts pursuant to the second proviso to Section 3.8(c) shall not reinstate the Liquidity Facility, but the Liquidity Facility (so long as the Liquidity Facility is in effect) shall be reinstated, PRO TANTO, to the extent the Policy Provider receives any reimbursement in respect of such payment under clause "FOURTH" of Section 3.2, unless (x) the Securities are Non-Performing and

a Liquidity Event of Default shall have occurred and be continuing or (y) the Final Drawing shall have occurred. In the event that (i) funds are withdrawn from the Cash Collateral Account pursuant to clause (i) of Section 3.5(f) hereof or (ii) the Liquidity Facility shall become a Downgraded Facility or a Non-Extended Facility at a time when unreimbursed Interest Drawings have reduced the Available Amount to zero, then funds received by the Trustee at any time other than (x) any time when the Securities are Non-Performing and Liquidity Event of Default shall have occurred and be continuing or (y) any time after the Final Drawing shall have occurred, shall be deposited in the Cash Collateral Account as and to the extent provided in clause "FOURTH" of Section 3.2, and applied in accordance with Section 3.5(f) hereof.

(h) REIMBURSEMENT. The amount of each drawing under the Liquidity Facility shall be due and payable, together with interest thereon, on the dates and at the rate, respectively, provided in the Liquidity Facility.

(i) FINAL DRAWING. Upon receipt from the Liquidity Provider of a Termination Notice, the Trustee shall, not later than the date specified in such Termination Notice, in accordance with the terms of the Liquidity Facility, request a drawing under the Liquidity Facility of all available and undrawn amounts thereunder (a "FINAL DRAWING"). Amounts drawn pursuant to a Final Drawing shall be maintained and invested in accordance with Section 3.5(f) hereof.

(j) ADJUSTMENTS OF STATED AMOUNT. Promptly following each date on which the Required Amount is reduced as a result of a payment of the principal amount of the Securities, the Stated Amount shall automatically be adjusted to an amount equal to the Required Amount (as calculated by the Trustee after giving effect to such payment).

(k) RELATION TO SUBORDINATION PROVISIONS. Subject to the proviso contained in Section 3.5(b), Interest Drawings under the Liquidity Facility and withdrawals from the Cash Collateral Account will be distributed to the Trustee, and the Trustee will distribute such Interest Drawings and withdrawals promptly to the Securityholders in accordance with the provisions of this Indenture, in each case, notwithstanding Section 3.2 hereof.

(l) ASSIGNMENT OF LIQUIDITY FACILITY. The Trustee agrees not to consent to the assignment by the Liquidity Provider of any of its rights or obligations under the Liquidity Facility or any interest therein, unless (i) the Company shall have consented to such assignment and (ii) each Rating Agency shall have provided a Ratings Confirmation in respect of such assignment and (iii) the Policy Provider shall have consented to such assignment (which consent shall not be unreasonably withheld or delayed); PROVIDED, that the Trustee shall consent to such assignment if the conditions in the foregoing clauses (i), (ii) and (iii) are satisfied, and the foregoing is not intended to and shall not be construed to limit the rights of the initial Liquidity Provider under Section 3.5(e)(ii).

(m) NO DISCHARGE OF THE COMPANY'S OBLIGATIONS. The payment of interest on the Securities with funds drawn under the Liquidity Facility or from the Cash

Collateral Account shall not be deemed to discharge the Company's obligation to make such payment, which obligation shall continue in full force and effect.

(n) INTEREST COVERAGE. The interest payable by the Liquidity Provider under the Liquidity Facility shall include interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding.

Section 3.6 THE POLICY.

(a) INTEREST DRAWINGS. If on any Distribution Date (other than the Final Legal Maturity Date, the Election Distribution Date, the Policy Election Distribution Date, the Non-Performance Payment Date or a date on which a Policy Drawing is to be made pursuant to Section 3.6(b) of this Indenture), after giving effect to the subordination provisions of Section 3.2 and to the application of Prior Funds, the Trustee does not then have sufficient funds available for the payment of all amounts due and owing in respect of accrued and unpaid interest on the Securities at the Debt Rate (without giving effect to any Acceleration and calculated assuming that the Company will not cure the nonpayment of interest) ("ACCRUED INTEREST"), then the Trustee (i) prior to 1:00 p.m. (New York City time) on such Distribution Date shall deliver a Notice for Payment, as provided in the Policy, to the Policy Provider or its fiscal agent, requesting a Policy Drawing under the Policy (for payment into the Policy Account) in an amount sufficient to enable the Trustee to pay such Accrued Interest and (ii) upon receipt shall pay such amount from the Policy Account to the Securityholders in payment of such Accrued Interest.

(b) PROCEEDS DEFICIENCY DRAWING. If on any Distribution Date (other than the Final Legal Maturity Date, the Election Distribution Date, the Policy Election Distribution Date or the Non-Performance Payment Date) established by the Trustee by reason of its receipt of a payment constituting the proceeds from the sale of Pledged Spare Parts comprising all of the Pledged Spare Parts subject to the Lien of the Security Agreement at the time of such sale, after giving effect to the subordination provisions of Section 3.2 and, if such payment is received prior to a Policy Provider Election, to the application of Prior Funds, the Trustee does not then have sufficient funds available for the payment in full of the then outstanding principal amount of the Securities together with accrued and unpaid interest thereon at the Debt Rate (excluding any accrued and unpaid Premium or Break Amount and calculated assuming that the Company will not cure the nonpayment of interest) (collectively, the "OUTSTANDING AMOUNT"), then the Trustee (i) prior to 1:00 p.m. (New York City time) on such Distribution Date shall deliver a Notice for Payment, as provided in the Policy, to the Policy Provider or its fiscal agent, requesting a Policy Drawing (the "PROCEEDS DEFICIENCY DRAWING") under the Policy (for payment into the Policy Account) in an amount sufficient to enable the Trustee to pay the Outstanding Amount and (ii) upon receipt shall pay such amount from the Policy Account to the Securityholders in payment of the Outstanding Amount.

(c) NON-PERFORMANCE DRAWING. If a Payment Default exists under the Securities (without giving effect to any Acceleration or any payments by the

Liquidity Provider or the Policy Provider) for a period of eight consecutive Interest Periods (such period, the "NON-PERFORMING PERIOD") (regardless of whether any proceeds from the sale of any Collateral are distributed by the Trustee during such period) and continues to exist on the Interest Payment Date on which such eighth Interest Period ends (or, if such Interest Payment Date falls within the applicable period specified in the proviso to the definition of "Non-Performing", continues to exist on the Business Day immediately following such period (the "RELEVANT DATE")), and on the 25th day following such Interest Payment Date or, if applicable, the Relevant Date (or, if such 25th day is not a Business Day, the next Business Day) (the "NON-PERFORMANCE PAYMENT DATE") after giving effect to the subordination provisions of Section 3.2 and to the application of Prior Funds, the Trustee does not then have sufficient funds available for the payment in full of the Outstanding Amount as of the Non-Performance Payment Date, then unless the Policy Provider shall have paid on any day prior thereto the Outstanding Amount as of such day pursuant to Section 3.6(b) or 3.6(e) of this Indenture, the Trustee (i) prior to the 1:00 p.m. (New York City time) on the Non-Performance Payment Date shall deliver a Notice for Payment, as provided in the Policy, to the Policy Provider or its fiscal agent, requesting a Policy Drawing (the "NON-PERFORMANCE DRAWING") under the Policy (for payment into the Policy Account) in an amount sufficient to enable the Trustee to pay such Outstanding Amount, and (ii) upon receipt shall pay such amount from the Policy Account to the Securityholders in payment of such Outstanding Amount. If the Non-Performance Payment Date is established, the Trustee shall send to the Securityholders Written Notice thereof promptly, but no later than three Business Days, after the occurrence of the Interest Payment Date on which the Non-Performing Period ends or, if applicable, the Relevant Date.

Notwithstanding the foregoing, if, and only if, the Non-Performance Payment Date is scheduled to occur prior to the Final Scheduled Payment Date, the Policy Provider has the right, by Written Notice to the Trustee given at least 10 days prior to the Non-Performance Payment Date, so long as no Policy Provider Default shall have occurred and be continuing, to elect (the "POLICY PROVIDER ELECTION") not to pay the deficiency necessary to pay the Outstanding Amount on the Non-Performance Payment Date pursuant to the preceding paragraph, in which case the Policy Provider shall (i) pay on the Non-Performance Payment Date any shortfall in funds required to pay accrued interest on the Securities (without regard to Acceleration and after giving effect to the subordination provisions of Section 3.2 and to the application of Prior Funds), (ii) thereafter, on each Distribution Date until the establishment of an Election Distribution Date or a Policy Election Distribution Date, pay an amount equal to the scheduled principal on the Final Scheduled Payment Date and interest (without regard to any Acceleration) payable on the Securities on such Distribution Date, and (iii) (A) on any Business Day elected by the Policy Provider upon at least 20 days' Written Notice to the Trustee, direct the Trustee (such Business Day a "POLICY ELECTION DISTRIBUTION DATE") or (B) following the occurrence of a Policy Provider Default, on any Business Day specified by the Trustee upon at least 20 days' Written Notice to the Policy Provider (such Business Day an "ELECTION DISTRIBUTION DATE") permit the Trustee, in each case, to make a Policy Drawing under the Policy for an amount equal to the Outstanding Amount as of such Policy Election Distribution Date or Election Distribution Date, as applicable. The Trustee shall (i) prior to 1:00 p.m. (New York City time) on each such

Distribution Date referred to in the preceding sentence deliver a Notice of Payment, as provided in the Policy, to the Policy Provider or its fiscal agent requesting a Policy Drawing under the Policy for payment into the Policy Account to pay the amount then due under this paragraph and (ii) upon receipt of the proceeds thereof pay the amount thereof from the Policy Account to the Securityholders in payment of such amount.

(d) LIQUIDITY PROVIDER DRAWING. On or after the Business Day which is 24 months from the earliest to occur of (i) the date on which an Interest Drawing shall have been made under the Liquidity Facility and remains unreimbursed from payments made by the Company at the end of such 24-month period, (ii) the date on which any Downgrade Drawing, Non-Extension Drawing or Final Drawing that was deposited into the Cash Collateral Account shall have been applied to pay any scheduled payment of interest on the Securities and remains unreimbursed from payments made by the Company at the end of such 24-month period and (iii) the date on which all of the Securities have been accelerated and such Securities remain unpaid by the Company at the end of such 24-month period (in each case, disregarding any reimbursements from payments by the Policy Provider and from proceeds from the sale of Collateral distributed by the Trustee during such 24-month period) (such Business Day, the "LIQUIDITY PROVIDER REIMBURSEMENT DATE"), the Policy Provider (upon at least 20 days' prior notice from the Trustee on behalf of the Liquidity Provider, which notice can be given in advance of the expiry of such twenty-four month period) will be required to honor drawings under the Policy by the Trustee on behalf of the Liquidity Provider in an amount sufficient to repay all outstanding drawings under the Liquidity Facility, together with interest accrued thereon in accordance with the Liquidity Facility. The Liquidity Provider hereby appoints the Trustee as its agent for purposes of making the drawing pursuant to this clause (d) and clause (vii) of the definition of "Deficiency Amount" in the Policy and the Trustee hereby accepts such appointment and agrees to make such drawing at the direction of the Liquidity Provider and to promptly distribute all amounts received in respect of such drawing to the Liquidity Provider.

(e) FINAL POLICY DRAWING. If on the Final Legal Maturity Date, after giving effect to the subordination provisions of Section 3.2 and to the application of Prior Funds, unless the Policy Provider shall have paid on any day prior thereto the Outstanding Amount as of such day pursuant to Section 3.6(b) or 3.6(c) of this Indenture, the Trustee does not then have sufficient funds available on such date for the payment in full of the Outstanding Amount as of such date, then the Trustee shall (i) prior to 1:00 p.m. (New York City time) on such date deliver a Notice for Payment, as provided in the Policy, to the Policy Provider or its fiscal agent, requesting a Policy Drawing under the Policy (for payment into the Policy Account) in an amount sufficient to enable the Trustee to pay such Outstanding Amount, and (ii) upon receipt pay such amount from the Policy Account to Securityholders in payment of such amount.

(f) AVOIDANCE DRAWINGS. If at any time the Trustee shall have actual knowledge of the issuance of any Final Order, the Trustee shall promptly give notice thereof to the Liquidity Provider and the Policy Provider. The Trustee shall thereupon calculate the relevant Avoided Payments resulting therefrom and shall promptly: (a) send to the Securityholders a Written Notice of such amounts

and (b) prior to the expiration of the Policy, deliver to the Policy Provider or its fiscal agent a Notice of Avoided Payment under the Policy, together with a copy of the documentation required by the Policy with respect thereto, requesting a Policy Drawing thereunder (for payment to the receiver, conservator, debtor-in-possession, trustee in bankruptcy or the Trustee (for deposit into the Policy Account), as applicable) in an amount equal to the amount of relevant Avoided Payment. To the extent that any portion of such Avoided Payment is to be paid to the Trustee, such Written Notice shall also set the date for the distribution of such portion of the proceeds of such Policy Drawing which date shall constitute a Distribution Date and shall be the earlier of three Business Days after the date of the expiration of the Policy and the Business Day that immediately follows the 25th day after the date of such Written Notice. Upon receipt, the Trustee shall pay the proceeds of the specified Policy Drawing under the Policy to the Securityholders or the Liquidity Provider, as applicable on such Distribution Date.

(g) APPLICATION OF POLICY DRAWINGS. Notwithstanding anything to the contrary contained in this Indenture (including, without limitation, Section 3.2 hereof), except as provided in Section 3.6(d) hereof, all payments received by the Trustee in respect of a Policy Drawing (including, without limitation, that portion, if any, of the proceeds of a Policy Drawing for any Avoided Payment that is to be paid to the Trustee and not to any receiver, conservator, debtor-in-possession or trustee in bankruptcy as provided in the Policy) shall be promptly paid from the Policy Account to the Securityholders.

(h) LIMITATION TO OUTSTANDING PRINCIPAL AMOUNT; INTEREST ON POLICY DRAWINGS. Notwithstanding anything to the contrary in this Section 3.6, except as provided in Section 3.6(f), at no time shall the Trustee make any Policy Drawing under the Policy under clause (b), (c) or (e) of this Section 3.6 in excess of the then outstanding principal amount of the Securities, and accrued and unpaid interest at the Debt Rate. Nothing contained in this Indenture shall alter or amend the liabilities, obligations, requirements or procedures of the Policy Provider under the Policy, and the Policy Provider shall not be obligated to make payment except at the times and in the amounts and under the circumstances expressly set forth in the Policy. Except for Policy Provider Interest Obligations, no interest shall accrue on any Policy Drawing or any other payment made by the Policy Provider.

(i) RESUBMISSION OF NOTICE FOR PAYMENT. If the Policy Provider at any time informs the Trustee in accordance with the Policy that a Notice for Payment or Notice of Avoided Payment submitted by the Trustee does not meet the requirements of the Policy, the Trustee shall, as promptly as possible after being so informed, submit to the Policy Provider an amended and revised Notice for Payment or Notice of Avoided Payment, as the case may be, and shall pay to Securityholders out of the Policy Account the amount received pursuant to such amended or revised Notice for Payment or Notice of Avoided Payment, as the case may be, when received.

(j) NO DISCHARGE OF THE COMPANY'S OBLIGATIONS. The payment of principal of or interest on the Securities with funds drawn under the Policy shall not be deemed to discharge the Company's obligation to make such payment, which obligation shall continue in full force and effect.

(k) INTEREST COVERAGE. The interest payable by the Policy Provider under the Policy shall include interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding.

Section 3.7 DESIGNATED REPRESENTATIVES.

(a) With the delivery of this Indenture, the Trustee shall furnish to the Liquidity Provider and the Policy Provider, and from time to time thereafter may furnish to the Liquidity Provider and the Policy Provider, at the Trustee's discretion, or upon the Liquidity Provider's or the Policy Provider's request (which request shall not be made more than one time in any 12-month period), a certificate (a "TRUSTEE INCUMBENCY CERTIFICATE") of a Responsible Officer of the Trustee certifying as to the incumbency and specimen signatures of the officers of the Trustee and the attorney-in-fact and agents of the Trustee (the "TRUSTEE REPRESENTATIVES") authorized to give Written Notices on behalf of the Trustee hereunder. Until the Liquidity Provider and the Policy Provider receives a subsequent Trustee Incumbency Certificate, it shall be entitled to rely on the last Trustee Incumbency Certificate delivered to it hereunder.

(b) With the delivery of this Indenture, the Liquidity Provider and the Policy Provider shall furnish to the Trustee, and from time to time thereafter may furnish to the Trustee, at the Liquidity Provider's or Policy Provider's discretion, or upon the Trustee's request (which request shall not be made more than one time in any 12-month period), a certificate (each, a "PROVIDER INCUMBENCY CERTIFICATE") of any Responsible Officer of such Liquidity Provider or Policy Provider certifying as to the incumbency and specimen signatures of any officer, attorney-in-fact, agent or other designated representative of such Liquidity Provider or Policy Provider (in each case, the "PROVIDER REPRESENTATIVES" and, together with the Trustee Representatives, the "DESIGNATED REPRESENTATIVES") authorized to give Written Notices on behalf of the Liquidity Provider or Policy Provider hereunder. Until the Trustee receives a subsequent Provider Incumbency Certificate, it shall be entitled to rely on the last Provider Incumbency Certificate delivered to it hereunder by the Liquidity Provider or the Policy Provider.

Section 3.8 CONTROLLING PARTY.

(a) Subject to the rights of the Holders hereunder (including, without limitation, Sections 7.4, 7.6, 7.7 and 10.2) and the requirements of the TIA, in taking, or refraining from taking, any action under this Indenture, whether before or after the occurrence of an Event of Default, the Trustee will be directed by the Controlling Party. In particular, in taking, or refraining from taking, any action under this Indenture pursuant to the exercise of remedies hereunder as provided in Article 7 and under the Security Agreement pursuant to the exercise of remedies thereunder as provided in Article 6 thereof (including foreclosing the Lien on the Collateral), the Trustee and the Collateral Agents will be directed by the Controlling Party. The provisions of Section 316(a)(1) of the TIA and, except during any period that the Required Holders are the Controlling Party, the provisions of Section 315(d)(3) of the TIA are expressly excluded from this Indenture.

(b) The Person who shall be the "CONTROLLING PARTY" shall be the Policy Provider (or, if any Policy Provider Default shall have occurred and be continuing, the Required Holders).

The Trustee shall give Written Notice to the Policy Provider and the Liquidity Provider promptly upon a change in the identity of the Controlling Party. Each of the Securityholders, by their acceptance of the Securities, the Policy Provider, by entering into the Policy Provider Agreement, and the Liquidity Provider, by entering into the Liquidity Facility, has agreed that it shall not exercise any of the rights of the Controlling Party at such time as it is not the Controlling Party hereunder; PROVIDED, HOWEVER, that nothing herein contained shall prevent or prohibit any Non-Controlling Party from exercising such rights as shall be specifically granted to such Non-Controlling Party hereunder and under the other Operative Documents or the Support Documents.

(c) Notwithstanding the foregoing, if at any time after the Liquidity Provider Reimbursement Date a Policy Provider Default attributable to a failure to make a payment referred to in Section 3.6(d) shall have occurred and be continuing, the Liquidity Provider (so long as the Liquidity Provider has not defaulted in its obligation to make any Drawing under the Liquidity Facility) shall have the right to elect, by Written Notice to the Trustee and the Policy Provider, to become the Controlling Party hereunder at any time from and including the Liquidity Provider Reimbursement Date; PROVIDED, HOWEVER, that if the Policy Provider subsequently pays to the Liquidity Provider all outstanding Drawings, together with accrued interest thereon, under the Liquidity Facility, and no other Policy Provider Default has occurred and is continuing, then, the Policy Provider rather than the Liquidity Provider shall be the Controlling Party, subject to Section 3.8(b).

(d) The Controlling Party shall not be entitled to require or obligate any Non-Controlling Party to provide funds necessary to exercise any right or remedy hereunder.

Section 3.9 COMPANY'S PAYMENT OBLIGATIONS.

The Company agrees to pay to the Trustee for distribution in accordance with Section 3.2 hereof: (a)(i) an amount equal to the fees payable to the Liquidity Provider under Section 2.03 of the Liquidity Facility and the related Fee Letter; (ii) the amount equal to interest on any Downgrade Advance (other than any Applied Downgrade Advance) payable under Section 3.07 of the Liquidity Facility minus Investment Earnings from such Downgrade Advance; (iii) the amount equal to interest on any Non-Extension Advance (other than any Applied Non-Extension Advance) payable under Section 3.07 of the Liquidity Facility minus Investment Earnings from such Non-Extension Advance; (iv) if any payment default shall have occurred and be continuing with respect to interest on any Securities, the excess, if any, of (1) an amount equal to interest on any Unpaid Advance, Applied Downgrade Advance or Applied Non-Extension Advance payable under Section 3.07 of the Liquidity Facility (or, if the Policy Provider has made a payment equivalent to such an Advance, as would have been payable under Section 3.07 of the Liquidity Facility had such Advance been made) over (2) the sum of Investment Earnings from any Final Advance plus any amount of interest at the Payment Due Rate actually payable (whether or not in fact paid) by the

Company on the overdue scheduled interest on the Securities in respect of which such Unpaid Advance, Applied Downgrade Advance or Applied Non-Extension Advance was made by the Liquidity Provider (or an equivalent payment made by the Policy Provider); (v) any other amounts owed to the Liquidity Provider by the Trustee as borrower under the Liquidity Facility other than amounts due as repayment of advances thereunder or as interest on such advances, except to the extent payable pursuant to clause (ii), (iii) or (iv) above, and (vi) an amount equal to the fees payable to the Policy Provider under Section 3.02(d) of the Policy Provider Agreement and all other compensation and reimbursement of expenses and disbursements (but excluding reimbursement of advances) payable to the Policy Provider under the Policy Provider Agreement (but excluding all such amounts actually paid by the Company to the Policy Provider under the Policy Provider Agreement or the Policy Fee Letter). The Trustee shall immediately deposit in the Collection Account all payments from the Company received pursuant to this Section.

Section 3.10. EXECUTION OF SUPPORT DOCUMENTS.

The Trustee is authorized and directed, for the benefit of the Securityholders, to enter into the Support Documents on the Closing Date. The Trustee shall not amend or supplement, or grant any waiver with respect to, any Support Document, except pursuant to the provisions of Article 10.

ARTICLE 4.

REDEMPTIONS

Section 4.1 OPTIONAL REDEMPTION.

The Securities may be redeemed at any time 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 Premium, if any, and Break Amount, if any, with respect to, the redeemed Securities to and including the Redemption Date.

Section 4.2 REDEMPTION NOTICE TO TRUSTEE.

If the Company elects to redeem Securities as provided in Section 4.1, it shall notify the Trustee of the Redemption Date, the principal amount of Securities to be redeemed and all other information needed for the notice to be given by the Trustee pursuant to Section 4.4.

The Company shall give the notice provided for in this Section at least ten (10) days (unless a shorter notice shall be satisfactory to the Trustee) prior to the date the Trustee must give notice pursuant to Section 4.4.

Section 4.3 SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities are to be redeemed, the Trustee shall select the Securities 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. The Trustee shall make the selection from Securities outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. Securities and portions of them it selects shall be in amounts of $1,000 or whole multiples of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption, and references to such Securities shall also refer to such portions of such Securities.

Section 4.4 NOTICE OF REDEMPTION.

At least 15 days but not more than 60 days before a Redemption Date, the Trustee shall mail by first-class mail a notice of redemption to each Holder whose Securities are to be redeemed.

The notice shall identify the Securities and the principal amount thereof to be redeemed and shall state:

(1) the Redemption Date;

(2) the redemption price (including the amount of accrued and unpaid interest, and Premium, if any, to be paid on the Securities called for redemption);

(3) if any Security is being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the Redemption Date, upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion will be issued;

(4) the name and address of the Paying Agent;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price; and

(6) that, unless the Company fails to make the redemption payment, interest on the Securities to be redeemed ceases to accrue on and after the Redemption Date and the only remaining right of the Holders of such Securities is to receive payment of the redemption price (including the amount of accrued and unpaid interest, and Premium, if any, to be paid on the Securities called for redemption) upon surrender to the Paying Agent of the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

Section 4.5 EFFECT OF NOTICE OF REDEMPTION.

Once a notice of redemption is mailed, Securities called for redemption become due and payable on the Redemption Date at the redemption price and, on and after such date (unless the Company shall fail to make the payment of the redemption price), such Securities shall cease to bear interest. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price. Notwithstanding the foregoing, if the Trustee gives notice of redemption, but the Company 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.

Section 4.6 DEPOSIT OF REDEMPTION PRICE.

On or before 12:30 p.m., Eastern Time, on the Redemption Date, the Company shall deposit with the Paying Agent money in funds immediately available on the Redemption Date sufficient to pay the principal amount of and accrued interest on and Premium, if any, and Break Amount, if any, with respect to, all Securities to be redeemed on that date, PROVIDED that the Company's failure to make such deposit shall result in the revocation of such redemption in accordance with Section 4.5.

Section 4.7 SECURITIES REDEEMED IN PART.

Upon surrender of a Security that is redeemed in part, the Trustee shall authenticate for the Holder a new Security equal in principal amount of the unredeemed portion of the Security surrendered.

ARTICLE 5.

COVENANTS

Section 5.1 PAYMENT OF SECURITIES.

The Company shall pay the principal of, interest on and Premium, if any, and Break Amount, if any, with respect to, the Securities on the dates and in the manner provided in this Indenture and in the Securities. The Company will, on or before each due date for the payment of the principal of, interest on, Premium, if any, or Break Amount, if any, due under any of the Securities, deposit with the Trustee payments sufficient to pay the principal, interest, Premium, if any, or Break Amount, if any, so becoming due, and the Trustee shall immediately deposit all such payments in the Collection Account.

The principal of, interest on, Premium, if any, Break Amount, if any, and other amounts due under any of the Securities or hereunder will be payable in Dollars by wire transfer of immediately available funds not later than 12:30 p.m., New York time, on the due date of payment to the Trustee at the Corporate Trust Office for distribution in the manner provided herein. The Trustee will make funds deposited in the Collection Account on a Distribution Date and required to be distributed to Securityholders pursuant to Section 3.2 available

to the Paying Agent for such distribution. The Paying Agent shall distribute amounts payable to each Securityholder by check mailed to such Securityholder at its address appearing in the Register, except that with respect to Securities registered on the applicable Record Date in the name of a Clearing Agency (or its nominee), such distribution shall be made by wire transfer in immediately available funds to the account designated by such Clearing Agency (or such nominee). The Company shall not have any responsibility for the distribution of such payments to any Securityholder. Any payment made hereunder shall be made without any presentment or surrender of any Securities, except that, in the case of the final payment in respect of any Security, such Security shall be surrendered to the Paying Agent for cancellation against receipt of such payment.

Section 5.2 MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. At the request of the Company, said office or agency may be an office of the Trustee or an agent appointed by the Trustee for such purpose. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency not designated or appointed by the Trustee. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The Company hereby designates the Corporate Trust Office as one such office or agency of the Company in accordance with Section 2.8.

Section 5.3 CORPORATE EXISTENCE.

Except as otherwise provided in Section 5.4, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and shall at all times remain a U.S. Air Carrier.

Section 5.4 COMPANY NOT TO CONSOLIDATE, MERGE, CONVEY OR TRANSFER EXCEPT UNDER CERTAIN CONDITIONS.

(a) The Company shall not consolidate with, or merge into, or convey, transfer or lease all or substantially all of its assets to any Person unless:

(i) the resulting, surviving, transferee or lessee Person (the "SUCCESSOR COMPANY") shall be a Person organized and existing under the laws of the U.S., any state thereof or the District of Columbia and a U.S. Air Carrier, and the Successor Company shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Securities, the Indenture, the other Operative Documents and the Support Documents to which the Company is a party;

(ii) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that (i) such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with the terms of this Indenture and (ii) this Indenture, each other Operative Document and the Securities constitute the valid and legally binding obligations of the Successor Company;

(iii) the Company or the Successor Company complies with the requirements of Section 4.04(c) of the Security Agreement; and

(iv) immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing.

(b) The Successor Company shall be the successor to the Company and shall succeed to, and be substituted for, and be bound by and obligated to pay the obligations of, and may exercise every right and power of, the Company under the Indenture, each other Operative Document, the Securities and the Support Documents to which the Company is a party, but the predecessor Company in the case of a conveyance, transfer or lease shall not be released from the obligation to pay the principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, the Securities and any other amounts payable by the Company hereunder.

(c) The Successor Company may cause to be signed, and may issue either in its own name or in the name of the Company prior to such succession any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and upon the order of the Successor Company, instead of the Company, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Securities which such Successor Company thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as though all of such Securities had been issued at the date of the execution hereof.

(d) In case of any such consolidation, merger, sale, conveyance, transfer or lease such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate.

Section 5.5 REPORTS BY THE COMPANY.

(a) The Company shall file with the Trustee, within 15 days after the Company is required to file the same with the SEC, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations prescribe) that the Company may be required to file with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents, or reports pursuant to either of said sections, then to file with the Trustee and the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, such of the supplementary and periodic information, documents, and reports that may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.

(b) So long as required by the TIA, the Company shall deliver to the Trustee, within 120 days after the end of each calendar year, a certificate signed by the Company's principal executive officer, principal financial officer or principal accounting officer (which certificate need not comply with Section 12.4 or 12.5) stating that to his or her knowledge during such preceding calendar year no Default or Event of Default has occurred (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge).

ARTICLE 6.

INDEMNIFICATION

Section 6.1 GENERAL INDEMNITY.

(a) The Company shall indemnify, protect, defend and hold harmless each Indemnitee from, against and in respect of, and shall pay on a net after-tax basis, any and all Expenses of any kind or nature whatsoever that may be imposed on, incurred by or asserted against any Indemnitee, relating to, resulting from, or arising out of or in connection with, any one or more of the following:

(i) The Operative Documents or the Support Documents, or the enforcement of any of the terms of any of the Operative Documents or the Support Documents;

(ii) The Spare Parts Collateral, including, without limitation, with respect thereto, (A) the manufacture, design, purchase, acceptance, nonacceptance or rejection, ownership, delivery, nondelivery, lease, sublease, assignment, possession, use or non-use, operation, maintenance, testing, repair, overhaul, condition, alteration, modification, addition, improvement, storage, airworthiness, replacement, repair, sale, substitution, return, abandonment, redelivery or other disposition of any Spare Parts Collateral, (B) any claim or penalty arising out of violations of applicable Laws by the Company (or any Permitted Lessee), (C) tort

liability, whether or not arising out of the negligence of any Indemnitee (whether active, passive or imputed), (D) death or property damage of passengers, shippers or others, (E) environmental control, noise or pollution and (F) any Liens in respect of the Spare Parts Collateral;

(iii) The offer, sale, or delivery of any Securities or any interest therein or represented thereby; and

(iv) Any breach of or failure to perform or observe, or any other noncompliance with, any covenant or agreement or other obligation to be performed by the Company under any Operative Document or Support Document to which it is party or the falsity of any representation or warranty of the Company in any Operative Document or Support Document to which it is party.

(b) Notwithstanding anything contained in Section 6.1(a), the Company shall not be required to indemnify, protect, defend and hold harmless any Indemnitee pursuant to Section 6.1(a) in respect of any Expense of such Indemnitee:

(i) For any Taxes or a loss of Tax benefit;

(ii) Except to the extent attributable to acts or events occurring prior thereto, acts or events (other than acts or events related to the performance by the Company of its obligations pursuant to the terms of the Operative Documents or the Support Documents to which it is a party) that occur after the Indenture is required to be terminated in accordance with Section 9.1 of this Indenture; PROVIDED, that nothing in this clause (ii) shall be deemed to exclude or limit any claim that any Indemnitee may have under applicable Law by reason of an Event of Default or for damages from the Company for breach of the Company's covenants contained in the Operative Documents or the Support Documents to which it is a party or to release the Company from any of its obligations under the Operative Documents or the Support Documents to which it is a party that expressly provide for performance after termination of the Indenture;

(iii) To the extent attributable to any transfer (voluntary or involuntary) by or on behalf of such Indemnitee or any related Indemnitee of any Security or interest therein;

(iv) To the extent attributable to the gross negligence or willful misconduct of such Indemnitee or any related Indemnitee (as defined below) (other than gross negligence or willful misconduct imputed to such person by reason of its interest in the Spare Parts Collateral or any Operative Document);

(v) To the extent attributable to the incorrectness or breach of any representation or warranty of such Indemnitee or any related Indemnitee contained in or made pursuant to any Operative Document or any Support Document;

(vi) To the extent attributable to the failure by such Indemnitee or any related Indemnitee to perform or observe any agreement, covenant or condition on its part to be performed or observed in any Operative Document or any Support Document;

(vii) To the extent attributable to the offer or sale by such Indemnitee or any related Indemnitee of any interest in the Spare Parts Collateral, any Security, or any similar interest, in violation of the Securities Act or other applicable federal, state or foreign securities Laws (other than any thereof caused by acts or omissions of the Company);

(viii) (x) With respect to any Indemnitee (other than the Trustee, any Agent or any Collateral Agent), to the extent attributable to the failure of the Trustee, any Agent or any Collateral Agent to distribute funds received and distributable by it in accordance with the Indenture or a Collateral Agreement, as the case may be, or (y) with respect to the Trustee, any Agent or any Collateral Agent, to the extent attributable to the negligence or willful misconduct of the Trustee, any Agent or any Collateral Agent in the distribution of funds received and distributable by it in accordance with the Indenture or a Collateral Agreement, as the case may be;

(ix) Other than during the continuation of an Event of Default, to the extent attributable to the authorization or giving or withholding of any future amendments, supplements, waivers or consents with respect to any Operative Document or Support Document other than such as have been requested by the Company or as are required by or made pursuant to the terms of the Operative Documents or Support Documents (unless such requirement results from the actions of an Indemnitee not required by or made pursuant to the Operative Documents or the Support Documents);

(x) To the extent attributable to any amount which any Indemnitee expressly agrees to pay or such Indemnitee expressly agrees shall not be paid by or be reimbursed by the Company;

(xi) To the extent that it is an ordinary and usual operating or overhead expense;

(xii) For any Lien attributable to such Indemnitee or any related Indemnitee;

(xiii) If another provision of an Operative Document or a Support Document specifies the extent of the Company's responsibility or obligation with respect to such Expense, to the extent arising from other than failure of the Company to comply with such specified responsibility or obligation; or

(xiv) To the extent incurred by or asserted against an Indemnitee as a result of any "prohibited transaction", within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Code.

For purposes of this Section 6.1, a Person shall be considered a "related" Indemnitee with respect to an Indemnitee if such Person is an Affiliate or employer of such Indemnitee, a director, officer, employee, agent, or servant of such Indemnitee or any such Affiliate or a successor or permitted assignee of any of the foregoing.

Section 6.2 SEPARATE AGREEMENT.

This Article 6 constitutes a separate agreement with respect to each Indemnitee and is enforceable directly by each such Indemnitee.

Section 6.3 NOTICE.

If a claim for any Expense that an Indemnitee shall be indemnified against under this Article 6 is made, such Indemnitee shall give prompt written notice thereof to the Company. Notwithstanding the foregoing, the failure of any Indemnitee to notify the Company as provided in this Section 6.3, or in Section 6.4, shall not release the Company from any of its obligations to indemnify such Indemnitee hereunder, except to the extent that such failure results in an additional Expense to the Company (in which event the Company shall not be responsible for such additional expense) or materially impairs the Company's ability to contest such claim.

Section 6.4 NOTICE OF PROCEEDINGS; DEFENSE OF CLAIMS; LIMITATIONS.

(a) In case any action, suit or proceeding shall be brought against any Indemnitee for which the Company is responsible under this Article 6, such Indemnitee shall notify the Company of the commencement thereof and the Company may, at its expense, participate in and to the extent that it shall wish (subject to the provisions of the following paragraph), assume and control the defense thereof and, subject to Section 6.4(c), settle or compromise the same.

(b) The Company or its insurer(s) shall have the right, at its or their expense, to investigate or, if the Company or its insurer(s) shall agree not to dispute liability to the Indemnitee giving notice of such action, suit or proceeding under this Section 6.4 for indemnification hereunder or under any insurance policies pursuant to which coverage is sought, control the defense of, any action, suit or proceeding, relating to any Expense for which indemnification is sought pursuant to this Article 6, and each Indemnitee shall cooperate with the Company or its insurer(s) with respect thereto; PROVIDED, that the Company shall not be entitled to control the defense of any such action, suit, proceeding or compromise any such Expense during the continuance of any Event of Default. In connection with any such action, suit or proceeding being controlled by the Company, such Indemnitee shall have the right to participate therein, at its sole cost and expense, with counsel reasonably satisfactory to the Company; PROVIDED, that such Indemnitee's participation does not, in the reasonable opinion of the independent counsel appointed by the Company or its insurers to conduct such proceedings, interfere with the defense of such case.

(c) In no event shall any Indemnitee enter into a settlement or other compromise with respect to any Expense without the prior written consent of the

Company, which consent shall not be unreasonably withheld or delayed, unless such Indemnitee waives its right to be indemnified with respect to such Expense under this Article 6.

(d) In the case of any Expense indemnified by the Company hereunder which is covered by a policy of insurance maintained by the Company pursuant to a Collateral Agreement, at the Company's expense, each Indemnitee agrees to cooperate with the insurers in the exercise of their rights to investigate, defend or compromise such Expense as may be required to retain the benefits of such insurance with respect to such Expense.

(e) If an Indemnitee is not a party to this Indenture, the Company may require such Indemnitee to agree in writing to the terms of this Article 6 prior to making any payment to such Indemnitee under this Article 6.

(f) Nothing contained in this Section 6.4 shall be deemed to require an Indemnitee to contest any Expense or to assume responsibility for or control of any judicial proceeding with respect thereto.

Section 6.5 INFORMATION.

The Company will provide the relevant Indemnitee with such information not within the control of such Indemnitee, as is in the Company's control or is reasonably available to the Company, which such Indemnitee may reasonably request and will otherwise cooperate with such Indemnitee so as to enable such Indemnitee to fulfill its obligations under Section 6.4. The Indemnitee shall supply the Company with such information not within the control of the Company, as is in such Indemnitee's control or is reasonably available to such Indemnitee, which the Company may reasonably request to control or participate in any proceeding to the extent permitted by Section 6.4.

Section 6.6 SUBROGATION; FURTHER ASSURANCES.

Upon the payment in full by the Company of any indemnity provided for under this Article 6, the Company, without any further action and to the full extent permitted by Law, will be subrogated to all rights and remedies of the person indemnified (other than with respect to any of such Indemnitee's insurance policies) in respect of the matter as to which such indemnity was paid. Each Indemnitee will give such further assurances or agreements and cooperate with the Company to permit the Company to pursue such claims, if any, to the extent reasonably requested by the Company and at the Company's expense.

Section 6.7 REFUNDS.

If an Indemnitee receives any refund, in whole or in part, with respect to any Expense paid by the Company hereunder, it will promptly pay the amount refunded (but not an amount in excess of the amount the Company or any of its insurers has paid in respect of such Expense) over to the Company unless an Event of Default shall have occurred and be continuing, in which case such amounts shall be paid over to the Security Agent to hold as security for the

Company's obligations under the Operative Documents and the Support Documents to which the Company is a party or, if requested by the Company, applied to satisfy such obligations.

ARTICLE 7.

DEFAULT AND REMEDIES

Section 7.1 EVENTS OF DEFAULT.

The term "EVENT OF DEFAULT" shall mean any of the following events (whatever the reason for such Event of Default and whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administration or governmental body):

(a) the Company shall fail to pay (i) principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to any Security when due, and such failure shall continue unremedied for a period of 10 Business Days thereafter (it being understood that any amount distributed to Securityholders 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 Holders under this Indenture or any Operative Document when due, and such failure shall continue for a period in excess of 10 Business Days after the Company has received written notice from the Trustee of the failure to make such payment when due;

(b) the Company shall fail to observe or perform (or caused to be observed and performed) in any material respect any other covenant, agreement or obligation set forth herein or in any other Operative Document to which the Company is a party and such failure shall continue unremedied for a period of 30 days from and after the date of written notice thereof to the Company from the Trustee, unless such failure is capable of being corrected and the Company shall be diligently proceeding to correct such failure, in which case there shall be no Event of Default unless and until such failure shall continue unremedied for a period of 270 days after receipt of such notice;

(c) any representation or warranty made by the Company herein or in any other Operative Document to which the Company is a party (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 interest of the Trustee) for a period in excess of 30 days from and after the date of written notice thereof from Trustee to the Company;

(d) the Company shall consent to the appointment of or taking possession by a receiver, trustee or liquidator of itself or of a substantial part of its property, or the Company shall admit in writing its inability to pay its debts generally as they come due or shall make a general assignment for the benefit of its creditors, or the Company shall file a voluntary petition in bankruptcy or a

voluntary petition or an answer seeking reorganization, liquidation or other relief under any bankruptcy laws or insolvency laws (as in effect at such time), or an answer admitting the material allegations of a petition filed against it in any such case, or the Company shall seek relief by voluntary petition, answer or consent, under the provisions of any other bankruptcy or similar law providing for the reorganization or winding-up of corporations (as in effect at such time), or the Company shall seek an agreement, composition, extension or adjustment with its creditors under such laws or the Company's board of directors shall adopt a resolution authorizing corporate action in furtherance of any of the foregoing;

(e) an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Company, a receiver, trustee or liquidator of the Company or of any substantial part of its property, or any substantial part of the property of the Company shall be sequestered, or granting any other relief in respect of the Company as a debtor under any bankruptcy laws or other insolvency laws (as in effect at such time), and any such order, judgment, decree, or decree of appointment or sequestration shall remain in force undismissed, unstayed or unvacated for a period of 90 days after the date of entry thereof; or

(f) a petition against the Company in a proceeding under any bankruptcy laws or other insolvency laws (as in effect at such time) is filed and not withdrawn or dismissed within 90 days thereafter, or if, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to the Company, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Company of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 90 days.

Section 7.2 ACCELERATION.

If an Event of Default (other than an Event of Default specified in Section 7.1(d), (e) or (f) with respect to the Company) occurs, and is continuing, the Controlling Party may, by notice to the Company and the Trustee, and the Trustee shall, upon the request of such Controlling Party, declare all unpaid principal of, accrued but unpaid interest on, and Premium, if any, Break Amount, if any, with respect to the Securities Outstanding and other amounts otherwise payable hereunder, if any, to the date of acceleration to be due and payable and upon any such declaration, the same shall become and be immediately due and payable. If an Event of Default specified in Section 7.1(d), (e) or (f) occurs with respect to the Company, all unpaid principal of, accrued but unpaid interest on, and Premium, if any, Break Amount, if any, with respect to, the Securities Outstanding and other amounts otherwise payable hereunder, if any, shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee, the Controlling Party or any Securityholder. Upon payment of such principal amount, interest, Premium, if any, Break Amount, if any, and other amounts, all of the Company's obligations under the Securities and this Indenture, other than obligations under Article 6 and Section 8.7, shall terminate. 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 Securities of the principal, interest, Premium, if any, and Break Amount, if any, with respect thereto and

other amounts otherwise payable hereunder, if any, which has 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 under Section 8.7 have been made. No such rescission shall affect any subsequent default or impair any right arising from any subsequent default.

Section 7.3 OTHER REMEDIES.

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 respect to the Securities or other amounts otherwise payable hereunder, if any, or to enforce the performance of any provision of the Securities or this Indenture including, without limitation, 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 other Operative Documents and directing the Collateral Agent to deposit with the Trustee all cash and/or Investment Securities held by the Collateral Agent.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder 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 7.4 WAIVER OF PAST DEFAULTS.

Subject to Sections 7.7, 10.2 and 10.6, 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 Security as specified in Section 7.1(a) that has not been paid from funds provided by the Policy Provider, the Liquidity Provider or the Cash Collateral Account or (ii) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Liquidity Provider, the Policy Provider and the Holder of each Security affected. When a Default or Event of Default is so waived, it is cured and ceases, and the Company, the Liquidity Provider, the Policy Provider, the Holders 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 7.5 CONTROL OF REMEDIES.

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 other 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 hereunder or authorization under Section 7.4 that conflicts with law or this Indenture, that the Trustee determines may subject the Trustee to personal liability or, after a Policy Provider Default, that the Trustee determines may be unduly prejudicial to the rights of another Securityholder. However, the Trustee shall have no liability for any actions or omissions to act which are in accordance with any such direction or authorization. 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 Securities and other amounts otherwise payable under this Indenture, if any, shall be declared or otherwise become due and payable immediately.

Section 7.6 LIMITATION ON SUITS.

A Securityholder may not pursue any remedy with respect to this Indenture or the Securities unless:

(a) the Holder gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least twenty-five percent (25%) in principal amount of the Securities Outstanding make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within sixty (60) days after receipt of the request and the offer of indemnity; and

(e) during such 60-day period the Controlling Party does not give the Trustee a direction which, in the opinion of the Trustee, is inconsistent with such request.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over such other Securityholder.

Section 7.7 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, the Security in

cash, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

It is hereby expressly understood, intended and agreed that any and all actions which a Holder of the Securities may take to enforce the provisions of this Indenture and/or collect Payments due hereunder or under the Securities, except to the extent that such action is determined to be on behalf of all Holders of the Securities, shall be in addition to and shall not in any way change, adversely affect or impair the rights and remedies of the Trustee, the Controlling Party or any other Holder of the Securities thereunder or under this Indenture, the other Operative Documents and the Support Documents, including the right to foreclose upon and sell the Collateral or any part thereof and to apply any proceeds realized in accordance with the provisions of this Indenture.

Section 7.8 COLLECTION SUIT BY TRUSTEE.

If an Event of Default in payment of principal, interest, Premium or Break Amount specified in Section 7.1(a) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or any other obligor on the Securities for the whole amount of principal, accrued interest, Premium, if any, or Break Amount, if any, remaining unpaid, together with interest on overdue principal and on overdue interest, Premium or Break Amount to the extent that payment of such interest is permitted by law, in each case at the rate per annum provided for by the Securities, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 7.9 TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Securityholders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Securities), its creditors or its property and shall be entitled and empowered to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same, and any Custodian in any such judicial proceedings is hereby authorized by each Securityholder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee under Section 8.7, and unless prohibited by law or applicable regulations to vote on behalf of the Holders of Securities for the election of a trustee in bankruptcy or other person performing similar functions. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or

composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding except, as aforesaid, for the election of a trustee in bankruptcy or person performing similar functions.

Section 7.10 APPLICATION OF PROCEEDS.

Any moneys collected by the Trustee pursuant to this Article 7 or by the Security Agent under Section 6.02 of the Security Agreement shall be distributed in the order provided in Section 3.2 at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal, interest, Premium, if any, or Break Amount, if any, upon presentation of the several Securities and stamping (or otherwise noting) thereon the payment, or issuing Securities in reduced principal amounts in exchange for the presented Securities if only partially paid, or upon surrender thereof if fully paid.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 7.10, and the Trustee shall give the Company and the Securityholders written notice thereof no less than 15 days prior to any such record date.

Section 7.11 UNDERTAKING FOR COSTS.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court in its discretion may require in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 7.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 7.7, or a suit by Holders of more than ten percent (10%) in principal amount of the Securities Outstanding.

Section 7.12 RESTORATION OF RIGHTS ON ABANDONMENT OF PROCEEDINGS.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the Securityholders shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the Securityholders shall continue as though no such proceedings had been taken.

Section 7.13 POWERS AND REMEDIES CUMULATIVE; DELAY OR OMISSION NOT WAIVER OF DEFAULT.

No right or remedy herein conferred upon or reserved to the Trustee or to the Securityholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative

and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Trustee or of any Holder of any of the Securities to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to the other applicable provisions of this Indenture, every power and remedy given by this Indenture or by law to the Trustee, a Liquidity Provider, the Policy Provider or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

Any right or remedy herein conferred upon or reserved to the Trustee may be exercised by it in its capacity as Trustee and/or as Collateral Agent, as it may deem most efficacious, if it is then acting in such capacity.

ARTICLE 8.

TRUSTEE

Section 8.1 DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties as are specifically set forth in this Indenture, the other Operative Documents and the Support Documents and no others.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This paragraph (c) does not limit the effect of paragraph (b) of this Section 8.1 or of Section 8.2.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 7.5.

(d) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(e) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (d) of this Section 8.1.

(f) Funds held in trust for the benefit of the Holders of the Securities by the Trustee or any Paying Agent on deposit with itself or elsewhere, and Investment Securities held in trust for the benefit of the Holders of the Securities by the Trustee, shall be held in distinct, identifiable accounts, and other funds or investments of any nature or from any source whatsoever may be held in such accounts, except, in each case, to the extent required by law. The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree with the Company.

Section 8.2 RIGHTS OF TRUSTEE.

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, which shall conform to Section 12.5. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its attorneys and agents and the Trustee shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it reasonably believes to be authorized or within its rights or powers.

Section 8.3 INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or Affiliates of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 8.10 and 8.11.

Section 8.4 TRUSTEE'S DISCLAIMER.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement in the Securities or in this Indenture other than its certificate of authentication.

Section 8.5 NOTICE OF DEFAULTS.

If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Securityholder, the Liquidity Provider and the Policy Provider a notice of the Default within ninety (90) days after the occurrence thereof except as otherwise permitted by 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 Security, 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 Securityholders.

Section 8.6 REPORTS BY TRUSTEE TO HOLDERS.

If circumstances require any report to Holders under TIA ss. 313(a), it shall be mailed to Securityholders within sixty (60) days after each May 15 (beginning with the May 15 following the date of this Indenture) as of which such circumstances exist. The Trustee also shall comply with the remainder of TIA ss. 313.

The Company shall notify the Trustee if the Securities become listed on or delisted from any stock exchange or other recognized trading market.

The Trustee shall, upon the written request of any Holder of Securities but subject to applicable laws and contractual limitations, provide to such Holder copies of any reports, certificates, opinions or other materials of any kind or nature required to be delivered to the Trustee (including in its capacity as Collateral Agent) under this Indenture, any of the other Operative Documents or the Support Documents or otherwise delivered by or on behalf of the Company to the Trustee (including in its capacity as Collateral Agent).

Section 8.7 COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time reasonable compensation, as agreed upon from time to time, for its services, including as Collateral Agent. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable disbursements, expenses and advances incurred or made by it in any such capacities. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel and all agents and other persons not regularly in its employ.

The Company shall indemnify the Trustee (in its capacities as Trustee and Collateral Agent) and each predecessor Trustee for, and hold each of them

harmless against, any loss or liability incurred by each of them in connection with the administration of this trust and its duties hereunder. In connection with any defense of such a claim, the Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee or any predecessor Trustee through the negligence or bad faith of such Trustee or each such predecessor Trustee.

To secure the Company's payment obligations in this Section 8.7, the Trustee shall have a Lien (legal and equitable) prior to the Securities on all money or property held or collected by the Trustee, in its capacity as Trustee, or otherwise distributable to Securityholders, except money, securities or property held in trust to pay principal of, interest on or Premium, if any, or Break Amount, if any, with respect to the particular Securities.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 7.1(d), (e) or (f) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under the Bankruptcy Code or any similar law of any jurisdiction other than the U.S.

Section 8.8 REPLACEMENT OF TRUSTEE.

The Trustee (in its capacities as Trustee and Collateral Agent) may resign by so notifying the Company, the Liquidity Provider and the Policy Provider in writing. The Controlling Party may remove the Trustee (in its capacities as Trustee and Collateral Agent) by so notifying the Trustee in writing and may appoint a successor Trustee with the Company's consent, which consent shall not be unreasonably refused or delayed. The Company may remove the Trustee (in its capacities as Trustee and Collateral Agent) if:

(a) the Trustee fails to comply with Section 8.10;

(b) the Trustee is adjudged a bankrupt or an insolvent;

(c) a receiver or other public officer takes charge of the Trustee or its property;

(d) the Trustee becomes incapable of acting; or

(e) no Default or Event of Default has occurred and is continuing and the Company determines in good faith to remove the Trustee.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Controlling Party may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the Lien provided in Section 8.7, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Securityholder.

No resignation or removal of the Trustee and no appointment of a successor Trustee, pursuant to this Article, shall become effective until the acceptance of appointment by the successor Trustee under this Section 8.8. If a successor Trustee does not take office within sixty (60) days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, the Liquidity Provider, the Policy Provider or the Holders of at least ten percent (10%) in principal amount of the Securities Outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 8.10, any Holder of Securities may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding replacement of the Trustee pursuant to this Section 8.8, the Company's obligations under Section 8.7 shall continue for the benefit of the retiring Trustee which shall retain its claim pursuant to Section 8.7.

Section 8.9 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

Section 8.10 ELIGIBILITY; DISQUALIFICATION.

This Indenture shall always have a Trustee who satisfies the requirements of TIA ss. 310(a)(1) and ss. 310(a)(5). The Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent, published annual report of condition. The Trustee shall comply with TIA ss. 310(b); PROVIDED, HOWEVER, that there shall be excluded from the operation of TIA ss. 310(b)(1) any indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding, if the requirements for such exclusion set forth in TIA ss. 310(b)(1) are met.

Section 8.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee shall comply with TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated.

Section 8.12 OTHER CAPACITIES.

At all times during which any Securities are Outstanding, unless otherwise permitted under the Operative Documents, the Trustee shall serve as the Collateral Agent and any resignation, removal or disqualification from any one such office shall, without action on the part of any Person, result in the resignation, removal, or disqualification from all such offices. Any Person serving in such capacities shall have and may effectively exercise all the rights, remedies and powers, and be entitled to all protections and indemnifications, provided to such Person in whatever capacities such Person then serves under any and all of the Indenture, the other Operative Documents and the Support Documents, regardless of the capacity or capacities in which such Person may purport to take or omit any action. The Trustee agrees to and shall have the benefit of all provisions of the Operative Documents stated therein to be applicable to the Trustee.

Section 8.13 TRUST ACCOUNTS.

(a) Upon the execution of this Indenture, the Trustee shall establish and maintain in its name (i) the Collection Account as an Eligible Deposit Account, bearing a designation clearly indicating that the funds deposited therein are held in trust for the benefit of the Securityholders, the Liquidity Provider and the Policy Provider, and (ii) a Policy Account as an Eligible Deposit Account bearing a designation clearly indicating that the funds deposited therein are held in trust for the benefit of the Securityholders and, with respect to amounts paid by the Policy Provider under Section 3.6(d) and clause (vii) of the definition of "Deficiency Amount" in the Policy, the Liquidity Provider. The Trustee shall establish and maintain the Cash Collateral Account pursuant to and under the circumstances set forth in Section 3.5(f) hereof. Upon such establishment and maintenance under Section 3.5(f) hereof, the Cash Collateral Account shall, together with the Collection Account and the Policy Account, constitute the "TRUST ACCOUNTS" hereunder.

(b) Funds on deposit in the Trust Accounts shall be invested and reinvested by the Trustee in Eligible Investments selected by the Trustee if such investments are reasonably available and have maturities no later than the earlier of (i) 90 days following the date of such investment and (ii) the Business Day immediately preceding the Interest Payment Date next following the date of such investment; PROVIDED, HOWEVER, that following the making of a Downgrade Drawing or a Non-Extension Drawing under the Liquidity Facility, the Trustee shall invest and reinvest such amounts in Eligible Investments at the direction of the Company (or, if and to the extent so specified to the Trustee by the Company, the Liquidity Provider); PROVIDED FURTHER, HOWEVER, that, notwithstanding the foregoing proviso, following the making of a Non-Extension Drawing under the initial Liquidity Facility, the Trustee shall invest and reinvest the amounts in the Cash Collateral Account with respect to such Liquidity Facility in Eligible Investments pursuant to the written instructions of the Liquidity Provider; PROVIDED FURTHER, HOWEVER, that upon the occurrence and during the continuation of an Event of Default, the Trustee shall invest and reinvest such amounts in accordance with the written instructions of the Controlling Party. Unless otherwise expressly provided in this Indenture (including, without limitation, with respect to Investment Earnings on amounts

on deposit in the Cash Collateral Account pursuant to Section 3.5(f) hereof), any Investment Earnings shall be deposited in the Collection Account when received by the Trustee and shall be applied by the Trustee in the same manner as the other amounts on deposit in the Collection Account are to be applied and any losses shall be charged against the principal amount invested, in each case net of the Trustee's reasonable fees and expenses in making such investments. The Trustee shall not be liable for any loss resulting from any investment, reinvestment or liquidation required to be made under this Indenture other than by reason of its willful misconduct or gross negligence. Eligible Investments and any other investment required to be made hereunder shall be held to their maturities except that any such investment may be sold (without regard to its maturity) by the Trustee without instructions whenever such sale is necessary to make a distribution required under the Indenture. Uninvested funds held hereunder shall not earn or accrue interest.

(c) The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Trust Accounts and in all proceeds thereof (including all income thereon, except as otherwise expressly provided in Section 3.3(b) with respect to Investment Earnings). The Trust Accounts shall be held in trust by the Trustee under the sole dominion and control of the Trustee for the benefit of the Securityholders, the Liquidity Provider and the Policy Provider, as the case may be. If, at any time, any of the Trust Accounts ceases to be an Eligible Deposit Account, the Trustee shall within 10 Business Days (or such longer period, not to exceed 30 calendar days, for which a Ratings Confirmation for the Securities and the consent of the Policy Provider (which consent shall not be unreasonably withheld or delayed) shall have been obtained) establish a new Collection Account, Policy Account or Cash Collateral Account, as the case may be, as an Eligible Deposit Account and shall transfer any cash and/or any investments to such new Collection Account, Policy Account or Cash Collateral Account, as the case may be. So long as WTC is an Eligible Institution, the Trust Accounts shall be maintained with it as Eligible Deposit Accounts.

Section 8.14 DEPOSITS TO THE COLLECTION ACCOUNT.

The Trustee shall, upon receipt thereof, deposit in the Collection Account all Payments received by it (other than any Payment which by the express terms hereof is to be deposited in the Policy Account or the Cash Collateral Account).

Section 8.15 CERTAIN PAYMENTS.

Except for amounts constituting Liquidity Obligations, Policy Expenses or Policy Provider Obligations which shall be deposited in the Collection Account and distributed as provided in Section 3.2, the Trustee will distribute promptly upon receipt thereof to the Person entitled thereto any indemnity payment or expense reimbursement received by it from the Company in respect of the Liquidity Provider or the Policy Provider.

ARTICLE 9.

DISCHARGE OF INDENTURE

Section 9.1 DISCHARGE OF LIABILITY ON SECURITIES.

(a) When (i) the Company delivers to the Trustee all Outstanding Securities (other than Securities replaced pursuant to Section 2.12) for cancellation or (ii) all Outstanding Securities have become due and payable, whether at maturity or as a result of the mailing of a notice of redemption pursuant to Article 4 hereof and the Company irrevocably deposits with the Trustee funds sufficient to pay at maturity or upon redemption all Outstanding Securities, including interest thereon to maturity or such redemption date (other than Securities replaced pursuant to Section 2.12), Premium, if any, and Break Amount, if any, and if in either case the Company pays all other sums payable hereunder by the Company and due on or prior to such maturity or redemption date, then this Indenture shall, subject to Section 9.1(b), cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture by executing and delivering to the Company on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel, a written instrument to such effect prepared by the Company at its sole cost and expense.

(b) Notwithstanding clause (a) above, the provisions of Sections 2.1 through 2.17, inclusive, 6.1, 8.7 and 8.8 and in this Article 9 shall survive until the Outstanding Securities have been paid in full. Thereafter, the Company's obligations in Sections 6.1, 8.7, 9.4 and 9.5 shall survive.

Section 9.2 APPLICATION OF TRUST MONEY.

The Trustee shall hold in trust cash deposited with it pursuant to this Article 9. It shall apply the deposited cash through the Paying Agent and in accordance with this Indenture to the payment of principal of, interest on, Premium, if any, and Break Amount, if any, on the Securities.

Section 9.3 REPAYMENT TO COMPANY.

The Trustee and the Paying Agent shall promptly turn over to the Company, upon request accompanied by a certificate from a nationally recognized firm of independent accountants expressing their opinion that any cash then held by the Trustee is in excess of the amounts sufficient to pay when due all of the principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to the Securities to redemption or maturity, as the case may be, any such excess cash held by them.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any cash held by them for the payment of principal, interest, Premium or Break Amount that remains unclaimed for two years, and, thereafter, Securityholders entitled to the cash must look to the Company for payment as general creditors.

Section 9.4 REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any cash in accordance with this Article 9 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture, the other Operative Documents, the Support Documents and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article 9 until such time as the Trustee or Paying Agent is permitted to apply all such cash in accordance with this Article 9; PROVIDED, HOWEVER, that, if the Company has made any payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the cash held by the Trustee or Paying Agent.

ARTICLE 10.

AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 10.1 WITHOUT CONSENT OF THE CONTROLLING PARTY OR HOLDERS.

The Company and the Trustee or the Collateral Agent, as the case may be, may amend or supplement this Indenture, the Securities and the other Operative Documents and, upon request of the Company, the Trustee shall amend or supplement the Support Documents, in each case without notice to or consent of any Securityholder and, except as otherwise provided in the Support Documents, without notice to or consent of the Liquidity Provider or the Policy Provider:

(i) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(ii) to provide for the assumption of the Company's obligations under the Operative Documents and the Securities in the case of a merger or consolidation or conveyance, transfer or lease of all or substantially all of the assets of the Company or otherwise to comply with Section 5.4;

(iii) to comply with any requirements of the SEC in connection with the qualification of this Indenture under the TIA;

(iv) to effect the amendments contemplated by Section 3.5(e)(v)(y);

(v) to provide for the effectiveness of a Collateral Agreement pursuant to Section 3.1 of the Collateral Maintenance Agreement;

(vi) to provide for the issuance of the Subordinated Securities;

(vii) to comply with the requirements of DTC, Euroclear or Clearstream or the Trustee with respect to the provisions of the Indenture or the Securities relating to transfers and exchanges of the Securities or beneficial interests therein;

(viii) to provide for any successor Trustee or Collateral Agent;

(ix) to cure any ambiguity, defect or inconsistency; or

(x) to make any other change not inconsistent with the provisions hereof, PROVIDED that such action does not materially adversely affect the interests of any Securityholder.

Section 10.2 WITH CONSENT OF THE CONTROLLING PARTY, LIQUIDITY PROVIDER AND HOLDERS.

(a) The Company and the Trustee or the Collateral Agent, as the case may be, may amend or supplement this Indenture, the Securities and the other Operative Documents and, upon request of the Company, the Trustee shall amend or supplement the Support Documents, in each case without notice to or consent of the Liquidity Provider or the Policy Provider and without notice to any Securityholder but with the written consent of the Controlling Party, PROVIDED that (i) Sections 3.5, 3.6, 3.8 and 3.9 of this Indenture may not be modified without the consent of the Liquidity Provider and the Policy Provider and (ii) the Collateral Maintenance Agreement and the Support Documents may not be modified other than in accordance with the provisions thereof. Subject to Sections 7.4, 7.5 and 7.7, unless any Event of Default has occurred and is continuing, the Controlling Party may authorize the Trustee to, and the Trustee, subject to Section 10.6, upon such authorization shall, waive compliance by the Company with any provision of this Indenture, the Securities or the other Operative Documents. However, an amendment, supplement or waiver, including a waiver pursuant to any provision of Section 7.4, may not without the consent of the Liquidity Provider, the Policy Provider and each Securityholder affected:

(i) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the rate or extend the time for payment of interest on any Security;

(iii) 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 Security;

(iv) change the place of payment where, or the coin or currency in which, any Security (or the redemption price thereof), interest thereon, or Premium, if any, or Break Amount, if any, with respect thereto is payable;

(v) change the distribution and application of payments as described in Section 3.2 of this Indenture (except to provide for distributions on Subordinated Securities as permitted by Section 2.18);

(vi) 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 Security;

(vii) make any changes in Sections 7.4, 7.7 or 7.10 or the third sentence of this Section 10.2(a); or

(viii) impair the right of any Holder to institute suit for the enforcement of any amount payable on any Security when due.

(b) It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

(c) After an amendment, supplement or waiver under this Section 10.2 becomes effective, the Company shall mail to the Holders affected thereby a brief notice describing such amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however in any way impair or affect the validity of any such amendment, supplement or waiver.

Section 10.3 COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment to or supplement of this Indenture, any other Operative Document or the Securities shall comply with the TIA as then in effect.

Section 10.4 REVOCATION AND EFFECT OF CONSENTS.

(a) Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of a Security. Such revocation shall be effective only if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective.

(b) After an amendment, supplement or waiver becomes effective, it shall bind every Securityholder, unless it makes a change described in any of clauses (i) through (viii) of Section 10.2(a). In that case the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security; PROVIDED, HOWEVER, that no amendment, supplement or waiver relating to any impairment of the right to receive principal, interest, Premium, if any, or Break Amount, if any, when due and payable consented to by a Holder shall be binding upon any subsequent Holder of a Security or a portion of a Security that evidences the same debt as the

consenting Holder's Security unless notation with regard thereto is made upon such Security or the Security representing such portion.

Section 10.5 NOTATION ON OR EXCHANGE OF SECURITIES.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

Section 10.6 TRUSTEE TO SIGN AMENDMENTS, ETC.

Upon the Request of the Company, the Trustee shall execute any amendment, supplement or waiver authorized pursuant to this Article 10; PROVIDED that the Trustee shall not be obligated to execute any such amendment, supplement or waiver which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 10.7 EFFECT OF SUPPLEMENT AND/OR AMENDMENT.

Upon the execution of any supplemental indenture and/or any such amendment or supplement to the Operative Documents or the Support Documents pursuant to the provisions of this Article 10, this Indenture, such Operative Documents and such Support Documents shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture, the other Operative Documents and the Support Documents of the Trustee, the Collateral Agent, the Liquidity Provider, the Policy Provider, the Company and the Holders of Securities shall thereafter be determined, exercised and enforced hereunder and thereunder subject in all respects to such modifications and amendments, and all terms and conditions of any such supplemental indenture and/or any such amendment or supplement to the other Operative Documents or the Support Documents shall be and be deemed to be part of the terms and conditions of this Indenture, the other Operative Documents and the Support Documents for any and all purposes.

ARTICLE 11.

SECURITY

Section 11.1 OTHER OPERATIVE DOCUMENTS.

(a) To secure the due and punctual payment, performance and observance of the Obligations, the Company has simultaneously with the execution of this Indenture entered into the Security Agreement and has granted a security interest on the Spare Parts Collateral to the Security Agent in the manner and to the extent therein provided. WTC is hereby appointed as Security Agent and authorized and directed to enter into the Security Agreement on the Closing Date. Each Securityholder, by accepting a Security, agrees to all of the terms

and provisions of each Operative Document (including, without limitation, the provisions providing for the release of Collateral), as the same may be in effect or may be amended from time to time pursuant to its terms and the terms hereof. The Company will execute, acknowledge and deliver to the Trustee or the Collateral Agent such further assignments, transfers, assurances or other instruments as the Trustee may require or request, and will do or cause to be done all such acts and things as may be necessary or proper, or as may be reasonably required by the Trustee or the Collateral Agent to assure and confirm to the Trustee or the Collateral Agent the security interest in the Collateral contemplated hereby and by the other Operative Documents, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Securities secured hereby, according to the intent and purposes herein expressed.

(b) The Trustee acknowledges that it is a third-party beneficiary of the Trustee Provisions and agrees to perform its obligations expressly set forth in the Collateral Maintenance Agreement.

Section 11.2 OPINIONS, CERTIFICATES AND APPRAISALS.

(a) The Company shall furnish to the Trustee promptly after the execution and delivery of this Indenture an Opinion of Counsel stating that in the opinion of such counsel the Indenture or Security Agreement has been properly recorded and filed so as to make effective the Lien intended to be created thereby and reciting the details of such actions, or (ii) stating that, in the opinion of such counsel, no such action is necessary to make such Lien effective.

(b) The Company shall furnish to the Trustee not later than one hundred and twenty (120) days after January 1 in each year beginning with January 1, 2003, an Opinion of Counsel, dated as of such date, either (a) stating that, in the opinion of such counsel, such action has been taken with respect to the recording, filing, rerecording, and refiling of the Indenture, any Collateral Agreement, any amendment or supplement thereto, and all financing statements, continuation statements or other instruments of further assurance as is necessary to maintain the Lien created by the Collateral Agreements (if not then terminated pursuant to its terms) and reciting the details of such action, or (b) stating that, in the opinion of such counsel, no such action is necessary to maintain such Lien.

(c) The release of any Collateral from the terms of any Collateral Agreement, will not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Collateral is released pursuant to the applicable Collateral Agreement. To the extent applicable, the Company shall cause TIA ss. 314(d) relating to the release of property or securities from the Lien of any Collateral Agreement, and relating to the substitution therefor of any property or securities to be subjected to the Lien of such Collateral Agreement, to be complied with. With respect to any such substitution, the Company shall furnish to the Trustee an Independent Appraiser's Certificate if required by TIA ss. 314(d). Any certificate or opinion required by TIA ss. 314(d) may be made by an Officer of the Company,

except in cases where TIA ss. 314(d) requires that such certificate or opinion be made by an independent person, which person shall meet the requirements set forth in clause (ii) of the definition of the term "Independent Appraiser."

Section 11.3 AUTHORIZATION OF ACTIONS TO BE TAKEN BY THE TRUSTEE UNDER THE OPERATIVE DOCUMENTS.

The Trustee (in its capacities as such or as a Collateral Agent) may, in its sole discretion and without the consent of the Securityholders, take all actions it deems necessary or appropriate to (a) enforce any of the terms of the Operative Documents and the Support Documents and (b) collect and receive any and all amounts payable in respect of the obligations of the Company hereunder. Subject to the provisions of this Indenture, the other Operative Documents and the Support Documents, the Trustee (in such capacities) shall have power to institute and to maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts which may be unlawful or in violation of the other Operative Documents or this Indenture, and such suits and proceedings as it may deem expedient to preserve or protect its interest and the interests of the Securityholders in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Securityholders or of the Trustee in any such capacity).

Section 11.4 AUTHORIZATION OF RECEIPT OF FUNDS BY THE TRUSTEE UNDER THE OPERATIVE DOCUMENTS AND THE SUPPORT DOCUMENTS.

The Trustee is authorized to receive any funds for the benefit of Securityholders distributed under the Collateral Agreements and the Support Documents, and to make further distributions of such funds to the Holders according to the provisions of this Indenture.

Section 11.5 AGREEMENT AS TO FAIR MARKET VALUE.

The Company and the Trustee acknowledge that the use of Fair Market Value herein or in the other Operative Documents is strictly and solely for convenience in establishing the amount of Collateral and any substitutions therefor under the Operative Documents. Accordingly, the Fair Market Value of any Collateral subjected to the Lien of a Collateral Agreement is not an indication of and shall not be deemed an agreement by the parties as the basis for valuation of such Collateral for purposes of determining the value of the Trustee's secured claim against the Company, adequate protection of the Trustee's interest in the Collateral or for any other purpose in any bankruptcy, receivership or insolvency proceeding involving the Company or any remedial action brought by the Trustee or Collateral Agent, except to the extent such valuations are mandated by applicable law, or any court with jurisdiction over such proceedings, in either case without regard to the use of the concept of Fair Market Value by the parties hereto.

ARTICLE 12.

MISCELLANEOUS

Section 12.1 CONFLICT WITH TRUST INDENTURE ACT OF 1939.

If and to the extent that any provision of this Indenture limits, qualifies, or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the TIA, such imposed duties shall control.

Section 12.2 NOTICES; WAIVERS.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with

(a) the Company shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Company at:

Continental Airlines, Inc.
1600 Smith Street
Dept. HQS-FN
Houston, TX 77002
Attention: Treasurer

Telecopier No.: (713) 324-2447

(b) the Trustee shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Trustee at:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

Telecopier No.: (302) 651-8882

(c) the Liquidity Provider shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Liquidity Provider at:

Morgan Stanley Capital Services Inc.
1585 Broadway
New York, New York 10036
Attention: David Rogers

Telecopier No.: (212) 761-0350

(d) the Policy Provider shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Policy Provider at:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management, Structured Finance

Telecopier No.: (914) 765-3163

or to any of the above parties at any other address or telecopier number subsequently furnished in writing by it to each of the other parties listed above. An affidavit by any person representing or acting on behalf of the Company, the Trustee, Liquidity Provider or Policy Provider as to such mailing, having any registry receipt required by this Section attached, shall be conclusive evidence of the giving of such demand, notice or communication.

Any notice or communication mailed to a Holder shall be sent to such Holder by first-class mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, at such Holder's address as it appears on the Register and shall be sufficiently given to such Holder if so sent within the time prescribed. Any notice or communication shall comply with TIA ss. 313(c) to the extent required by the TIA.

Failure to mail a notice or send a communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. Notices under this Indenture to the Trustee, to the Policy Provider, to the Liquidity Provider or to the Company are deemed given only when received. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by the Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.3 COMMUNICATIONS BY HOLDERS WITH OTHER HOLDERS.

Securityholders may communicate pursuant to TIA ss. 312(b) with other Securityholders with respect to their rights under this Indenture or the

Securities. The Company, the Trustee, the Registrar and any other person shall have the protection of TIA ss. 312(c).

Section 12.4 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any Request or application by the Company to the Trustee to take any action under this Indenture or another Operative Document, the Company shall furnish to the Trustee: (a) an Officers' Certificate and (b) an Opinion of Counsel, each stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture or such Operative Document, as the case may be, relating to the proposed action have been complied with, provided, that in the case of any such application or Request as to which the furnishing of an Officers' Certificate or Opinion of Counsel is specifically required by any provision of this Indenture or another Operative Document relating to such particular application or Request, no additional certificate or opinion, as the case may be, need be furnished.

Section 12.5 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion provided for and delivered to the Trustee or the Collateral Agent with respect to compliance with a condition or covenant provided for in this Indenture or another Operative Document shall include: (a) a statement that the Person signing such certificate or opinion has read such condition or covenant and the definitions herein or therein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and (d) a statement as to whether or not in the opinion of such Person, such condition or covenant has been complied with.

Any certificate or opinion of an Officer or an engineer, insurance broker, accountant or other expert may be based, insofar as it relates to legal matters, upon a certificate or opinion of or upon representations by counsel, unless such officer, engineer, insurance broker, accountant or other expert knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Any certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon the certificate or opinion of or representations by an officer or officers of the Company stating that the information with respect to such factual matters is in possession of the Company, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous and insofar as it relates to legal matters in a jurisdiction or area of law beyond the expertise of such counsel, such counsel may rely upon the opinion of counsel qualified in such other jurisdiction or area of law.

Wherever in this Indenture or another Operative Document in connection with any application, certificate or report to the Trustee or the Collateral Agent it is provided that the Company shall deliver any document as a condition of the granting of such application or as evidence of the Company's compliance with any term hereof, it is intended that the truth and accuracy at the time of the granting of such application or at the effective date of such certificate or report, as the case may be, of the facts and opinions stated in such document shall in each such case be a condition precedent to the right of the Company to have such application granted or to the sufficiency of such certificate or report. Nevertheless, in the case of any such application, certificate or report, any document required by any provision of this Indenture or another Operative Document to be delivered to the Trustee or the Collateral Agent as a condition of the granting of such application or as evidence of such compliance may be received by the Trustee or the Collateral Agent as conclusive evidence of any statement therein contained and shall be full warrant, authority and protection to the Trustee or the Collateral Agent acting on the faith thereof.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Whenever any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements or opinions or other instruments under this Indenture or another Operative Document he may, but need not, consolidate such instruments into one.

Section 12.6 RULES BY TRUSTEE, PAYING AGENT, REGISTRAR.

The Trustee may make reasonable rules for action by or at a meeting of Securityholders. The Registrar or Paying Agent may make reasonable rules for their respective functions.

Section 12.7 EFFECT OF HEADINGS.

The Article and Section headings and the Table of Contents contained in this Indenture have been inserted for convenience of reference only, and are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Indenture.

Section 12.8 GOVERNING LAW.

THIS INDENTURE IS BEING DELIVERED IN THE STATE OF NEW YORK. THIS INDENTURE AND THE SECURITIES ISSUED HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 12.9 QUIET ENJOYMENT.

The Trustee, the Policy Provider and the Liquidity Provider each agrees as to itself with the Company that, so long as no Event of Default shall have occurred and be continuing, such Person shall not (and shall not permit any of its Affiliates or other Person claiming by, through or under it to) interfere with the Company's rights in accordance with the Indenture and the other Operative Documents to the quiet enjoyment, possession and use of the Collateral.

Section 12.10 NO RECOURSE AGAINST OTHERS.

A director, officer, employee or stockholder, as such, of the Company shall not have any personal liability for any obligations of the Company under the Securities, the Indenture or the other Operative Documents by reason of his or her status as such director, officer, employee or stockholder. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

Section 12.11 BENEFITS OF INDENTURE AND THE SECURITIES RESTRICTED.

Subject to the provisions of Section 12.12 hereof, nothing in this Indenture or the Securities, express or implied, shall give or be construed to give to any Person, firm or corporation, other than the parties hereto and the Holders, any legal or equitable right, remedy or claim under or in respect of this Indenture or under any covenant, condition, or provision herein contained, all such covenants, conditions and provisions, subject to Section 12.12 hereof, being for the sole benefit of the parties hereto and of the Holders.

Section 12.12 SUCCESSORS AND ASSIGNS.

This Indenture and all obligations of the Company hereunder shall be binding upon the successors and permitted assigns of the Company, and shall, together with the rights and remedies of the Trustee hereunder, inure to the benefit of the Trustee, the Holders, and their respective successors and assigns. Any assignment in violation of this Indenture shall be null and void ab initio.

Section 12.13 COUNTERPART ORIGINALS.

This Indenture may be signed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.

Section 12.14 SEVERABILITY.

The provisions of this Indenture are severable, and if any clause or provision shall be held invalid, illegal or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect in that jurisdiction only such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any

other clause or provision of this Indenture in any jurisdiction, and a Holder shall have no claim therefor against any party hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed and delivered all as of the date first written above.

CONTINENTAL AIRLINES, INC.

By: ----------
Name: ----------
Title: ----------

WILMINGTON TRUST COMPANY,
as Trustee

By: ----------
Name: ----------
Title: ----------

MORGAN STANLEY CAPITAL
SERVICES INC.,
as Liquidity Provider

By: ----------
Name: ----------
Title: ----------

MBIA INSURANCE CORPORATION,
as Policy Provider

By: ----------
Name: ----------
Title: ----------

Appendix I

DEFINITIONS APPENDIX

SECTION 1. DEFINED TERMS.

"ACCELERATION" means, with respect to the amounts payable in respect of the Securities issued under the Indenture, such amounts becoming immediately due and payable pursuant to Section 7.2 of the Indenture. "ACCELERATE", "ACCELERATED" and "ACCELERATING" have meanings correlative to the foregoing.

"ACCRUED INTEREST" is defined in Section 3.6(a) of the Indenture.

"ADDITIONAL PARTS" is defined in Section 3.1(a)(i) of the Collateral Maintenance Agreement.

"ADDITIONAL ROTABLES" is defined in Section 3.1(b)(i) of the Collateral Maintenance Agreement.

"ADVANCE" means any Advance as defined in the Liquidity Facility.

"AFFILIATE" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

"AGENT" means any Registrar, Paying Agent or co-Registrar or co-Paying Agent.

"AGENT MEMBERS" is defined in Section 2.5(a) of the Indenture.

"AIRCRAFT" means any contrivance invented, used, or designed to navigate, or fly in, the air.

"ANNUAL METHODOLOGY" means, in determining an opinion as to the Fair Market Value of the Spare Parts Collateral, taking at least the following actions: (i) reviewing the Parts Inventory Report prepared as of the applicable Valuation Date; (ii) reviewing the Independent Appraiser's internal value database for values applicable to Qualified Spare Parts included in the Spare Parts Collateral; (iii) developing a representative sampling of a reasonable number of the different Qualified Spare Parts included in Spare Parts Collateral for which a market check will be conducted; (iv) checking other sources, such as manufacturers, other airlines, U.S. government procurement data and airline parts pooling price lists, for current market prices of the sample parts referred to in clause (iii); (v) establishing an assumed ratio of Serviceable Parts to Unserviceable Parts as of the applicable Valuation Date based upon information provided by the Company and the Independent Appraiser's limited physical review of the Spare Parts Collateral referred to in the following

clause (vi); (vi) visiting at least two locations selected by the Independent Appraiser where the Pledged Spare Parts are kept by the Company (neither of which was visited for purposes of the last appraisal under Section 2.1 or 2.2 of the Collateral Maintenance Agreement, whichever was most recent), PROVIDED that at least one such location shall be one of the top three locations at which the Company keeps the largest number of Pledged Spare Parts, to conduct a limited physical inspection of the Spare Parts Collateral; (vii) conducting a limited review of the inventory reporting system applicable to the Pledged Spare Parts, including checking information reported in such system against information determined through physical inspection pursuant to the preceding clause (vi) and (viii) reviewing a sampling of the Spare Parts Documents (including tear-down reports).

"ANNUAL VALUATION DATE" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"APPLIANCE" means an instrument, equipment, apparatus, a part, an appurtenance, or an accessory used, capable of being used, or intended to be used, in operating or controlling Aircraft in flight, including a parachute, communication equipment, and another mechanism installed in or attached to Aircraft during flight, and not a part of an Aircraft, Engine, or Propeller.

"APPLICABLE MARGIN" means 0.90%.

"APPLICABLE PERIOD" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"APPRAISAL COMPLIANCE REPORT" means, as of any date, a report providing information relating to the calculation of the Collateral Ratio and Rotable Ratio, which shall be substantially in the form of Appendix II to the Collateral Maintenance Agreement.

"APPRAISED VALUE" means, with respect to any Collateral, the Fair Market Value of such Collateral as most recently determined pursuant to (i) the report attached as Appendix II to the Offering Memo or (ii) Article 2 and, if applicable, Section 3.1 of the Collateral Maintenance Agreement.

"AVAILABLE AMOUNT" means, as of any date, the Maximum Available Commitment (as defined in the Liquidity Facility) on such date.

"AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"BANKRUPTCY CODE" means the United States Bankruptcy Code, 11 U.S.C. Section 101 ET SEQ.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any committee of such board duly authorized to act in respect of any particular matter.

"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; PROVIDED, HOWEVER, that no Break Amount will be payable (x) if the Break Amount, as calculated pursuant to the formula set forth below, is equal to or less than zero or (y) on or in respect of any Applicable

Date that is an Interest Payment Date (or, if such an Interest Payment Date is not a Business Day, the next succeeding Business Day)

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.

"BUSINESS DAY" means any day that is a day for trading by and between banks in the London interbank Eurodollar market and that is other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Houston, Texas, New York, New York, or, so long as any Security is outstanding, the city and state in which the Trustee maintains its Corporate Trust Office or, solely with respect to draws under any Policy, the city and state in which the office of the Policy Provider at which notices, presentations, transmissions, deliveries and communications are to be made under the Policy is located, and that, solely with respect to draws under the Liquidity Facility, also is a "Business Day" as defined in the Liquidity Facility.

"CAPPED INTEREST RATE" means a rate per annum equal to 12%.

"CASH COLLATERAL" means cash and/or Investment Securities deposited or to be deposited with the Collateral Agent or an Eligible Institution and subject to the Lien of any Collateral Agreement.

"CASH COLLATERAL ACCOUNT" means an Eligible Deposit Account in the name of the Trustee maintained at an Eligible Institution, which shall be the Trustee if it shall so qualify, into which all amounts drawn under the Liquidity Facility pursuant to Section 3.5(c), 3.5(d) or 3.5(i) of the Indenture shall be deposited.

"CITIZEN OF THE UNITED STATES" is defined in 49 U.S.C.ss. 40102(a)(15).

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"CLEARSTREAM" means Clearstream Banking societe anonyme, Luxembourg.

"CLOSING DATE" means the Issuance Date.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" means the Spare Parts Collateral and all other collateral in which the Collateral Agent has a security interest pursuant to the Collateral Agreements.

"COLLATERAL AGENT" means the Trustee in its capacity as Security Agent or as agent on behalf of the Holders under any other Collateral Agreement.

"COLLATERAL AGREEMENT" means the Security Agreement and any agreement under which a security interest has been granted pursuant to Section 3.1(a)(ii) of the Collateral Maintenance Agreement.

"COLLATERAL MAINTENANCE AGREEMENT" means the Collateral Maintenance Agreement, dated as of the date of the Indenture, between the Company and the Policy Provider.

"COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Securities Outstanding 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 the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"COLLECTION ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13 of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"COMPANY" means the party named as such in the Indenture or any obligor on the Securities until a successor replaces it pursuant to the Indenture and thereafter means the successor.

"CONSENT PERIOD" is defined in Section 3.5(d) of the Indenture.

"CONTINENTAL BANKRUPTCY EVENT" means the occurrence and continuation of an Event of Default under Section 7.1(d), (e) or (f) of the Indenture.

"CONTINENTAL CASH BALANCE" means the sum of (a) the amount of cash and cash equivalents that would have been shown on the balance sheet of Continental and its consolidated subsidiaries prepared in accordance with GAAP as of any Valuation Date, plus (b) the amount of marketable securities that would have been reflected on such balance sheet which had, as of such Valuation Date, a maturity of less than one year and which, but for their maturity, would have qualified to be reflected on such balance sheet as cash equivalents.

"CONTROLLING PARTY" means the Person entitled to act as such pursuant to the terms of Section 3.8 of the Indenture.

"CORPORATE TRUST OFFICE" when used with respect to the Trustee means the office of the Trustee at which at any particular time its corporate trust business is administered and which, at the Closing Date, is located at Wilmington Trust Company, as Trustee, Rodney Square North 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

"DEBT BALANCE" means 110% of the principal amount of the Outstanding Securities.

"DEBT RATE" means a rate per annum equal, in the case of the first Interest Period, to 2.32% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Registration Rights Agreement) occurs on or prior to the 210th day after the Closing Date, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement), PROVIDED that the additional margin added to the Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time, PROVIDED FURTHER that, if a default in the payment of interest on the Securities occurs and is continuing on any Interest Payment Date, then the Debt Rate applicable to the Interest Period ending on such Interest Payment Date shall not exceed the Capped Interest Rate, except that for purposes of any payment made by the Company intended to cure such default, this proviso shall not apply.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"DEFINITIONS APPENDIX" means the Definitions Appendix attached as Appendix I to the Indenture and constituting a part of the Indenture.

"DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"DESIGNATED LOCATIONS" means the locations in the U.S. designated from time to time by the Company at which the Pledged Spare Parts may be maintained by or on behalf of the Company, which initially shall be the locations set forth on Schedule 1 to the Security Agreement and shall include the additional locations designated by the Company pursuant to Section 4.04(d) of the Security Agreement.

"DESIGNATED REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"DISTRIBUTION DATE" means (i) each Scheduled Payment Date (and, if a Payment required to be paid to the Trustee for distribution on such Scheduled Payment Date has not been so paid by 12:30 p.m., New York time, in whole or in part, on such Scheduled Payment Date, the next Business Day on which the Trustee receives some or all of such Payment by 12:30 p.m., New York time, except for a defaulted payment of interest that is not paid within five days after the Scheduled Payment Date therefor), (ii) each day established for payment by the Trustee pursuant to Section 7.10, (iii) the Non-Performance Payment Date, (iv) the Final Legal Maturity Date, (v) the Election Distribution Date, (vi) the Policy Election Distribution Date, (vii) the date established as a Distribution Date pursuant to Section 3.6(f) of the Indenture and (viii) solely for purposes of payments to be made by the Policy Provider pursuant to Section 3.6(d) of the Indenture and not for purposes of any other payment or distribution under the Indenture, the date established for such payment in accordance with the Policy.

"DOWNGRADE DRAWING" is defined in Section 3.5(c) of the Indenture.

"DOWNGRADE EVENT" has the meaning assigned to such term in Section 3.5(c) of the Indenture.

"DOWNGRADED FACILITY" is defined in Section 3.5(c) of the Indenture.

"DRAWING" means an Interest Drawing, a Final Drawing, a Non-Extension Drawing or a Downgrade Drawing, as the case may be.

"DTC" means The Depository Trust Company, its nominees and their respective successors.

"ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"ELIGIBLE ACCOUNT" means an account established by and with an Eligible Institution at the request of the Security Agent, which institution agrees, for all purposes of the New York UCC including Article 8 thereof, that (a) such account shall be a "securities account" (as defined in Section 8-501 of the New York UCC), (b) such institution is a "securities intermediary" (as defined in Section 8-102(a)(14) of the New York UCC), (c) all property (other than cash) credited to such account shall be treated as a "financial asset" (as defined in Section 8-102(9) of the New York UCC), (d) the Security Agent shall be the "entitlement holder" (as defined in Section 8-102(7) of the New York UCC) in respect of such account, (e) it will comply with all entitlement orders issued by the Security Agent to the exclusion of the Company, (f) it will waive or subordinate in favor of the Security Agent all claims (including without limitation, claims by way of security interest, lien or right of set-off or right of recoupment), and (g) the "securities intermediary jurisdiction" (under Section 8-110(e) of the New York UCC) shall be the State of New York.

"ELIGIBLE DEPOSIT ACCOUNT" means either (a) a segregated account with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its

equivalent. An Eligible Deposit Account may be maintained with the Liquidity Provider so long as the Liquidity Provider is an Eligible Institution; provided that such Liquidity Provider shall have waived all rights of set-off and counterclaim with respect to such account.

"ELIGIBLE INSTITUTION" means (a) the Security Agent or (b) a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), which has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent.

"ELIGIBLE INVESTMENTS" means (a) investments in obligations of, or guaranteed by, the U.S. Government having maturities no later than 90 days following the date of such investment, (b) investments in open market commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof with a short-term unsecured debt rating issued by Moody's of at least P-1 and a short-term issuer credit rating issued by Standard & Poor's of at least A-1 having maturities no later than 90 days following the date of such investment or (c) investments in negotiable certificates of deposit, time deposits, banker's acceptances, commercial paper or other direct obligations of, or obligations guaranteed by, commercial banks organized under the laws of the United States or of any political subdivision thereof (or any U.S. branch of a foreign bank) with a short-term unsecured debt rating by Moody's of at least P-1 and a short-term issuer credit rating by Standard & Poor's of at least A-1, having maturities no later than 90 days following the date of such investment; PROVIDED, HOWEVER, that (x) all Eligible Investments that are bank obligations shall be denominated in U.S. dollars; and (y) the aggregate amount of Eligible Investments at any one time that are bank obligations issued by any one bank shall not be in excess of 5% of such bank's capital surplus; PROVIDED FURTHER that any investment of the types described in clauses (a), (b) and (c) above may be made through a repurchase agreement in commercially reasonable form with a bank or other financial institution qualifying as an Eligible Institution so long as such investment is held by a third party custodian also qualifying as an Eligible Institution; PROVIDED FURTHER, HOWEVER, that in the case of any Eligible Investment issued by a domestic branch of a foreign bank, the income from such investment shall be from sources within the United States for purposes of the Code. Notwithstanding the foregoing, no investment of the types described in clause (b) above which is issued or guaranteed by the Company or any of its Affiliates, and no investment in the obligations of any one bank in excess of $10,000,000, shall be an Eligible Investment unless written approval has been obtained from the Policy Provider and a Ratings Confirmation shall have been received with respect to the making of such investment.

"ENGINE" means an engine used, or intended to be used, to propel an Aircraft, including a part, appurtenance, and accessory of the Engine, except a Propeller.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time

"EUROCLEAR" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"EVENT OF DEFAULT" is defined in Section 7.1 of the Indenture.

"EVENT OF LOSS" means (i) the loss of any of the Pledged Spare Parts or of the use thereof due to destruction, damage beyond repair or rendition of any of the Pledged Spare Parts permanently unfit for normal use for any reason whatsoever (other than the use of Expendables in the Company's operations); (ii) any damage to any of the Pledged Spare Parts which results in the receipt of insurance proceeds with respect to such Pledged Spare Parts on the basis of an actual or constructive loss; or (iii) the loss of possession of any of the Pledged Spare Parts by the Company for ninety (90) consecutive days as a result of the theft or disappearance of such Pledged Spare Parts.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"EXCHANGE FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"EXCHANGE OFFER" means the exchange offer which may be made pursuant to the Registration Rights Agreement to exchange Initial Certificates for Exchange Certificates.

"EXCHANGE OFFER REGISTRATION STATEMENT" means the registration statement that, pursuant to the Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Securities for Exchange Securities.

"EXCHANGE SECURITIES" means the securities substantially in the form of Exhibit A to the Indenture issued in exchange for the Initial Securities pursuant to the Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCLUDED PARTS" means Spare Parts and Appliances held by the Company at a location not a Designated Location.

"EXPENDABLES" means Qualified Spare Parts other than Rotables.

"EXPENSES" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims, actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation).

"FAA" means the Federal Aviation Administration or similar regulatory authority established to replace it.

"FAA FILED DOCUMENTS" means the Security Agreement.

"FACILITY OFFICE" means, with respect to any Liquidity Facility, the office of the Liquidity Provider thereunder, presently located at 1585 Broadway, New York, New York 10036, or such other office as such Liquidity Provider from time to time shall notify the Trustee as its "Facility Office" under any such Liquidity Facility; provided that such Liquidity Provider shall not change its Facility Office to another Facility Office outside the United States of America except in accordance with Sections 3.01, 3.02 or 3.03 of any such Liquidity Facility.

"FAIR MARKET VALUE" means, with respect to any Collateral, its fair market value 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, provided that cash shall be valued at its Dollar amount.

"FEDERAL AVIATION ACT" means Title 49 of the United States Code, "Transportation", as amended from time to time, or any similar legislation of the United States enacted in substitution or replacement thereof.

"FEE LETTERS" means, collectively, (i) the Fee Letter dated as of the Closing Date between the Trustee and the initial Liquidity Provider with respect to the initial Liquidity Facility and (ii) any fee letter entered into between the Trustee and any Replacement Liquidity Provider in respect of any Replacement Liquidity Facility.

"FINAL DRAWING" is defined in Section 3.5(i) of the Indenture.

"FINAL LEGAL MATURITY DATE" means December 6, 2009.

"FINAL ORDER" has the meaning assigned to such term in the Policy.

"FINAL SCHEDULED PAYMENT DATE" means December 6, 2007.

"FINANCING STATEMENTS" means, collectively, UCC-1 financing statements covering the Spare Parts Collateral, by the Company, as debtor, showing the Security Agent as secured party, for filing in Delaware, Guam and each other jurisdiction that, in the opinion of the Security Agent, is necessary to perfect its Lien on the Spare Parts Collateral.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"GLOBAL EXCHANGE SECURITY" is defined in Section 2.1(f) of the Indenture.

"GLOBAL SECURITIES" is defined in Section 2.1(d) of the Indenture.

"GOVERNMENT ENTITY" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Documents or relating

to the observance or performance of the obligations of any of the parties to the Operative Documents.

"HOLDER" or "SECURITYHOLDER" means the Person in whose name a Security is registered on the Registrar's books.

"INDEMNITEE" means (i) WTC, the Trustee and the Collateral Agent, (ii) each separate or additional trustee or security agent appointed pursuant to the Indenture, (iii) each Liquidity Provider, (iv) the Policy Provider, and (v) each of the respective directors, officers, employees, agents and servants of each of the persons described in clauses (i) through (iv) inclusive above.

"INDENTURE" means the Indenture dated as of December 6, 2002, among the Company, the Trustee, the Liquidity Provider and the Policy Provider under which the Securities are issued.

"INDENTURE DISCHARGE DATE" means the date of the termination of the effectiveness of the Indenture pursuant to Section 9.1(a) thereof (without giving effect to Section 9.1(b) thereof).

"INDENTURE TRUSTEE" means the Trustee.

"INDEPENDENT APPRAISER" means Simat, Helliesen & Eichner, Inc. or any other Person (i) engaged in a business which includes appraising Aircraft and assets related to the operation and maintenance of Aircraft from time to time and (ii) who does not have any material financial interest in the Company and is not connected with the Company or any of its Affiliates as an officer, director, employee, promoter, underwriter, partner or person performing similar functions.

"INDEPENDENT APPRAISER'S CERTIFICATE" means a certificate signed by an Independent Appraiser and attached as Appendix II to the Offering Memo or delivered thereafter pursuant to Article 2 or Section 3.1 of the Collateral Maintenance Agreement.

"INITIAL CASH COLLATERAL" shall mean cash in the amount of $13,056,950.

"INITIAL FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"INITIAL PURCHASER" means Morgan Stanley & Co. Incorporated.

"INITIAL SECURITIES" mean the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit A thereto, other than the Exchange Securities.

"INSTITUTIONAL ACCREDITED INVESTOR" means an institutional investor that is an "accredited investor" within the meaning set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"INTEREST DRAWING" is defined in Section 3.5(a) of the Indenture.

"INTEREST PAYMENT DATE" means March 6, June 6, September 6 and December 6 of each year so long as any Security is Outstanding (commencing March 6, 2003),

PROVIDED that if any such day is not a Business Day, then the relevant Interest Payment Date shall be the next succeeding Business Day.

"INTEREST PERIOD" means (i) in the case of the first Interest Period, the period commencing on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date following such date and (ii) in the case of each subsequent Interest Period, the period commencing on (and including) the last day of the immediately preceding Interest Period, and ending on (but excluding) the next Interest Payment Date.

"INVESTMENT EARNINGS" means investment earnings on funds on deposit in the Trust Accounts net of losses and investment expenses of the Trustee in making such investments.

"INVESTMENT SECURITY" means (a) any bond, note or other obligation which is a direct obligation of or guaranteed by the U.S. or any agency thereof; (b) any obligation which is a direct obligation of or guaranteed by any state of the U.S. or any subdivision thereof or any agency of any such state or subdivision, and which has the highest rating published by Moody's or Standard & Poor's; (c) any commercial paper issued by a U.S. obligor and rated at least P-1 by Moody's or A-1 by Standard & Poor's; (d) any money market investment instrument relying upon the credit and backing of any bank or trust company which is a member of the Federal Reserve System and which has a combined capital (including capital reserves to the extent not included in capital) and surplus and undivided profits of not less than $250,000,000 (including the Collateral Agent and its Affiliates if such requirements as to Federal Reserve System membership and combined capital and surplus and undivided profits are satisfied), including, without limitation, certificates of deposit, time and other interest-bearing deposits, bankers' acceptances, commercial paper, loan and mortgage participation certificates and documented discount notes accompanied by irrevocable letters of credit and money market fund investing solely in securities backed by the full faith and credit of the United States; or (e) repurchase agreements collateralized by any of the foregoing.

"ISSUANCE DATE" means the date of issuance of the Initial Securities.

"LAW" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"LIBOR" has the meaning specified in the Reference Agency Agreement.

"LIBOR ADVANCE" has the meaning provided in the Liquidity Facility.

"LIEN" means any mortgage, pledge, lease, security interest, encumbrance, lien or charge of any kind affecting title to or any interest in property.

"LIQUIDITY EVENT OF DEFAULT" has the meaning assigned to such term in the Liquidity Facility.

"LIQUIDITY EXPENSES" means all Liquidity Obligations other than (i) the principal amount of any Drawings under the Liquidity Facility and (ii) any interest accrued on any Liquidity Obligations.

"LIQUIDITY FACILITY" means, initially, the Revolving Credit Agreement dated as of the Issuance Date, between the Trustee and the initial Liquidity Provider, and from and after the replacement of such Revolving Credit Agreement pursuant hereto, the Replacement Liquidity Facility therefor, if any, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"LIQUIDITY GUARANTEE" means the Guarantee Agreement, dated as of the date of the Indenture, providing for the guarantee by the Liquidity Guarantor of the obligations of the Liquidity Provider under the Liquidity Facility.

"LIQUIDITY GUARANTOR" means Morgan Stanley.

"LIQUIDITY OBLIGATIONS" means all principal, interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility or the Fee Letter.

"LIQUIDITY PROVIDER" means Morgan Stanley Capital Services Inc., together with any Replacement Liquidity Provider which has issued a Replacement Liquidity Facility to replace any Liquidity Facility pursuant to Section 3.5(e) of the Indenture.

"LIQUIDITY PROVIDER REIMBURSEMENT DATE" is defined in Section 3.6(d) of the Indenture.

"LOANS" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MATERIAL ADVERSE CHANGE" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Documents.

"MAXIMUM COLLATERAL RATIO" means 45%.

"MINIMUM ROTABLE RATIO" means 150%.

"MOODY'S" means Moody's Investors Service, Inc.

"MOVES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MSCS" has the meaning specified in the first paragraph of the Indenture.

"NEW YORK UCC" is defined in Section 1.01 of the Security Agreement.

"NONAPPRAISAL COMPLIANCE REPORT" means a report providing information relating to compliance by the Company with Section 3.2 of the Collateral Maintenance Agreement, which shall be substantially in the form of Appendix III to the Collateral Maintenance Agreement.

"NON-CONTROLLING PARTY" means, at any time, the Holders, the Liquidity Provider and the Policy Provider, excluding whichever is the Controlling Party at such time.

"NON-EXTENDED FACILITY" is defined in Section 3.5(d) of the Indenture.

"NON-EXTENSION DRAWING" is defined in Section 3.5(d) of the Indenture.

"NON-PERFORMANCE DRAWING" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMANCE PAYMENT DATE" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMING" means, with respect to any Security, a Payment Default existing thereunder (without giving effect to any Acceleration); PROVIDED, that, in the event of a bankruptcy proceeding under the 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 Bankruptcy Code (or such longer period as may apply under Section 1110(b) of the Bankruptcy Code or as may apply for the cure of such Payment Default under Section 1110(a)(2)(B) of the Bankruptcy Code) shall not be taken into consideration until the expiration of the applicable period.

"NON-PERFORMING PERIOD" is defined in Section 3.6(c) of the Indenture.

"NON-U.S. PERSON" means any Person other than a U.S. person, as defined in Regulation S.

"NOTICE OF AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"NOTICE FOR PAYMENT" means a Notice of Nonpayment as such term is defined in the Policy.

"OBLIGATIONS" is defined in Section 2.01 of the Security Agreement.

"OFFERING MEMO" means the Offering Memorandum, dated December 2, 2002, of the Company relating to the offering of the Securities.

"OFFICER" means the Chairman of the Board, the President, any Vice President of any grade, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary or the Controller of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers satisfying the requirements of Sections 12.4 and 12.5 of the Indenture.

"OPERATIVE DOCUMENTS" means the Indenture, the Collateral Agreements, the Collateral Maintenance Agreement and the Reference Agency Agreement.

"OPINION OF COUNSEL" means a written opinion from the General Counsel of the Company, legal counsel to the Company or another legal counsel who is reasonably acceptable to the Trustee, which Opinion of Counsel shall comply with Sections 12.4 and 12.5 of the Indenture. The counsel may be an employee of the Company. The acceptance by the Trustee (without written objection to the Company during the fifteen (15) Business Days following receipt) of, or its action on, an opinion of counsel not specifically referred to above shall be sufficient evidence that such counsel is acceptable to the Trustee.

"OUTSTANDING" or "OUTSTANDING" when used with respect to Securities or a Security, means all Securities theretofore authenticated and delivered under the Indenture, except:

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Holders of such Securities, PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Securities for which payment has been deposited with the Trustee or any Paying Agent in trust pursuant to Article 9 of the Indenture (except to the extent provided therein); and

(d) Securities which have been paid, or for which other Securities shall have been authenticated and delivered in lieu thereof or in substitution therefor pursuant to the terms of Section 2.12 of the Indenture, unless proof satisfactory to the Trustee is presented that any such Securities are held by bona fide purchasers in whose hands the Securities are valid obligations of the Company.

A Security does not cease to be Outstanding because the Company or one of its Affiliates holds the Security; PROVIDED, HOWEVER, that in determining whether the Holders of the requisite aggregate principal amount of Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or any other Operative Document, Section 2.13 of the Indenture shall be applicable.

"OUTSTANDING AMOUNT" is defined in Section 3.6(b) of the Indenture.

"OVERDUE SCHEDULED PAYMENT" means any Payment of accrued interest on the Securities which is not in fact received by the Trustee (whether from the Company, the Liquidity Provider, the Policy Provider or otherwise) on or within five days after the Scheduled Payment Date relating thereto and which is not subsequently paid in connection with the redemption or final maturity of a Security.

"PARTS INVENTORY REPORT" means, as of any date, a list identifying the Pledged Spare Parts by manufacturer's part number and brief description and stating the quantity of each such part included in the Pledged Spare Parts as of such specified date.

"PAYING AGENT" has the meaning provided in Section 2.8 of the Indenture.

"PAYMENT" means (i) any payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to the Securities from the Company, (ii) any payment of interest on the Securities with funds drawn under the Liquidity Facility or from a Cash Collateral Account or (iii) any payment of interest on or principal of Securities with funds drawn under the Policy, or (iv) any payment received or amount realized by the Trustee from the exercise of remedies after the occurrence of an Event of Default.

"PAYMENT DEFAULT" means a Default referred to in Section 7.1(a) of the Indenture.

"PAYMENT DUE RATE" means (a) the Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"PERMITTED DAYS" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"PERMITTED LESSEE" has the meaning provided in Section 3.6(b) of the Collateral Maintenance Agreement.

"PERMITTED LIEN" means (a) the rights of Security Agent under the Operative Documents; (b) Liens attributable to Security Agent (both in its capacity as Security Agent and in its individual capacity); (c) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 3.6 of the Collateral Maintenance Agreement; (d) Liens for Taxes of the Company (and its U.S. federal tax law consolidated group), either not yet due or being contested in good faith by appropriate proceedings so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (e) materialmen's, mechanics', workers', repairers', employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent for more than 60 days or is being contested in good faith by appropriate proceedings, so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (f) Liens arising out of any judgment or award against the Company, so long as such judgment shall, within 60 days after the entry thereof, have been discharged or vacated, or execution thereof stayed pending appeal or shall have been discharged, vacated or reversed within 60 days after the expiration of such stay, and so long as during any such 60 day period there is not as a result, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or any impairment of the Lien of the Security Agreement; (g) any other Lien with respect to which the Company shall have provided a bond, cash collateral or other security adequate in the reasonable opinion of Security Agent.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, trustee, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"PLEDGED SPARE PARTS" has the meaning set forth in clause (1) of the first paragraph of Section 2.01 of the Security Agreement.

"POLICY" means MBIA Insurance Corporation Financial Guaranty Insurance Policy No. 39753, issued as of the Closing Date, as amended, supplemented or otherwise modified from time to time in accordance with its respective terms.

"POLICY ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13(a) of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"POLICY DRAWING" means any payment of a claim under the Policy.

"POLICY ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"POLICY EXPENSES" means all amounts (including amounts in respect of premiums, fees, expenses or indemnities) due to the Policy Provider under the Policy Provider Agreement other than (i) any Policy Drawing, (ii) any interest accrued on any Policy Provider Obligations, 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 shall not include any indemnity payments owed to the Policy Provider.

"POLICY FEE LETTER" means the fee letter, dated as of the date hereof, from the Policy Provider to Continental and acknowledged by the Trustee, setting forth the fees and premiums payable with respect to the Policy.

"POLICY PROVIDER" means MBIA Insurance Corporation, a New York insurance company, and its successors and permitted assigns.

"POLICY PROVIDER AGREEMENT" means the Insurance and Indemnity Agreement dated as of the date hereof among the Trustee, the Company and the Policy Provider, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"POLICY PROVIDER DEFAULT" shall mean 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 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).

"POLICY PROVIDER ELECTION" is defined in Section 3.6(c) of the Indenture.

"POLICY PROVIDER INTEREST OBLIGATIONS" means any interest on any Policy Drawing made to cover any shortfall attributable to any failure of the Liquidity Provider to honor any Interest Drawing in accordance with Section 2.02(e) of the Liquidity Facility in an amount equal to the amount of interest that would have accrued on such Interest Drawing if such Interest Drawing had been made in accordance with Section 2.02(e) of the Liquidity Facility at the interest rate applicable to such Interest Drawing until such Policy Drawing has been repaid in full.

"POLICY PROVIDER OBLIGATIONS" means all reimbursement and other amounts, including, without limitation, fees and indemnities (to the extent not included in Policy Expenses), due to the Policy Provider under the Policy Provider Agreement but shall not include any interest on Policy Drawings other than Policy Provider Interest Obligations.

"PREMIUM" means, with respect to any Security redeemed pursuant to Article 4 of the Indenture, the following percentage of the principal amount of such Security: (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Collateral Ratio or Minimum Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement.

"PRIOR FUNDS" means, on any Distribution Date, any Drawing paid under the Liquidity Facility on such Distribution Date and any funds withdrawn from the Cash Collateral Account on such Distribution Date in respect of accrued interest on the Securities.

"PROCEEDS DEFICIENCY DRAWING" is defined in Section 3.6(b) of the Indenture.

"PROPELLER" includes a part, appurtenance, and accessory of a propeller.

"PROVIDER INCUMBENCY CERTIFICATE" is defined in Section 3.7(b) of the Indenture.

"PROVIDER REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"PURCHASE AGREEMENT" means the Purchase Agreement dated December 2, 2002 by and between the Initial Purchaser and the Company.

"QIB" means a qualified institutional buyer as defined in Rule 144A.

"QUALIFIED SPARE PARTS" has the meaning provided in clause (1) of the first paragraph in Section 2.01 of the Security Agreement.

"RATING AGENCIES" means, collectively, at any time, each nationally recognized rating agency which shall have been requested by the Company to rate the Securities and which shall then be rating the Securities. The initial Rating Agency will be Moody's.

"RATINGS CONFIRMATION" means, with respect to any action proposed to be taken, a written confirmation from each of the Rating Agencies that such action would not result in (i) a reduction of the rating for the Securities below the then current rating for the Securities (such rating as determined without regard to the Policy) or (ii) a withdrawal or suspension of the rating of the Securities.

"RECORD DATE" means the fifteenth (15th) day preceding any Scheduled Interest Payment Date, whether or not a Business Day.

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture and such Security.

"REFERENCE AGENCY AGREEMENT" means the Reference Agency Agreement, dated as of the Issuance Date, among the Company, WTC, as the reference agent thereunder, and the Trustee.

"REGISTER" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRAR" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of December 6, 2002, by and between the Company and the Initial Purchaser.

"REGULATION S" means Regulation S under the Securities Act.

"REGULATION S DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"REGULATION S GLOBAL SECURITY" is defined in Section 2.1(d) of the Indenture.

"RELEVANT DATE" is defined in Section 3.6(c) of the Indenture.

"REPLACEMENT LIQUIDITY FACILITY" means an irrevocable revolving credit agreement (or agreements) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies to confirm in writing their respective ratings then in effect for the Securities (before downgrading of such ratings, if any, as a result of the downgrading of the Liquidity Provider), and be consented to by the Policy Provider, which consent shall not be unreasonably withheld or delayed, in a face amount (or in an aggregate face amount) equal to the amount of interest payable on the Securities (at the Capped Interest Rate, and without regard to expected future principal payments) on the eight Interest Payment Dates following the date of replacement of such Liquidity Facility (or if such date is an Interest Payment Date, on such day and the seven Interest Payment Dates following the date of replacement of such Liquidity Facility) and issued by a Person (or Persons) having unsecured short-term debt rating or issuer credit rating, as the case may be, issued by the Rating Agencies which are equal to or higher than the Threshold Rating. Without limitation of the form that a Replacement Liquidity Facility otherwise may have pursuant to the preceding sentence, a Replacement Liquidity Facility for the Securities may have a stated expiration date earlier than 15 days after the Final Legal Maturity Date so long as such Replacement Liquidity Facility provides for a Non-Extension Drawing as contemplated by Section 3.5(d) of the Indenture.

"REQUEST" means a written request for the action therein specified signed on behalf of the Company by any Officer and delivered to the Trustee. Each Request shall be accompanied by an Officers' Certificate if and to the extent required by Section 12.4 of the Indenture.

"REQUIRED AMOUNT" means, for any day, the sum of the aggregate amount of interest, calculated at the Capped Interest Rate, that would be payable on the Securities on each of the eight successive Interest Payment Dates immediately following such day or, if such day is an Interest Payment Date, on such day and the succeeding seven Interest Payment Dates, in each case calculated on the

basis of the outstanding principal amount of the Securities on such date and without regard to expected future payments of principal on the Securities.

"REQUIRED HOLDERS" means from time to time the Holders of more than 50% in aggregate unpaid principal amount of the Securities then Outstanding.

"RESPONSIBLE OFFICER" means (i) with respect to the Trustee, any officer in the corporate trust administration department of the Trustee or any other officer customarily performing functions similar to those performed by the Persons who at the time shall be such officers or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject, (ii) with respect to the Liquidity Provider, any authorized officer of the Liquidity Provider, and (iii) with respect to the Policy Provider, any authorized officer of the Policy Provider.

"RESTRICTED DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"RESTRICTED GLOBAL SECURITY" is defined in Section 2.1(c) of the Indenture.

"RESTRICTED LEGEND" is defined in Section 2.2 of the Indenture.

"RESTRICTED PERIOD" is defined in Section 2.1(d) of the Indenture.

"RESTRICTED SECURITIES" are defined in Section 2.2 of the Indenture.

"ROTABLE" means a Qualified Spare Part that wears over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which it relates.

"ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"RULE 144A" means Rule 144A under the Securities Act.

"SALES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"SCHEDULED INTEREST PAYMENT DATE" means each Interest Payment Date, without giving effect to the proviso to the definition of Interest Payment Date.

"SCHEDULED PAYMENT DATE" means (i) with respect to any payment of interest, the Interest Payment Date applicable thereto, (ii) with respect to any payment of defaulted interest, the payment date established pursuant to Section 2.16, (iii) with respect to amounts due on the redemption of any Security, the Redemption Date applicable thereto, and (iv) with respect to the final maturity of the Securities, December 6, 2007.

"SEC" means the Securities and Exchange Commission and any government agency succeeding to its functions.

"SECTION 1110" means Section 1110 of the Bankruptcy Code.

"SECTION 1110 PERIOD" means the continuous period of (i) 60 days specified in Section 1110(a)(2)(A) of the Bankruptcy Code (or such longer period, if any, agreed to under Section 1110(b) of the Bankruptcy Code), plus (ii) an additional period, if any, commencing with the trustee or debtor-in-possession in such proceeding agreeing, with court approval, to perform its obligations under the Operative Documents within such 60 days (or longer period as agreed) and continuing until such time as such trustee or debtor-in-possession ceases to fully perform its obligations thereunder with the result that the period during which the Collateral Agent is prohibited from repossessing the collateral under any Collateral Agreement comes to an end.

"SECURITIES" means the "Securities", as defined in the Indenture, that are issued under the Indenture.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY AGENT" means the Trustee acting in the capacity of security agent on behalf of the Holders under the Security Agreement.

"SECURITY AGREEMENT" means the Spare Parts Security Agreement dated as of the date of the Indenture between the Company and the Security Agent.

"SECURITYHOLDER" means any holder of one or more Securities.

"SEMIANNUAL METHODOLOGY" means the Annual Methodology, excluding actions referred to in clauses (iii) and (iv) of the definition of Annual Methodology.

"SEMIANNUAL VALUATION DATE" is defined in Section 2.2 of the Collateral Maintenance Agreement.

"SERVICEABLE PARTS" means Pledged Spare Parts in condition satisfactory for incorporation in, installation on, attachment or appurtenance to or use in an Aircraft, Engine or other Qualified Spare Part.

"SHELF REGISTRATION STATEMENT" means the shelf registration statement which may be required to be filed by the Company with the SEC pursuant to the Registration Rights Agreement, other than an Exchange Offer Registration Statement.

"SPARE PART" means an accessory, appurtenance, or part of an Aircraft (except an Engine or Propeller), Engine (except a Propeller), Propeller, or Appliance, that is to be installed at a later time in an Aircraft, Engine, Propeller or Appliance.

"SPARE PARTS COLLATERAL" has the meaning specified in Section 2.01 of the Security Agreement.

"SPARE PARTS DOCUMENTS" has the meaning set forth in clause (6) of the first paragraph of Section 2.01 of the Security Agreement.

"SPECIAL DEFAULT" means a Payment Default or a Continental Bankruptcy Event.

"SPECIAL RECORD DATE" has the meaning provided in Section 2.10 of the Indenture.

"SPECIAL VALUATION DATE" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"STANDARD & POOR'S" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"STATED AMOUNT" means the Maximum Commitment (as defined in the Liquidity Facility).

"STATED EXPIRATION DATE" is defined in Section 3.5(d) of the Indenture.

"SUBORDINATED SECURITIES" is defined in Section 2.18 of the Indenture.

"SUCCESSOR COMPANY" is defined in Section 5.4(a)(i) of the Indenture.

"SUPPLEMENTAL SECURITY AGREEMENT" means a supplement to the Security Agreement substantially in the form of Exhibit A to the Security Agreement.

"SUPPORT DOCUMENTS" means the Liquidity Facility, the Policy, the Policy Provider Agreement and the Fee Letters.

"TAX" and "TAXES" mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, loss, damage, liability, expense, additions to tax and additional amounts or costs incurred or imposed with respect thereto) imposed or otherwise assessed by the United States of America or by any state, local or foreign government (or any subdivision or agency thereof) or other taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth and similar charges; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, taxes on goods and services, gains taxes, license, registration and documentation fees, customs duties, tariffs, and similar charges.

"TERMINATION NOTICE" has the meaning assigned to such term in the Liquidity Facility.

"THRESHOLD AMOUNT" means $2,000,000.

"THRESHOLD RATING" means the short-term unsecured debt rating of P-1 by Moody's and A-1 by Standard & Poor's; PROVIDED that so long as the initial Liquidity Provider is the Liquidity Provider, the Threshold Rating shall apply to the Liquidity Guarantor.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbbb) as in effect on the date of the Indenture; PROVIDED, HOWEVER, that in the event the TIA is amended after such date, "TIA" means, to the extent required by any such amendment, the TIA as so amended.

"TRUST ACCOUNTS" is defined in Section 8.13(a) of the Indenture.

"TRUST OFFICER" means any officer in the corporate trust department of the Trustee, or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUSTEE" means the party named as such in the Indenture until a successor replaces it in accordance with the provisions of the Indenture and thereafter means the successor.

"TRUSTEE INCUMBENCY CERTIFICATE" is defined in Section 3.7(a) of the Indenture.

"TRUSTEE PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"TRUSTEE REPRESENTATIVES" is defined in Section 3.7(a) of the Indenture.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"UNAPPLIED PROVIDER ADVANCE" is defined in the Liquidity Facility.

"UNSERVICEABLE PARTS" means Pledged Spare Parts that are not Serviceable Parts.

"U.S." or "UNITED STATES" means the United States of America.

"U.S. AIR CARRIER" means any United States air carrier that is a Citizen of the United States holding an air carrier operating certificate issued pursuant to chapter 447 of title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6000 pounds or more of cargo.

"U.S. GOVERNMENT" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the option of the issuer thereof.

"U.S. PERSON" means any Person described in Section 7701(a)(30) of the Code.

"VALUATION DATES" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"WARRANTIES" is defined in clause (2) of Section 2.01 of the Security Agreement.

"WRITTEN NOTICE" means, from the Trustee, the Liquidity Provider or the Policy Provider, a written instrument executed by the Designated Representative

of such Person. An invoice delivered by the Liquidity Provider pursuant to Section 3.1 of the Indenture in accordance with its normal invoicing procedures shall constitute Written Notice under such Section.

"WTC" has the meaning specified in the first paragraph of the Indenture.

SECTION 2. RULES OF CONSTRUCTION. Unless the context otherwise requires, the following rules of construction shall apply for all purposes of the Operative Documents (including this appendix) and of such agreements as may incorporate this appendix by reference.

(a) In each Operative Document, unless otherwise expressly provided, a reference to:

(i) each of the Company, the Trustee, the Collateral Agent, the Security Agent or any other person includes, without prejudice to the provisions of any Operative Document, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;

(ii) words importing the plural include the singular and words importing the singular include the plural;

(iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Document, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Documents, and any agreement, instrument or document entered into in substitution or replacement therefor;

(iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Closing Date, and thereafter from time to time;

(v) the words "Agreement", "this Agreement", "hereby", "herein", "hereto", "hereof" and "hereunder" and words of similar import when used in any Operative Document refer to such Operative Document as a whole and not to any particular provision of such Operative Document;

(vi) the words "including", "including, without limitation", "including, but not limited to", and terms or phrases of similar import when used in any Operative Document, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section", an "Exhibit", an "Annex", an "Appendix" or a "Schedule" in any Operative Document, or in any annex thereto, is a reference to a section of, or an exhibit, an annex, an appendix or a schedule to, such Operative Document or such annex, respectively.

(b) Each exhibit, annex, appendix and schedule to each Operative Document is incorporated in, and shall be deemed to be a part of, such Operative Document.

(c) Unless otherwise defined or specified in any Operative Document, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Document are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Document.

(e) For purposes of each Operative Document, the occurrence and continuance of a Default or Event of Default referred to in Section 7.1(d), (e) or (f) of the Indenture shall not be deemed to prohibit the Company from taking any action or exercising any right that is conditioned on no Special Default, Default or Event of Default having occurred and be continuing if such Special Default, Default or Event of Default consists of the institution of reorganization proceedings with respect to the Company under Chapter 11 of the Bankruptcy Code and the trustee or debtor-in-possession in such proceedings shall have agreed to perform its obligations under the Operative Documents with the approval of the applicable court and thereafter shall have continued to perform such obligations in accordance with Section 1110.

EXHIBIT A

[FORM OF SECURITY]

[THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC. RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO CONTINENTAL AIRLINES, INC., (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; AND (3) AGREES THAT IF IT SHOULD RESELL OR OTHERWISE TRANSFER THIS SECURITY IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC., THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO CONTINENTAL AIRLINES, INC. OR ITS AGENT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE

SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS.]

[UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO CONTINENTAL AIRLINES, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IN EXCHANGE FOR THIS SECURITY IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 2.5 AND 2.6 OF THE INDENTURE REFERRED TO HEREIN.]

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To be included on the face of each Restricted Security.

To be included on the face of each Global Security.

No. [ ] CUSIP/Common Code No. [ ]

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[[REGULATION S] GLOBAL SECURITY]

[INITIAL] [EXCHANGE] FLOATING RATE SECURED NOTE DUE 2007

CONTINENTAL AIRLINES, INC., a Delaware corporation (the "Company"), promises to pay to [_____], or the registered assignee thereof, the principal sum of $[_____] Dollars (the "Principal Amount") on December 6, 2007, subject to earlier payment as provided in the Indenture referred to herein. This Security shall bear interest on the unpaid Principal Amount from time to time outstanding from the most recent Interest Payment Date to which interest has been paid (or, if no interest has been paid under the Indenture, from December 6, 2002) at a rate annum for each Interest Period equal to the Debt Rate for such Interest Period (calculated on the basis of a year of 360 days and actual days elapsed during the period for which such amount accrues). The Company shall pay accrued interest in arrears on each March 6, June 6, September 6 and December 6 of each year, commencing March 6, 2003 (or, if not a Business Day, the next succeeding Business Day) (an "Interest Payment Date") until the Principal Amount has been paid in full, PROVIDED that if such payment in full is not made on an Interest Payment Date, accrued interest shall be paid on the date of such payment in full rather than the next Interest Payment Date. Interest shall accrue with respect to the first but not the last day of each Interest Period. This Security shall bear interest, payable on demand, at the Payment Due Rate (calculated on the basis of a year of 360 days and actual days elapsed during the period for which such amount accrues) on any part of the Principal Amount and, to the extent permitted by applicable Law, interest and any other amounts payable hereunder not paid when due, in each case for the period the same is overdue. Amounts shall be overdue if not paid when due (whether at stated maturity, by acceleration or otherwise). Notwithstanding anything to the contrary contained herein, if any date on which a payment under this Security becomes due and payable is not a Business Day, then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest payable.

1. GENERAL. This Security is one of a duly authorized issue of securities of the Company designated as "[Initial] [Exchange] Floating Rate Secured Notes due 2007" (herein, called the "Securities"), limited in aggregate principal amount to $200,000,000, issued, authenticated and delivered pursuant to the Indenture, dated as of December 6, 2002 (the "Indenture"), among the Company, Wilmington Trust Company, as Trustee (the "Trustee"), Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider. To the extent not otherwise defined herein, the capitalized terms used herein have the meanings assigned to them in the Indenture. This Security is subject to the terms, provisions and conditions of the Indenture and those made

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To be included on the face of each Global Security

applicable to the Indenture by the TIA. To the extent any provision of this Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. Reference is hereby made to the Indenture, the TIA, the Security Agreement, the other Operative Documents and the Support Documents for a complete statement of the rights and obligations of the holders of, and the nature and extent of the security for, this Security. By virtue of its acceptance hereof the Securityholder of this Security assents to and agrees to be bound by the provisions of the Indenture.

2. RECORD DATES. The Person in whose name any Security is registered at the close of business on the fifteenth day preceding a Scheduled Interest Payment Date shall be entitled to receive the interest payable on the applicable Interest Payment Date to the extent provided by such Security, except if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, in which case defaulted interest shall be paid to the Person in whose name the Security is registered at the close of business on the subsequent record date established by notice given by mail by or on behalf of the Company to the Holders of Securities pursuant to the Indenture.

3. OPTIONAL REDEMPTION. The Company may redeem the Securities at any time in whole or (so long as no Payment Default has occurred and is continuing) in part (in any integral multiple of $1,000) 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 Premium, if any, and Break Amount, if any, with respect to, the redeemed Securities to and including the Redemption Date. "Premium" means, with respect to any Security redeemed pursuant to the Indenture, the following percentage of the principal amount of such Security: (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Collateral Ratio or Minimum Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement. The Trustee shall mail a notice of any redemption at least 15 days but not more than 60 days before the Redemption Date to each Holder whose Securities are to be redeemed at his registered address. If the Trustee gives notice of redemption but the Company 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. Securities called for redemption shall cease to bear interest on and after the Redemption Date (unless the Company shall fail to pay the redemption price). Upon surrender to the Paying Agent, such Securities shall be paid the redemption price.

4. METHOD OF PAYMENT. The Paying Agent shall distribute amounts payable to each Securityholder by check mailed to such Securityholder at its address appearing in the Register, except that with respect to Securities registered on the applicable Record Date in the name of a Clearing Agency (or its nominee), such distribution shall be made by wire transfer in immediately available funds to the account designated by such Clearing Agency (or such nominee). The Company shall not have any responsibility for the distribution of such payments to any Securityholder. Any payment made hereunder shall be made without any presentment or surrender of this Security, except that, in the case of the final payment in

respect of this Security, this Security shall be surrendered to the Paying Agent for cancellation against receipt of such payment.

5. CREDIT SUPPORT. The Company's obligations with respect to the Securities are secured by a lien on the Pledged Spare Parts and certain other property of the Company. In addition, the Trustee has entered into a Liquidity Facility under which the Liquidity Provider is obligated to make advances to the Trustee in an aggregate amount sufficient to pay interest on the Securities up to eight successive quarterly Interest Payment Dates. The Trustee is also the beneficiary of the Policy under which the Policy Provider is obligated to honor drawings to cover interest on the Securities when due and principal of the Securities no later than 24 months after the Final Scheduled Payment Date of the Securities.

6. REGISTRAR AND PAYING AGENT. The Company shall maintain an office or agency where Securities eligible for transfer or exchange may be presented for registration of transfer or for exchange, and an office or agency where Securities may be presented for payment. Initially, the Trustee will act as Registrar and Paying Agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

7. DENOMINATIONS, TRANSFER AND EXCHANGE. The Securities shall be issued only in fully registered form without coupons and [only in denominations of $100,000 or integral multiples of $1,000 in excess thereof,] [in denominations of $1,000 or integral multiples thereof,] except that one Security may be issued in a different denomination. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. No transfer shall be effected until, and such transferee shall succeed to the rights of a Securityholder only upon, final acceptance and registration of the transfer by the Registrar in the Register. No service charge shall be made to a Securityholder for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Securities.

8. PERSONS DEEMED OWNERS. Prior to the registration of any transfer of a Security by a Securityholder as provided in the Indenture, the Company, the Registrar, the Paying Agent and the Trustee shall deem and treat the person in whose name the Security is registered on the Register as the absolute owner and holder thereof for the purpose of receiving payment of all amounts payable with respect to such Security and for all other purposes, and none of the Company, the Registrar, the Paying Agent or the Trustee shall be affected by any notice to the contrary.

9. AMENDMENTS AND WAIVERS. The Company and the Trustee or the Collateral Agent, as the case may be, may amend or supplement the Indenture, the

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To be used for Initial Securities.

To be used for Exchange Securities.

Securities, or any of the other Operative Documents and, upon request of the Company, the Trustee shall amend or supplement the Support Documents, in each case only with the written consent of the Controlling Party, PROVIDED that certain amendments, supplements and waivers may not be made without the consent of each Securityholder affected thereby. Any consent by the Securityholder of this Security shall be conclusive and binding on such Securityholder and upon all future Securityholders of this Security and of any Security issued upon the transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent is made upon such Security. Without the consent of the Controlling Party or any Holder, the Indenture, the Securities, any of the Operative Documents and any of the Support Documents may be amended to, among other things, cure any ambiguity, defect or inconsistency or to make any other change not inconsistent with the provisions of the Indenture, provided that such action does not materially adversely affect the interests of any Securityholder.

10. DEFAULTS AND REMEDIES. Events of Default under the Indenture include the following: (a) failure by the Company to pay (1) principal of, interest on, Premium, if any, or Break Amount, if any, with respect to any Security when due, and such failure shall continue unremedied for a period of 10 Business Days thereafter (it being understood that any amount distributed to Securityholders in respect of the foregoing from funds provided by the Policy Provider, the Liquidity Provider or a Cash Collateral Account shall not be deemed to cure such Default) or (2) any other amount payable by it to the Holders under the Indenture or any Operative Document when due, and such failure shall continue for a period in excess of 10 Business Days after the Company has received written notice from the Trustee of the failure to make such payment when due; (b) failure by the Company to observe and perform in any material respect any other covenant, agreement or obligation set forth in the Indenture or in any other Operative Documents, with such failure continuing after notice and specified cure periods; (c) any representation or warranty made by the Company in the Indenture or any other Operative Document (1) shall prove to have been untrue or inaccurate in any material respect as of the date made, (2) such untrue or inaccurate representation or warranty is material at the time in question and (3) the same shall remain uncured following notice; and (d) the occurrence of certain events of bankruptcy, reorganization or insolvency of the Company. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Controlling Party may, by notice to Company and the Trustee, and the Trustee shall, upon the request of the Controlling Party, declare all unpaid principal of, accrued interest on, Premium, if any, and Break Amount, if any, with respect to the Securities Outstanding and other amounts otherwise payable under the Indenture, if any, to be due and payable immediately. In the case of an Event of Default arising from certain events of bankruptcy, reorganization or insolvency, such amounts shall automatically become and be immediately due and payable without further action or notice. Under certain circumstance, the Controlling Party by notice to the Trustee may rescind an acceleration and its consequences.

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 respect to, the Securities or other amounts otherwise payable under the Indenture, if any. Subject to the Indenture, so long as an Event of Default has occurred and is continuing, the Controlling Party by notice to the Trustee may authorize the Trustee to waive an existing Default or Event of Default and its consequences. 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. Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. The Trustee may withhold from Securityholders notice of any continuing default (except a default in payment of principal, interest, Premium or Break Amount) if it determines in good faith that withholding notice is in their interests. The above description of Events of Default and remedies is qualified by reference, and subject in its entirety to the more complete description thereof contained in the Indenture.

11. NO RECOURSE AGAINST OTHERS. A director, officer, employee or stockholder, as such, of the Company shall not have any personal liability for any obligations of the Company under the Securities, the Indenture or the other Operative Documents by reason of his or her status as such director, officer, employee or stockholder. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

12. AUTHENTICATION. This Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose until the certificate of authentication attached hereto has been executed by the manual signature of an authorized signatory of the Trustee or an authenticating agent appointed by the Trustee.

13. UNCLAIMED MONEY. If money deposited with the Trustee or any Paying Agent in trust for the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Security and unclaimed for two (2) years after such principal, interest, Premium, if any, or Break Amount, if any, has become due and payable shall be paid to the Company on its request, subject to any applicable abandoned property law, and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof.

14. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

15. CUSIP NUMBERS. The Company in issuing this Security may use a "CUSIP" number (if then generally in use) and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; PROVIDED, HOWEVER, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

[16. REGISTRATION. The Holder of this Security is entitled to the benefits of the Registration Rights Agreement. In the event that no Registration Event (as defined in the Registration Rights Agreement) occurs on or prior to the 210th day after the Issuance Date, the Debt Rate shall be increased by an additional margin equal to 0.50%, from and including such 210th day to and excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Registration Rights Agreement); or if the Shelf Registration Statement (as defined in the Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Debt Rate shall be increased by an additional margin equal to 0.50% from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement); PROVIDED that the additional margin added to the Debt Rate pursuant to this section shall never exceed 0.50% at any time.]

[17. HOLDERS' COMPLIANCE WITH REGISTRATION RIGHTS AGREEMENT. Each Holder of a Security, by acceptance hereof, acknowledges and agrees to the provisions of the Registration Rights Agreement, including, without limitation, the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.]

18. GOVERNING LAW. THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company will furnish to any Holder of this Security, upon written request and without charge, a copy of the Indenture. Request may be made to: Continental Airlines, Inc., 1600 Smith Street, Houston, Texas 77002, Attention: Corporate Secretary.

- ------------------

To be included only on each Initial Certificate.

To be included only on each Initial Certificate.

IN WITNESS WHEREOF, the Company has caused this Security to be duly executed in its corporate name by its officer thereunto duly authorized on the date hereof.

Dated:

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

By:

Name:
Title:

[FORM OF THE TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Securities referred
to in the Indenture.

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Trustee

By:

Authorized Officer

FORM OF TRANSFER NOTICE

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

INSERT TAXPAYER IDENTIFICATION NO.

- --------------------

- --------------------

please print or typewrite name and address including zip code of assignee

- --------------------

the within Security and all rights thereunder, hereby irrevocably constituting and appointing

- --------------------

attorney to transfer said Security on the books of the Registrar with full power of substitution in the premises.

[THE FOLLOWING PROVISION TO BE INCLUDED

ON ALL SECURITIES,

EXCEPT REGULATION S GLOBAL,

REGULATION S DEFINITIVE SECURITIES AND EXCHANGE SECURITIES]

In connection with any transfer of this Certificate occurring prior to the date that is the earlier of the date of an effective Registration Statement or the date two years after the later of the original issuance of this Security or the last date on which this Security was held by Continental Airlines, Inc. or any affiliate of Continental Airlines, Inc., the undersigned confirms that without utilizing any general solicitation or general advertising that:

[CHECK ONE]

[_] (a) this Security is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

OR

[_] (b) this Security is being transferred other than in accordance with (a) above and documents are being furnished that comply with the conditions of transfer set forth in this Security and the Indenture.

If neither of the foregoing boxes is checked, the Registrar shall not be obligated to register this Security in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.6 of the Indenture shall have been satisfied.

Date:[_____, __]

[Name of Transferor]

NOTE: The signature must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee:

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated:[_____, __]

NOTE: To be executed by an executive officer.

EXHIBIT B

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION WITH
TRANSFERS OF SECURITIES PURSUANT TO REGULATION S

[_____,____]

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-0001
Attention: Corporate Trust Administration

Re: FLOATING RATE SECURED NOTES DUE 2007 (THE "SECURITIES")

Ladies and Gentlemen:

In connection with our proposed sale of US $[_____] of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended, and, accordingly, we represent that:

(1) the offer of the Securities was not made to a person in the United States;

(2) either (a) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(3) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(a) or Rule 904(a) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

In addition, if the sale is made during a restricted period and the provisions of Rule 903(b)(2) or Rule 904(b)(1) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 903(b)(2) or Rule 904(b)(1), as the case may be.

You and Continental Airlines, Inc. are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

EXHIBIT C

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION
WITH TRANSFERS OF SECURITIES TO
NON-QIB INSTITUTIONAL ACCREDITED INVESTORS

[_____, _____]

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-0001
Attention: Corporate Trust Administration

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002

CONTINENTAL AIRLINES
Floating Rate Secured Notes due 2007 (the "Securities")

Ladies and Gentlemen:

In connection with our proposed purchase of U.S. $[_____] of Securities (the "Purchased Securities"), we confirm that:

1. We understand that any subsequent transfer of the Purchased Securities is subject to certain restrictions and conditions set forth in the Indenture, dated as of December 6, 2002, among Continental Airlines, Inc. (the "Company"), Wilmington Trust Company (the "Trustee"), Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider, relating to the Securities, and we agree to be bound by, and not to resell, pledge or otherwise transfer the Purchased Securities except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act").

2. We are purchasing Securities having an aggregate principal amount of not less than $100,000 and each account (if any) for which we are purchasing Securities is purchasing Securities having an aggregate principal amount of not less than $100,000.

3. We understand that the Purchased Securities have not been registered under the Securities Act, that the Purchased Securities are being sold to us in a transaction that is exempt from the registration requirements of the Securities Act and that the Purchased Securities may not be offered or resold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that, if we should sell any Purchased Securities within two years after the later of the original issuance of such Purchased Securities and the last date on which such Purchased Securities are owned by the Company or any affiliate of the Company, we will do so only (A) to the Company, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined

therein), (C) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act or (E) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any person purchasing any of the Purchased Securities from us a notice advising such purchaser that resales of the Purchased Securities are restricted as stated herein.

4. We understand that, on any proposed resale of any Purchased Securities, we will be required to furnish to the Company and the Trustee such certifications, legal opinions and other information as the Company and the Trustee may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Purchased Securities purchased by us will bear a legend to the foregoing effect.

5. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Purchased Securities, and we and any accounts for which we are acting are each able to bear the economic risk of our or their investments.

6. We are acquiring the Purchased Securities for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion and not with a view to any distribution of the Purchased Securities, subject, nevertheless to the understanding that the disposition of our property shall at all times be and remain within our control.

You are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy thereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

By:

Name:
Title:

COLLATERAL MAINTENANCE AGREEMENT

BETWEEN

CONTINENTAL AIRLINES, INC.

AND

MBIA INSURANCE CORPORATION

dated as of December 6, 2002

relating to

Floating Rate Secured Notes due 2007

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COLLATERAL MAINTENANCE AGREEMENT

COLLATERAL MAINTENANCE AGREEMENT, dated as of December 6, 2002, between 0CONTINENTAL AIRLINES, INC., a Delaware corporation (the "COMPANY"), and MBIA INSURANCE CORPORATION, a New York insurance company (the "POLICY PROVIDER").

R E C I T A L S

WHEREAS, the Company, the Trustee, the Policy Provider and the Liquidity Provider have entered into the Indenture providing for the issuance of $200,000,000 aggregate principal amount of the Securities, and the Policy Provider has issued the Policy under which the Trustee may make drawings to make certain payments with respect to the Securities;

WHEREAS, in order to secure the payment of the principal amount of and interest on the Securities and all other Obligations of the Company under the Indenture, the Securities and the other Operative Documents, the Company has granted a security interest in the Spare Parts Collateral pursuant to the Security Agreement; and

WHEREAS, the Company and the Policy Provider wish to set forth herein certain additional agreements with respect to the Spare Parts Collateral.

NOW, THEREFORE, in consideration of the premises and other benefits to the Company, the receipt and sufficiency of which are hereby acknowledged, the Company and the Policy Provider agree as follows:

ARTICLE 1

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 DEFINITIONS. Capitalized terms used above or hereinafter and not otherwise defined herein shall have the meanings ascribed to such terms in Section 1 of the Definitions Appendix attached hereto as Appendix I, which shall be part of this Agreement as if fully set forth in this place.

Section 1.2 RULES OF CONSTRUCTION. The rules of construction for this Agreement are set forth in Section 2 of the Definitions Appendix.

ARTICLE 2

REPORTS REGARDING THE COLLATERAL

Section 2.1 ANNUAL APPRAISAL. So long as the Securities are Outstanding, by the fifth Business Day of February in 2004 and by the fifth Business Day of February of each year thereafter, the Company shall furnish the Policy Provider

and the Trustee an Independent Appraiser's Certificate signed by an Independent Appraiser, dated as of a date between the preceding January 15 and February 1 (inclusive). Each such Independent Appraiser's Certificate shall state, in the opinion of such Independent Appraiser, based upon use of the Annual Methodology, the following:

(a) the Fair Market Value of the Collateral (excluding any Cash Collateral and, for the avoidance of doubt, any Excluded Parts) as of a specified date within 30 days (or, if an Independent Appraiser's Certificate signed by such Independent Appraiser has not previously been delivered to the Policy Provider pursuant to this Agreement or in the Offering Memo, 60 days) (the "PERMITTED DAYS") preceding the date of such Certificate (the "ANNUAL VALUATION DATE");

(b) the Fair Market Value of the Rotables and of the Expendables included in the Collateral as of the applicable Annual Valuation Date (and shall separately state the quantity of such Rotables and Expendables); and

(c) the Fair Market Value of the Serviceable Parts and the Unserviceable Parts included in the Collateral as of the applicable Annual Valuation Date.

Each annual Independent Appraiser's Certificate shall be accompanied by an Appraisal Compliance Report determined as of the applicable Annual Valuation Date. The Appraisal Compliance Report shall set forth the calculation of the Collateral Ratio and the Rotable Ratio based on the Fair Market Value of the Collateral and the Rotables set forth in such Independent Appraiser's Certificate, the Fair Market Value of Cash Collateral held by the Collateral Agent, and the principal amount of the Securities Outstanding, each as of the applicable Annual Valuation Date. Upon written request of the Policy Provider given to the Company within twenty Business Days after delivery to the Policy Provider of an annual Independent Appraiser's Certificate under this Section 2.1, the Company shall furnish to the Policy Provider (with a copy to the Trustee) a recent Parts Inventory Report and a report showing the percentage of the average cost of the Pledged Spare Parts located at each Company facility as of the same date as the date of such Parts Inventory Report.

Section 2.2 SEMIANNUAL APPRAISAL. So long as the Securities are Outstanding, by the fifth Business Day of February in 2003, by the fifth Business Day of August in 2003 and by the fifth Business Day of August in each year thereafter, the Company shall furnish the Policy Provider and the Trustee an Independent Appraiser's Certificate signed by an Independent Appraiser, dated as of a date between the preceding January 15 and February 1 (inclusive), in the case of such Certificate due in February 2003 (the "FEBRUARY 2003 CERTIFICATE"), or the preceding July 15 and August 1 (inclusive), in the case of such other Certificates. Each such semiannual Independent Appraiser's Certificate shall state, in the opinion of such Independent Appraiser, based upon the use of the Semiannual Methodology, the following:

(a) the Fair Market Value of the Collateral (excluding any Cash Collateral and, for the avoidance of doubt, any Excluded Parts) as of a specified date within the Permitted Days preceding the date of such Certificate (the "SEMIANNUAL VALUATION DATE");

(b) the Fair Market Value of the Rotables and of the Expendables included in the Collateral as of the applicable Semiannual Valuation Date (and shall separately state the quantity of such Rotables and Expendables); and

(c) the Fair Market Value of the Serviceable Parts and the Unserviceable Parts included in the Collateral as of the applicable Semiannual Valuation Date.

Each semiannual Independent Appraiser's Certificate shall be accompanied by an Appraisal Compliance Report determined as of the applicable Semiannual Valuation Date, except that no Appraisal Compliance Report shall be required to accompany the February 2003 Certificate, and the Maximum Collateral Ratio and Minimum Rotable Ratio requirements shall not be required to be satisfied in connection with the February 2003 Certificate. The Appraisal Compliance Report provided with the semiannual Independent Appraiser's Certificate shall set forth the calculation of the Collateral Ratio and the Rotable Ratio based on the Fair Market Value of the Collateral and Rotables set forth in such Independent Appraiser's Certificate, the Fair Market Value of Cash Collateral held by the Collateral Agent, and the principal amount of the Securities Outstanding, each as of the applicable Semiannual Valuation Date, PROVIDED that the Cash Collateral deposited by the Company with the Security Agent on the Closing Date shall be excluded from the calculation of the Collateral Ratio and Rotable Ratio in connection with the Independent Appraiser's Certificate due by the fifth Business Day of August, 2003, for purposes of Article 3 of this Agreement (but not for purposes of Section 7.03 of the Security Agreement).

Section 2.3 QUARTERLY REPORTS. So long as the Securities are Outstanding, within ten Business Days after each May 1 and November 1, commencing with May 1, 2003, the Company shall furnish the Policy Provider and the Trustee a Nonappraisal Compliance Report determined as of such May 1 or November 1, as applicable, or any date during such ten Business Day period thereafter.

Section 2.4 SPECIAL REPORTS. The Policy Provider may (i) if the Company defaults in any of its obligations with respect to indebtedness of the Company in an outstanding principal amount greater than $100,000,000 which results in the acceleration of the Company's obligation to pay such indebtedness in full prior to its stated final maturity date, at any time prior to the payment of such indebtedness or the reversal of such acceleration, or (ii) if an Event of Default occurs, at any time while such Event of Default is continuing, request by written notice to the Company that the Company furnish to the Policy Provider (with a copy to the Trustee) a special Independent Appraiser's Certificate. Any such special Independent Appraiser's Certificate shall state, in the opinion of such Independent Appraiser, based upon use of the Annual Methodology, the following:

(a) the Fair Market Value of the Collateral (excluding any Cash Collateral and, for the avoidance of doubt, any Excluded Parts) as of a specified date within the Permitted Days preceding the date of such Certificate (the "SPECIAL VALUATION DATE" and, together with each Annual Valuation Date and Semiannual Valuation Date, the "VALUATION DATES");

(b) the Fair Market Value of the Rotables and of the Expendables included in the Collateral as of the applicable Special Valuation Date (and shall separately state the quantity of such Rotables and Expendables); and

(c) the Fair Market Value of the Serviceable Parts and the Unserviceable Parts included in the Collateral as of the applicable Special Valuation Date.

The Company shall furnish to the Policy Provider (with a copy to the Trustee) any such requested special Independent Appraiser's Certificate reasonably promptly after receipt of such request. Notwithstanding the foregoing, the Company shall not be obligated (i) to furnish any Independent Appraiser's Certificate under this Section 2.4 during the Section 1110 Period or (ii) to deliver pursuant to this Article 2 an Independent Appraiser's Certificate more than twice in any six month period. Upon written request of the Policy Provider given to the Company within twenty Business Days after delivery to the Policy Provider of a special Independent Appraiser's Certificate under this Section 2.4, the Company shall furnish to the Policy Provider (with a copy to the Trustee) a recent Parts Inventory Report and a report showing the percentage of the average cost of the Pledged Spare Parts located at each Company facility as of the same date as the date of such Parts Inventory Report.

Section 2.5 INFORMATION FROM THE TRUSTEE. The Fair Market Value of any Investment Securities included in the Cash Collateral for purposes of this Agreement shall be determined by the Trustee in accordance with customary financial market practices. The Trustee shall inform the Company of the principal amount of the Securities Outstanding and the Fair Market Value of any Investment Securities included in the Collateral, in each case as of any Valuation Date or for purposes of Section 3.1, promptly after the Company's request for such information.

Section 2.6 INDEPENDENT APPRAISER. If the Policy Provider has a reasonable basis for concluding that the performance of the Independent Appraiser that executed the most recent Independent Appraiser's Certificate delivered pursuant to Article 2 was not satisfactory, the Policy Provider may designate another Independent Appraiser to perform the next required appraisal under this Article 2 by written notice given to the Company within 90 days after the date of such most recent Independent Appraiser's Certificate. The Company shall use such other Independent Appraiser designated by the Policy Provider for the next appraisal unless it gives the Policy Provider written notice of reasonable objection to the use of such other Independent Appraiser.

ARTICLE 3

COLLATERAL REQUIREMENTS

Section 3.1 MAINTENANCE OF COLLATERAL RATIO AND ROTABLE RATIO.

(a) If the Collateral Ratio, as most recently determined pursuant to an Appraisal Compliance Report, is greater than the Maximum Collateral Ratio, the Company shall within 90 days after the date of the Appraisal Compliance Report setting forth the calculation of such Collateral Ratio:

(i) subject additional Qualified Spare Parts (the "ADDITIONAL PARTS") to the Lien of the Security Agreement in accordance with Section 3.1(c);

(ii) grant a security interest to a Collateral Agent in other property to secure the Obligations for the benefit of the Holders and the Indemnitees, PROVIDED that the Company shall have received, with respect to the use for purposes of this Section 3.1(a) of such additional collateral and the applicable Collateral Agreement, (x) approval of the Policy Provider and (y) Rating Agency Confirmation;

(iii) provide additional cash and/or Investment Securities to the Collateral Agent under the Security Agreement, PROVIDED that if the Continental Cash Balance as of the applicable Valuation Date was less than $600,000,000, then the amount of Cash Collateral included in the Collateral, after giving effect to the action taken pursuant to Sections 3.1(a) and 3.1(b) with respect to such Valuation Date, shall not exceed $20,000,000;

(iv) deliver Securities to the Trustee for cancellation;

(v) redeem some or all of the Securities pursuant to Article 4 of the Indenture; or

(vi) any combination of the foregoing;

such that, the Collateral Ratio, as recalculated giving effect to such action taken pursuant to this Section 3.1(a) and, in the case of clauses (i), (ii) and (iii) of this Section 3.1(a), using the Fair Market Value of any such additional Collateral determined pursuant to Section 3.1(d) (but otherwise using the information used to determine the Collateral Ratio as most recently determined pursuant to Article 2), would not be greater than the Maximum Collateral Ratio.

(b) If the Rotable Ratio, as most recently determined pursuant to an Appraisal Compliance Report, is less than the Minimum Rotable Ratio, the Company shall within 90 days after the date of the Appraisal Compliance Report setting forth the calculation of such Rotable Ratio:

(i) subject additional Rotables (the "ADDITIONAL ROTABLES") to the Lien of the Security Agreement in accordance with Section 3.1(c);

(ii) provide additional cash and/or Investment Securities to the Collateral Agent under the Security Agreement; PROVIDED that if the Continental Cash Balance as of the applicable Valuation Date was less than $600,000,000, then the amount of Cash Collateral included in the Collateral, after giving effect to the action taken pursuant to Sections 3.1(a) and 3.1(b) with respect to such Valuation Date, shall not exceed $20,000,000;

(iii) deliver Securities to the Trustee for cancellation;

(iv) redeem some or all of the Securities pursuant to Article 4 of the Indenture; or

(v) any combination of the foregoing.

such that, the Rotable Ratio, as recalculated giving effect to such action taken pursuant to this Section 3.1(b) and, in the case of clauses (i) and (ii) of this Section 3.1(b), using the Fair Market Value of any such additional Collateral determined pursuant to Section 3.1(d) (but otherwise using the information used to determine the Rotable Ratio as most recently determined pursuant to Article 2), would not be less than the Minimum Rotable Ratio.

(c) In order to comply with Section 3.1(a)(i) or 3.1(b)(i), the Company shall (i) add one or more locations as Designated Locations pursuant to Section 4.02(b) of the Security Agreement, in which case the Qualified Spare Parts or Rotables, as the case may be, at such new Designated Locations, to the extent not included in the Pledged Spare Parts on the preceding Valuation Date, shall be deemed Additional Parts or Additional Rotables, as the case may be; and/or (ii) add to a Designated Location Qualified Spare Parts or Rotables, as the case may be, that were not included as Pledged Spare Parts on the preceding Valuation Date, which shall be deemed Additional Parts or Additional Rotables, as the case may be.

(d) In connection with the provision of additional Collateral pursuant to clause (i) or (ii) of Section 3.1(a) or Section 3.1(b), the Company shall furnish to the Policy Provider (with a copy to the Trustee) an Independent Appraiser's Certificate signed by an Independent Appraiser, dated as of a date after the most recent Valuation Date, stating, in the opinion of such Independent Appraiser, the Fair Market Value of such additional Collateral (other than Cash Collateral), as of a date not earlier than 60 days prior to the date of such Independent Appraiser's Certificate (but not earlier than the most recent Valuation Date) and using, in the case of Additional Parts or Additional Rotables, the Annual Methodology.

(e) If the Company shall have provided Cash Collateral pursuant to Section 3.1(a)(iii) or Section 3.1(b)(ii) (the "TEMPORARY CASH COLLATERAL"), it shall within 90 days after providing such Temporary Cash Collateral (i) in the case of Section 3.1(a)(iii), take additional action pursuant to Section 3.1(a) (excluding the right to provide Cash Collateral) to cause the Collateral Ratio, calculated to exclude such Temporary Cash Collateral, not to be greater than the Maximum Collateral Ratio and (ii) in the case of Section 3.1(b)(ii), take additional action pursuant to Section 3.1(b) (excluding the right to provide Cash Collateral) to cause the Rotable Ratio, calculated to exclude such Temporary Cash Collateral, not to be less than the Minimum Rotable Ratio.

Section 3.2 CERTAIN LIMITATIONS REGARDING THE COLLATERAL. During any period commencing on the Closing Date or the date of an Independent Appraiser's Certificate delivered pursuant to Article 2 through the date preceding the date of the next Independent Appraiser's Certificate delivered pursuant to Article 2 (each, an "APPLICABLE PERIOD"), the Company agrees that, as of any date during an Applicable Period, the aggregate Appraised Value of all Pledged Spare Parts (x) previously during such Applicable Period sold, transferred or disposed of (excluding any such transaction pursuant to Section 4.02(a)(ii) of the Security Agreement and Pledged Spare Parts deemed sold pursuant to the proviso in Section 3.6(a) of this Agreement as to which the Company has reacquired title) (collectively, "SALES") shall not exceed 2% of the Appraised Value of the Collateral, (y) then subject to leases to Permitted Lessees or loans to other Persons (together, "LOANS") shall not exceed 2% of the Appraised Value of the

Collateral or (z) previously during such Applicable Period moved from a Designated Location to a location not a Designated Location (excluding those permitted under Sections 4.02(a)(i) of the Security Agreement and clauses (i) and (ii) of Section 3.6(a) of this Agreement) ("MOVES") shall not exceed 2% of the Appraised Value of the Collateral.

Section 3.3 FLEET REDUCTION. If at any time after the Closing Date so long as any Securities are Outstanding the total number of Aircraft of any Aircraft Model (as defined below) in the Company's in-service fleet during any period of 60 consecutive days is less than the Specified Minimum (as defined below) for such Aircraft Model (other than due to restrictions on operating such Aircraft imposed by the FAA or any other instrumentality or agency of the United States), then within 90 days after such occurrence the Company shall redeem Securities pursuant to Article 4 of the Indenture or deliver Securities to the Trustee for cancellation, or a combination of the foregoing, in an aggregate principal amount not less than the principal amount of the Securities Outstanding at the end of such 60 day period multiplied by a fraction, the numerator of which shall be the Appraised Value of the Pledged Spare Parts that are appropriate for incorporation in, installation on, attachment or appurtenance to, or use in only Aircraft of such Aircraft Model or Engines utilized only on such Aircraft, and the denominator of which shall be the Appraised Value of the Collateral. For purposes of this Section "AIRCRAFT MODEL" shall mean each of the four models or groups of models of Aircraft set forth below and "SPECIFIED MINIMUM" for any Aircraft Model shall mean the number of Aircraft set forth opposite such Aircraft Model below:

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

Section 3.4 LIENS. The Company will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Spare Parts Collateral, title to any of the foregoing or any interest of the Company therein, except Permitted Liens. The Company shall promptly, at its own expense, take such action as may be necessary to duly discharge (by bonding or otherwise) any such Lien other than a Permitted Lien arising at any time.

Section 3.5 MAINTENANCE. The Company:

(a) shall maintain, or cause to be maintained, at all times the Pledged Spare Parts in accordance with all applicable Laws issued by the FAA or any other Governmental Entity having jurisdiction over the Company or any such Pledged Spare Parts, including making any modifications, alterations, replacements and additions necessary therefor;

(b) shall maintain, or cause to be maintained, 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 and shall not modify its record retention procedures in respect of the Pledged Spare Parts if such modification would materially diminish the value of the Pledged Spare Parts, taken as a whole; and

(c) shall maintain, or cause to be maintained, the Pledged Spare Parts in good working order and condition and shall perform all maintenance thereon necessary for that purpose, excluding (i) Pledged Spare Parts that have become worn out or unfit for use and not reasonably repairable or become obsolete, (ii) Pledged Spare Parts that are not required for the Company's normal operations and (iii) Expendables that have been consumed or used in the Company's operations.

Section 3.6 POSSESSION.

(a) Without the prior written consent of the Policy Provider, the Company will not sell, lease, transfer or relinquish possession of any Pledged Spare Part to anyone other than the grant of the security interest to the Security Agent pursuant to the Security Agreement, except as permitted by the provisions of Sections 3.2 and 3.6 of this Agreement and Sections 4.02 and 4.03 of the Security Agreement and except that the Company shall have the right, in the ordinary course of business, (i) to 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 or (ii) to 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 the Company'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 subject to the provisions of Section 3.2.

(b) So long as no Event of Default shall have occurred and be continuing, the Company 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 (a "PERMITTED LESSEE"). In the case of any such lease, the Company will include in such lease appropriate provisions which (t) 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 under the Security Agreement; (u) require the Permitted Lessee to comply with the terms of Section 3.8; and (v) require that the Pledged Spare Parts subject thereto be used in accordance with the limitations applicable to the Company's use, possession and location of such Pledged Spare Parts provided in this Agreement and the Security Agreement (including, without limitation, that such Pledged Spare Parts be kept at one or more Designated Locations), it being understood that such Permitted Lessee shall be entitled to incorporate in, install on, attach or make appurtenant to, or use in, any Aircraft, Engine or Appliance leased to, or owned by, such Permitted Lessee (whether or not subject to any Lien) any Pledged Spare Part subject thereto, free from the Lien of the Security Agreement. No lease permitted under this Section shall be entered into unless (w) the Company shall provide written notice to the Policy Provider and

the Trustee (promptly after entering into any such lease); (x) the Company shall furnish to the Policy Provider (with a copy to the Trustee) evidence reasonably satisfactory to the Policy Provider that the insurance required by Section 3.8 remains in effect; (y) all necessary documents shall have been duly filed, registered or recorded in such public offices as may be required fully to preserve the first priority security interest (subject to Permitted Liens) of Security Agent in the Pledged Spare Parts; and (z) the Company shall reimburse the Policy Provider for all of its reasonable out-of-pocket fees and expenses, including, without limitation, reasonable fees and disbursements of counsel, incurred by the Policy Provider in connection with any such lease. Except as otherwise provided herein and without in any way relieving the Company from its primary obligation for the performance of its obligations under this Agreement and the Security Agreement, the Company may in its sole discretion permit a lessee to exercise any or all rights which the Company would be entitled to exercise under Sections 3.4 through 3.8, inclusive, of this Agreement and Article 4 of the Security Agreement, and may cause a lessee to perform any or all of the Company's obligations under Sections 3.4 through 3.8, inclusive, of this Agreement and Article 4 of the Security Agreement, and the Policy Provider agrees to accept (and to direct the Security Agent to accept) actual and full performance thereof by a lessee in lieu of performance by the Company.

Section 3.7 INSPECTION.

(a) At all reasonable times, the Policy Provider and its authorized representatives (the "INSPECTING PARTIES") may (not more than once every 12 months unless an Event of Default has occurred and is continuing, in which case such inspection right shall not be so limited) inspect the Pledged Spare Parts (including without limitation, the Spare Parts Documents).

(b) Any inspection of the Pledged Spare Parts hereunder shall be limited to a visual inspection and shall not include the disassembling, or opening of any components, of any Pledged Spare Part, and no such inspection shall interfere with the Company's or any Permitted Lessee's maintenance and use of the Pledged Spare Parts.

(c) With respect to such rights of inspection, the Policy Provider shall not have any duty or liability to make, or any duty or liability by reason of not making, any such visit, inspection or survey.

(d) Each Inspecting Party shall bear its own expenses in connection with any such inspection, PROVIDED that the Company shall reimburse the Inspecting Party for its reasonable out-of-pocket expenses in connection with any such inspection during the continuance of an Event of Default, except during the Section 1110 Period.

Section 3.8 THE COMPANY'S OBLIGATION TO INSURE. The Company shall comply with, or cause to be complied with, each of the provisions of Appendix IV, which provisions are hereby incorporated by this reference as if set forth in full herein. Nothing in this Section shall limit or prohibit (a) the Company from maintaining the policies of insurance required under Appendix IV with higher limits than those specified in Appendix IV, or (b) the Policy Provider, the Trustee or the Security Agent from obtaining insurance for its own account (and any proceeds payable under such separate insurance shall be payable as provided in the policy relating thereto); PROVIDED, HOWEVER, that no insurance may be

obtained or maintained that would limit or otherwise adversely affect the coverage of any insurance required to be obtained or maintained by the Company pursuant to Section 3.8 and Appendix IV.

ARTICLE 4

MISCELLANEOUS

Section 4.1 BENEFITS OF AGREEMENT RESTRICTED. Subject to the provisions of Section 4.6 hereof, nothing in this Agreement or the other Operative Documents, express or implied, shall give or be construed to give to any Person, other than the parties hereto, any legal or equitable right, remedy or claim under or in respect of this Agreement or under any covenant, condition or provision herein contained, all such covenants, conditions and provisions, subject to Section 4.6 hereof, being for the sole benefit of the parties hereto, PROVIDED that the Trustee is an intended third-party beneficiary of each provision of this Agreement that expressly grants it a right to receive certain documents that are provided to the Policy Provider and of the last sentence of Section 4.6, and the Trustee and the Security Agent each is an intended third-party beneficiary of each provision of Section 3.8 and Appendix IV that expressly refers to it (collectively, the "TRUSTEE PROVISIONS") (it being understood that the Company's obligation to deliver a document to the Policy Provider and the contents of any such document are not Trustee Provisions, and such provisions referred to in this parenthetical may be amended, supplemented or waived without the consent of the Trustee or the Security Agent, PROVIDED that the right of the Trustee to receive a copy of such document if it is required to be delivered to the Trustee or the Security Agent is a Trustee Provision).

Section 4.2 APPRAISER'S CERTIFICATE. Unless otherwise specifically provided, an Independent Appraiser's Certificate shall be sufficient evidence of the Appraised Value and Fair Market Value of any property under this Agreement.

Section 4.3 NOTICES; WAIVER. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by this Agreement to be made upon, given or furnished to, or filed with

(a) the Company shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Company at:

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002
Attention: Treasurer
Telecopier No.: (713) 324-2447

(b) the Policy Provider shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Policy Provider at:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management, Structured Finance
Telecopier No.: (914) 765-3163

(c) the Trustee or the Security Agent shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid to the Trustee or the Security Agent at:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

Telecopier No.: (302) 651-8882

or to any of the above parties at any other address or telecopier number subsequently furnished in writing by it to each of the other parties listed above. Any such delivery shall be deemed made on the date of receipt by the addressee of such delivery or of refusal by such addressee to accept delivery.

Section 4.4 AMENDMENTS, ETC. This Agreement may be amended or supplemented, and compliance with any obligation in this Agreement may be waived, by written instrument executed by the Company and the Policy Provider, PROVIDED that the Trustee Provisions, insofar as they relate to the rights of the Trustee or the Security Agent, may not be amended, supplemented or waived without the written consent of the Trustee or the Security Agent, as the case may be.

Section 4.5 NO WAIVER. No failure on the part of the Policy Provider to exercise, and no delay in exercising any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. Failure by the Policy Provider at any time or times hereafter to require strict performance by the Company with any of the provisions, warranties, terms or conditions contained herein shall not waive, affect or diminish any right of the Policy Provider at any time or times hereafter to demand strict performance thereof, and such right shall not be deemed to have been modified or waived by any course of conduct or knowledge of the Policy Provider or any agent, officer or employee of the Policy Provider.

Section 4.6 SUCCESSORS AND ASSIGNS. This Agreement and all obligations of the Company hereunder shall be binding upon the successors and permitted assigns of the Company, and shall, together with the rights and remedies of the Policy Provider hereunder, inure to the benefit of the Policy Provider and its successors and assigns. The interest of the Company under this Agreement is not assignable and any attempt to assign all or any portion of this Agreement by the Company shall be null and void except for an assignment in connection with a

merger, consolidation or conveyance, transfer or lease of all or substantially all the Company's assets permitted under the Indenture. Upon the occurrence of a Policy Provider Default, all rights and obligations of the Policy Provider under this Agreement shall automatically, without any notice, demand or other action, be assigned to and assumed by the Trustee, and the Trustee shall take or refrain from taking action under this Agreement at the direction of the Controlling Party.

Section 4.7 GOVERNING LAW. THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 4.8 FFECT OF HEADINGS. The Article and Section headings and the Table of Contents contained in this Agreement have been inserted for convenience of reference only, and are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

Section 4.9 COUNTERPART ORIGINALS. This Agreement may be signed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

Section 4.10 SEVERABILITY. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid, illegal or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect in that jurisdiction only such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Agreement in any jurisdiction.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered all as of the date first above written.

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

MBIA INSURANCE CORPORATION

By:

Name:
Title:

Appendix I

DEFINITIONS APPENDIX

SECTION 1. DEFINED TERMS.

"ACCELERATION" means, with respect to the amounts payable in respect of the Securities issued under the Indenture, such amounts becoming immediately due and payable pursuant to Section 7.2 of the Indenture. "ACCELERATE", "ACCELERATED" and "ACCELERATING" have meanings correlative to the foregoing.

"ACCRUED INTEREST" is defined in Section 3.6(a) of the Indenture.

"ADDITIONAL PARTS" is defined in Section 3.1(a)(i) of the Collateral Maintenance Agreement.

"ADDITIONAL ROTABLES" is defined in Section 3.1(b)(i) of the Collateral Maintenance Agreement.

"ADVANCE" means any Advance as defined in the Liquidity Facility.

"AFFILIATE" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

"AGENT" means any Registrar, Paying Agent or co-Registrar or co-Paying Agent.

"AGENT MEMBERS" is defined in Section 2.5(a) of the Indenture.

"AIRCRAFT" means any contrivance invented, used, or designed to navigate, or fly in, the air.

"ANNUAL METHODOLOGY" means, in determining an opinion as to the Fair Market Value of the Spare Parts Collateral, taking at least the following actions: (i) reviewing the Parts Inventory Report prepared as of the applicable Valuation Date; (ii) reviewing the Independent Appraiser's internal value database for values applicable to Qualified Spare Parts included in the Spare Parts Collateral; (iii) developing a representative sampling of a reasonable number of the different Qualified Spare Parts included in Spare Parts Collateral for which a market check will be conducted; (iv) checking other sources, such as manufacturers, other airlines, U.S. government procurement data and airline parts pooling price lists, for current market prices of the sample parts referred to in clause (iii); (v) establishing an assumed ratio of Serviceable Parts to Unserviceable Parts as of the applicable Valuation Date based upon information provided by the Company and the Independent Appraiser's limited physical review of the Spare Parts Collateral referred to in the following

clause (vi); (vi) visiting at least two locations selected by the Independent Appraiser where the Pledged Spare Parts are kept by the Company (neither of which was visited for purposes of the last appraisal under Section 2.1 or 2.2 of the Collateral Maintenance Agreement, whichever was most recent), PROVIDED that at least one such location shall be one of the top three locations at which the Company keeps the largest number of Pledged Spare Parts, to conduct a limited physical inspection of the Spare Parts Collateral; (vii) conducting a limited review of the inventory reporting system applicable to the Pledged Spare Parts, including checking information reported in such system against information determined through physical inspection pursuant to the preceding clause (vi) and (viii) reviewing a sampling of the Spare Parts Documents (including tear-down reports).

"ANNUAL VALUATION DATE" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"APPLIANCE" means an instrument, equipment, apparatus, a part, an appurtenance, or an accessory used, capable of being used, or intended to be used, in operating or controlling Aircraft in flight, including a parachute, communication equipment, and another mechanism installed in or attached to Aircraft during flight, and not a part of an Aircraft, Engine, or Propeller.

"APPLICABLE MARGIN" means 0.90%.

"APPLICABLE PERIOD" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"APPRAISAL COMPLIANCE REPORT" means, as of any date, a report providing information relating to the calculation of the Collateral Ratio and Rotable Ratio, which shall be substantially in the form of Appendix II to the Collateral Maintenance Agreement.

"APPRAISED VALUE" means, with respect to any Collateral, the Fair Market Value of such Collateral as most recently determined pursuant to (i) the report attached as Appendix II to the Offering Memo or (ii) Article 2 and, if applicable, Section 3.1 of the Collateral Maintenance Agreement.

"AVAILABLE AMOUNT" means, as of any date, the Maximum Available Commitment (as defined in the Liquidity Facility) on such date.

"AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"BANKRUPTCY CODE" means the United States Bankruptcy Code, 11 U.S.C. Section 101 ET SEQ.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any committee of such board duly authorized to act in respect of any particular matter.

"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; PROVIDED, HOWEVER, that no Break Amount will be payable (x) if the Break Amount, as calculated pursuant to the formula set forth below, is equal to or less than zero or (y) on or in respect of any Applicable

Date that is an Interest Payment Date (or, if such an Interest Payment Date is not a Business Day, the next succeeding Business Day)

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.

"BUSINESS DAY" means any day that is a day for trading by and between banks in the London interbank Eurodollar market and that is other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Houston, Texas, New York, New York, or, so long as any Security is outstanding, the city and state in which the Trustee maintains its Corporate Trust Office or, solely with respect to draws under any Policy, the city and state in which the office of the Policy Provider at which notices, presentations, transmissions, deliveries and communications are to be made under the Policy is located, and that, solely with respect to draws under the Liquidity Facility, also is a "Business Day" as defined in the Liquidity Facility.

"CAPPED INTEREST RATE" means a rate per annum equal to 12%.

"CASH COLLATERAL" means cash and/or Investment Securities deposited or to be deposited with the Collateral Agent or an Eligible Institution and subject to the Lien of any Collateral Agreement.

"CASH COLLATERAL ACCOUNT" means an Eligible Deposit Account in the name of the Trustee maintained at an Eligible Institution, which shall be the Trustee if it shall so qualify, into which all amounts drawn under the Liquidity Facility pursuant to Section 3.5(c), 3.5(d) or 3.5(i) of the Indenture shall be deposited.

"CITIZEN OF THE UNITED STATES" is defined in 49 U.S.C.ss. 40102(a)(15).

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"CLEARSTREAM" means Clearstream Banking societe anonyme, Luxembourg.

"CLOSING DATE" means the Issuance Date.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" means the Spare Parts Collateral and all other collateral in which the Collateral Agent has a security interest pursuant to the Collateral Agreements.

"COLLATERAL AGENT" means the Trustee in its capacity as Security Agent or as agent on behalf of the Holders under any other Collateral Agreement.

"COLLATERAL AGREEMENT" means the Security Agreement and any agreement under which a security interest has been granted pursuant to Section 3.1(a)(ii) of the Collateral Maintenance Agreement.

"COLLATERAL MAINTENANCE AGREEMENT" means the Collateral Maintenance Agreement, dated as of the date of the Indenture, between the Company and the Policy Provider.

"COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Securities Outstanding 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 the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"COLLECTION ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13 of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"COMPANY" means the party named as such in the Indenture or any obligor on the Securities until a successor replaces it pursuant to the Indenture and thereafter means the successor.

"CONSENT PERIOD" is defined in Section 3.5(d) of the Indenture.

"CONTINENTAL BANKRUPTCY EVENT" means the occurrence and continuation of an Event of Default under Section 7.1(d), (e) or (f) of the Indenture.

"CONTINENTAL CASH BALANCE" means the sum of (a) the amount of cash and cash equivalents that would have been shown on the balance sheet of Continental and its consolidated subsidiaries prepared in accordance with GAAP as of any Valuation Date, plus (b) the amount of marketable securities that would have been reflected on such balance sheet which had, as of such Valuation Date, a maturity of less than one year and which, but for their maturity, would have qualified to be reflected on such balance sheet as cash equivalents.

"CONTROLLING PARTY" means the Person entitled to act as such pursuant to the terms of Section 3.8 of the Indenture.

"CORPORATE TRUST OFFICE" when used with respect to the Trustee means the office of the Trustee at which at any particular time its corporate trust business is administered and which, at the Closing Date, is located at Wilmington Trust Company, as Trustee, Rodney Square North 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

"DEBT BALANCE" means 110% of the principal amount of the Outstanding Securities.

"DEBT RATE" means a rate per annum equal, in the case of the first Interest Period, to 2.32% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Registration Rights Agreement) occurs on or prior to the 210th day after the Closing Date, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement), PROVIDED that the additional margin added to the Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time, PROVIDED FURTHER that, if a default in the payment of interest on the Securities occurs and is continuing on any Interest Payment Date, then the Debt Rate applicable to the Interest Period ending on such Interest Payment Date shall not exceed the Capped Interest Rate, except that for purposes of any payment made by the Company intended to cure such default, this proviso shall not apply.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"DEFINITIONS APPENDIX" means the Definitions Appendix attached as Appendix I to the Indenture and constituting a part of the Indenture.

"DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"DESIGNATED LOCATIONS" means the locations in the U.S. designated from time to time by the Company at which the Pledged Spare Parts may be maintained by or on behalf of the Company, which initially shall be the locations set forth on Schedule 1 to the Security Agreement and shall include the additional locations designated by the Company pursuant to Section 4.04(d) of the Security Agreement.

"DESIGNATED REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"DISTRIBUTION DATE" means (i) each Scheduled Payment Date (and, if a Payment required to be paid to the Trustee for distribution on such Scheduled Payment Date has not been so paid by 12:30 p.m., New York time, in whole or in part, on such Scheduled Payment Date, the next Business Day on which the Trustee receives some or all of such Payment by 12:30 p.m., New York time, except for a defaulted payment of interest that is not paid within five days after the Scheduled Payment Date therefor), (ii) each day established for payment by the Trustee pursuant to Section 7.10, (iii) the Non-Performance Payment Date, (iv) the Final Legal Maturity Date, (v) the Election Distribution Date, (vi) the Policy Election Distribution Date, (vii) the date established as a Distribution Date pursuant to Section 3.6(f) of the Indenture and (viii) solely for purposes of payments to be made by the Policy Provider pursuant to Section 3.6(d) of the Indenture and not for purposes of any other payment or distribution under the Indenture, the date established for such payment in accordance with the Policy.

"DOWNGRADE DRAWING" is defined in Section 3.5(c) of the Indenture.

"DOWNGRADE EVENT" has the meaning assigned to such term in Section 3.5(c) of the Indenture.

"DOWNGRADED FACILITY" is defined in Section 3.5(c) of the Indenture.

"DRAWING" means an Interest Drawing, a Final Drawing, a Non-Extension Drawing or a Downgrade Drawing, as the case may be.

"DTC" means The Depository Trust Company, its nominees and their respective successors.

"ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"ELIGIBLE ACCOUNT" means an account established by and with an Eligible Institution at the request of the Security Agent, which institution agrees, for all purposes of the New York UCC including Article 8 thereof, that (a) such account shall be a "securities account" (as defined in Section 8-501 of the New York UCC), (b) such institution is a "securities intermediary" (as defined in Section 8-102(a)(14) of the New York UCC), (c) all property (other than cash) credited to such account shall be treated as a "financial asset" (as defined in Section 8-102(9) of the New York UCC), (d) the Security Agent shall be the "entitlement holder" (as defined in Section 8-102(7) of the New York UCC) in respect of such account, (e) it will comply with all entitlement orders issued by the Security Agent to the exclusion of the Company, (f) it will waive or subordinate in favor of the Security Agent all claims (including without limitation, claims by way of security interest, lien or right of set-off or right of recoupment), and (g) the "securities intermediary jurisdiction" (under Section 8-110(e) of the New York UCC) shall be the State of New York.

"ELIGIBLE DEPOSIT ACCOUNT" means either (a) a segregated account with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its

equivalent. An Eligible Deposit Account may be maintained with the Liquidity Provider so long as the Liquidity Provider is an Eligible Institution; provided that such Liquidity Provider shall have waived all rights of set-off and counterclaim with respect to such account.

"ELIGIBLE INSTITUTION" means (a) the Security Agent or (b) a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), which has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent.

"ELIGIBLE INVESTMENTS" means (a) investments in obligations of, or guaranteed by, the U.S. Government having maturities no later than 90 days following the date of such investment, (b) investments in open market commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof with a short-term unsecured debt rating issued by Moody's of at least P-1 and a short-term issuer credit rating issued by Standard & Poor's of at least A-1 having maturities no later than 90 days following the date of such investment or (c) investments in negotiable certificates of deposit, time deposits, banker's acceptances, commercial paper or other direct obligations of, or obligations guaranteed by, commercial banks organized under the laws of the United States or of any political subdivision thereof (or any U.S. branch of a foreign bank) with a short-term unsecured debt rating by Moody's of at least P-1 and a short-term issuer credit rating by Standard & Poor's of at least A-1, having maturities no later than 90 days following the date of such investment; PROVIDED, HOWEVER, that (x) all Eligible Investments that are bank obligations shall be denominated in U.S. dollars; and (y) the aggregate amount of Eligible Investments at any one time that are bank obligations issued by any one bank shall not be in excess of 5% of such bank's capital surplus; PROVIDED FURTHER that any investment of the types described in clauses (a), (b) and (c) above may be made through a repurchase agreement in commercially reasonable form with a bank or other financial institution qualifying as an Eligible Institution so long as such investment is held by a third party custodian also qualifying as an Eligible Institution; PROVIDED FURTHER, HOWEVER, that in the case of any Eligible Investment issued by a domestic branch of a foreign bank, the income from such investment shall be from sources within the United States for purposes of the Code. Notwithstanding the foregoing, no investment of the types described in clause (b) above which is issued or guaranteed by the Company or any of its Affiliates, and no investment in the obligations of any one bank in excess of $10,000,000, shall be an Eligible Investment unless written approval has been obtained from the Policy Provider and a Ratings Confirmation shall have been received with respect to the making of such investment.

"ENGINE" means an engine used, or intended to be used, to propel an Aircraft, including a part, appurtenance, and accessory of the Engine, except a Propeller.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time

"EUROCLEAR" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"EVENT OF DEFAULT" is defined in Section 7.1 of the Indenture.

"EVENT OF LOSS" means (i) the loss of any of the Pledged Spare Parts or of the use thereof due to destruction, damage beyond repair or rendition of any of the Pledged Spare Parts permanently unfit for normal use for any reason whatsoever (other than the use of Expendables in the Company's operations); (ii) any damage to any of the Pledged Spare Parts which results in the receipt of insurance proceeds with respect to such Pledged Spare Parts on the basis of an actual or constructive loss; or (iii) the loss of possession of any of the Pledged Spare Parts by the Company for ninety (90) consecutive days as a result of the theft or disappearance of such Pledged Spare Parts.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"EXCHANGE FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"EXCHANGE OFFER" means the exchange offer which may be made pursuant to the Registration Rights Agreement to exchange Initial Certificates for Exchange Certificates.

"EXCHANGE OFFER REGISTRATION STATEMENT" means the registration statement that, pursuant to the Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Securities for Exchange Securities.

"EXCHANGE SECURITIES" means the securities substantially in the form of Exhibit A to the Indenture issued in exchange for the Initial Securities pursuant to the Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCLUDED PARTS" means Spare Parts and Appliances held by the Company at a location not a Designated Location.

"EXPENDABLES" means Qualified Spare Parts other than Rotables.

"EXPENSES" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims, actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation).

"FAA" means the Federal Aviation Administration or similar regulatory authority established to replace it.

"FAA FILED DOCUMENTS" means the Security Agreement.

"FACILITY OFFICE" means, with respect to any Liquidity Facility, the office of the Liquidity Provider thereunder, presently located at 1585 Broadway, New York, New York 10036, or such other office as such Liquidity Provider from time to time shall notify the Trustee as its "Facility Office" under any such Liquidity Facility; provided that such Liquidity Provider shall not change its Facility Office to another Facility Office outside the United States of America except in accordance with Sections 3.01, 3.02 or 3.03 of any such Liquidity Facility.

"FAIR MARKET VALUE" means, with respect to any Collateral, its fair market value 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, provided that cash shall be valued at its Dollar amount.

"FEDERAL AVIATION ACT" means Title 49 of the United States Code, "Transportation", as amended from time to time, or any similar legislation of the United States enacted in substitution or replacement thereof.

"FEE LETTERS" means, collectively, (i) the Fee Letter dated as of the Closing Date between the Trustee and the initial Liquidity Provider with respect to the initial Liquidity Facility and (ii) any fee letter entered into between the Trustee and any Replacement Liquidity Provider in respect of any Replacement Liquidity Facility.

"FINAL DRAWING" is defined in Section 3.5(i) of the Indenture.

"FINAL LEGAL MATURITY DATE" means December 6, 2009.

"FINAL ORDER" has the meaning assigned to such term in the Policy.

"FINAL SCHEDULED PAYMENT DATE" means December 6, 2007.

"FINANCING STATEMENTS" means, collectively, UCC-1 financing statements covering the Spare Parts Collateral, by the Company, as debtor, showing the Security Agent as secured party, for filing in Delaware, Guam and each other jurisdiction that, in the opinion of the Security Agent, is necessary to perfect its Lien on the Spare Parts Collateral.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"GLOBAL EXCHANGE SECURITY" is defined in Section 2.1(f) of the Indenture.

"GLOBAL SECURITIES" is defined in Section 2.1(d) of the Indenture.

"GOVERNMENT ENTITY" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Documents or relating

to the observance or performance of the obligations of any of the parties to the Operative Documents.

"HOLDER" or "SECURITYHOLDER" means the Person in whose name a Security is registered on the Registrar's books.

"INDEMNITEE" means (i) WTC, the Trustee and the Collateral Agent, (ii) each separate or additional trustee or security agent appointed pursuant to the Indenture, (iii) each Liquidity Provider, (iv) the Policy Provider, and (v) each of the respective directors, officers, employees, agents and servants of each of the persons described in clauses (i) through (iv) inclusive above.

"INDENTURE" means the Indenture dated as of December 6, 2002, among the Company, the Trustee, the Liquidity Provider and the Policy Provider under which the Securities are issued.

"INDENTURE DISCHARGE DATE" means the date of the termination of the effectiveness of the Indenture pursuant to Section 9.1(a) thereof (without giving effect to Section 9.1(b) thereof).

"INDENTURE TRUSTEE" means the Trustee.

"INDEPENDENT APPRAISER" means Simat, Helliesen & Eichner, Inc. or any other Person (i) engaged in a business which includes appraising Aircraft and assets related to the operation and maintenance of Aircraft from time to time and (ii) who does not have any material financial interest in the Company and is not connected with the Company or any of its Affiliates as an officer, director, employee, promoter, underwriter, partner or person performing similar functions.

"INDEPENDENT APPRAISER'S CERTIFICATE" means a certificate signed by an Independent Appraiser and attached as Appendix II to the Offering Memo or delivered thereafter pursuant to Article 2 or Section 3.1 of the Collateral Maintenance Agreement.

"INITIAL CASH COLLATERAL" shall mean cash in the amount of $13,056,950.

"INITIAL FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"INITIAL PURCHASER" means Morgan Stanley & Co. Incorporated.

"INITIAL SECURITIES" mean the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit A thereto, other than the Exchange Securities.

"INSTITUTIONAL ACCREDITED INVESTOR" means an institutional investor that is an "accredited investor" within the meaning set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"INTEREST DRAWING" is defined in Section 3.5(a) of the Indenture.

"INTEREST PAYMENT DATE" means March 6, June 6, September 6 and December 6 of each year so long as any Security is Outstanding (commencing March 6, 2003),

PROVIDED that if any such day is not a Business Day, then the relevant Interest Payment Date shall be the next succeeding Business Day.

"INTEREST PERIOD" means (i) in the case of the first Interest Period, the period commencing on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date following such date and (ii) in the case of each subsequent Interest Period, the period commencing on (and including) the last day of the immediately preceding Interest Period, and ending on (but excluding) the next Interest Payment Date.

"INVESTMENT EARNINGS" means investment earnings on funds on deposit in the Trust Accounts net of losses and investment expenses of the Trustee in making such investments.

"INVESTMENT SECURITY" means (a) any bond, note or other obligation which is a direct obligation of or guaranteed by the U.S. or any agency thereof; (b) any obligation which is a direct obligation of or guaranteed by any state of the U.S. or any subdivision thereof or any agency of any such state or subdivision, and which has the highest rating published by Moody's or Standard & Poor's; (c) any commercial paper issued by a U.S. obligor and rated at least P-1 by Moody's or A-1 by Standard & Poor's; (d) any money market investment instrument relying upon the credit and backing of any bank or trust company which is a member of the Federal Reserve System and which has a combined capital (including capital reserves to the extent not included in capital) and surplus and undivided profits of not less than $250,000,000 (including the Collateral Agent and its Affiliates if such requirements as to Federal Reserve System membership and combined capital and surplus and undivided profits are satisfied), including, without limitation, certificates of deposit, time and other interest-bearing deposits, bankers' acceptances, commercial paper, loan and mortgage participation certificates and documented discount notes accompanied by irrevocable letters of credit and money market fund investing solely in securities backed by the full faith and credit of the United States; or (e) repurchase agreements collateralized by any of the foregoing.

"ISSUANCE DATE" means the date of issuance of the Initial Securities.

"LAW" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"LIBOR" has the meaning specified in the Reference Agency Agreement.

"LIBOR ADVANCE" has the meaning provided in the Liquidity Facility.

"LIEN" means any mortgage, pledge, lease, security interest, encumbrance, lien or charge of any kind affecting title to or any interest in property.

"LIQUIDITY EVENT OF DEFAULT" has the meaning assigned to such term in the Liquidity Facility.

"LIQUIDITY EXPENSES" means all Liquidity Obligations other than (i) the principal amount of any Drawings under the Liquidity Facility and (ii) any interest accrued on any Liquidity Obligations.

"LIQUIDITY FACILITY" means, initially, the Revolving Credit Agreement dated as of the Issuance Date, between the Trustee and the initial Liquidity Provider, and from and after the replacement of such Revolving Credit Agreement pursuant hereto, the Replacement Liquidity Facility therefor, if any, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"LIQUIDITY GUARANTEE" means the Guarantee Agreement, dated as of the date of the Indenture, providing for the guarantee by the Liquidity Guarantor of the obligations of the Liquidity Provider under the Liquidity Facility.

"LIQUIDITY GUARANTOR" means Morgan Stanley.

"LIQUIDITY OBLIGATIONS" means all principal, interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility or the Fee Letter.

"LIQUIDITY PROVIDER" means Morgan Stanley Capital Services Inc., together with any Replacement Liquidity Provider which has issued a Replacement Liquidity Facility to replace any Liquidity Facility pursuant to Section 3.5(e) of the Indenture.

"LIQUIDITY PROVIDER REIMBURSEMENT DATE" is defined in Section 3.6(d) of the Indenture.

"LOANS" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MATERIAL ADVERSE CHANGE" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Documents.

"MAXIMUM COLLATERAL RATIO" means 45%.

"MINIMUM ROTABLE RATIO" means 150%.

"MOODY'S" means Moody's Investors Service, Inc.

"MOVES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MSCS" has the meaning specified in the first paragraph of the Indenture.

"NEW YORK UCC" is defined in Section 1.01 of the Security Agreement.

"NONAPPRAISAL COMPLIANCE REPORT" means a report providing information relating to compliance by the Company with Section 3.2 of the Collateral Maintenance Agreement, which shall be substantially in the form of Appendix III to the Collateral Maintenance Agreement.

"NON-CONTROLLING PARTY" means, at any time, the Holders, the Liquidity Provider and the Policy Provider, excluding whichever is the Controlling Party at such time.

"NON-EXTENDED FACILITY" is defined in Section 3.5(d) of the Indenture.

"NON-EXTENSION DRAWING" is defined in Section 3.5(d) of the Indenture.

"NON-PERFORMANCE DRAWING" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMANCE PAYMENT DATE" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMING" means, with respect to any Security, a Payment Default existing thereunder (without giving effect to any Acceleration); PROVIDED, that, in the event of a bankruptcy proceeding under the 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 Bankruptcy Code (or such longer period as may apply under Section 1110(b) of the Bankruptcy Code or as may apply for the cure of such Payment Default under Section 1110(a)(2)(B) of the Bankruptcy Code) shall not be taken into consideration until the expiration of the applicable period.

"NON-PERFORMING PERIOD" is defined in Section 3.6(c) of the Indenture.

"NON-U.S. PERSON" means any Person other than a U.S. person, as defined in Regulation S.

"NOTICE OF AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"NOTICE FOR PAYMENT" means a Notice of Nonpayment as such term is defined in the Policy.

"OBLIGATIONS" is defined in Section 2.01 of the Security Agreement.

"OFFERING MEMO" means the Offering Memorandum, dated December 2, 2002, of the Company relating to the offering of the Securities.

"OFFICER" means the Chairman of the Board, the President, any Vice President of any grade, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary or the Controller of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers satisfying the requirements of Sections 12.4 and 12.5 of the Indenture.

"OPERATIVE DOCUMENTS" means the Indenture, the Collateral Agreements, the Collateral Maintenance Agreement and the Reference Agency Agreement.

"OPINION OF COUNSEL" means a written opinion from the General Counsel of the Company, legal counsel to the Company or another legal counsel who is reasonably acceptable to the Trustee, which Opinion of Counsel shall comply with Sections 12.4 and 12.5 of the Indenture. The counsel may be an employee of the Company. The acceptance by the Trustee (without written objection to the Company during the fifteen (15) Business Days following receipt) of, or its action on, an opinion of counsel not specifically referred to above shall be sufficient evidence that such counsel is acceptable to the Trustee.

"OUTSTANDING" or "OUTSTANDING" when used with respect to Securities or a Security, means all Securities theretofore authenticated and delivered under the Indenture, except:

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Holders of such Securities, PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Securities for which payment has been deposited with the Trustee or any Paying Agent in trust pursuant to Article 9 of the Indenture (except to the extent provided therein); and

(d) Securities which have been paid, or for which other Securities shall have been authenticated and delivered in lieu thereof or in substitution therefor pursuant to the terms of Section 2.12 of the Indenture, unless proof satisfactory to the Trustee is presented that any such Securities are held by bona fide purchasers in whose hands the Securities are valid obligations of the Company.

A Security does not cease to be Outstanding because the Company or one of its Affiliates holds the Security; PROVIDED, HOWEVER, that in determining whether the Holders of the requisite aggregate principal amount of Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or any other Operative Document, Section 2.13 of the Indenture shall be applicable.

"OUTSTANDING AMOUNT" is defined in Section 3.6(b) of the Indenture.

"OVERDUE SCHEDULED PAYMENT" means any Payment of accrued interest on the Securities which is not in fact received by the Trustee (whether from the Company, the Liquidity Provider, the Policy Provider or otherwise) on or within five days after the Scheduled Payment Date relating thereto and which is not subsequently paid in connection with the redemption or final maturity of a Security.

"PARTS INVENTORY REPORT" means, as of any date, a list identifying the Pledged Spare Parts by manufacturer's part number and brief description and stating the quantity of each such part included in the Pledged Spare Parts as of such specified date.

"PAYING AGENT" has the meaning provided in Section 2.8 of the Indenture.

"PAYMENT" means (i) any payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to the Securities from the Company, (ii) any payment of interest on the Securities with funds drawn under the Liquidity Facility or from a Cash Collateral Account or (iii) any payment of interest on or principal of Securities with funds drawn under the Policy, or (iv) any payment received or amount realized by the Trustee from the exercise of remedies after the occurrence of an Event of Default.

"PAYMENT DEFAULT" means a Default referred to in Section 7.1(a) of the Indenture.

"PAYMENT DUE RATE" means (a) the Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"PERMITTED DAYS" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"PERMITTED LESSEE" has the meaning provided in Section 3.6(b) of the Collateral Maintenance Agreement.

"PERMITTED LIEN" means (a) the rights of Security Agent under the Operative Documents; (b) Liens attributable to Security Agent (both in its capacity as Security Agent and in its individual capacity); (c) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 3.6 of the Collateral Maintenance Agreement; (d) Liens for Taxes of the Company (and its U.S. federal tax law consolidated group), either not yet due or being contested in good faith by appropriate proceedings so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (e) materialmen's, mechanics', workers', repairers', employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent for more than 60 days or is being contested in good faith by appropriate proceedings, so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (f) Liens arising out of any judgment or award against the Company, so long as such judgment shall, within 60 days after the entry thereof, have been discharged or vacated, or execution thereof stayed pending appeal or shall have been discharged, vacated or reversed within 60 days after the expiration of such stay, and so long as during any such 60 day period there is not as a result, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or any impairment of the Lien of the Security Agreement; (g) any other Lien with respect to which the Company shall have provided a bond, cash collateral or other security adequate in the reasonable opinion of Security Agent.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, trustee, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"PLEDGED SPARE PARTS" has the meaning set forth in clause (1) of the first paragraph of Section 2.01 of the Security Agreement.

"POLICY" means MBIA Insurance Corporation Financial Guaranty Insurance Policy No. 39753, issued as of the Closing Date, as amended, supplemented or otherwise modified from time to time in accordance with its respective terms.

"POLICY ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13(a) of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"POLICY DRAWING" means any payment of a claim under the Policy.

"POLICY ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"POLICY EXPENSES" means all amounts (including amounts in respect of premiums, fees, expenses or indemnities) due to the Policy Provider under the Policy Provider Agreement other than (i) any Policy Drawing, (ii) any interest accrued on any Policy Provider Obligations, 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 shall not include any indemnity payments owed to the Policy Provider.

"POLICY FEE LETTER" means the fee letter, dated as of the date hereof, from the Policy Provider to Continental and acknowledged by the Trustee, setting forth the fees and premiums payable with respect to the Policy.

"POLICY PROVIDER" means MBIA Insurance Corporation, a New York insurance company, and its successors and permitted assigns.

"POLICY PROVIDER AGREEMENT" means the Insurance and Indemnity Agreement dated as of the date hereof among the Trustee, the Company and the Policy Provider, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"POLICY PROVIDER DEFAULT" shall mean 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 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).

"POLICY PROVIDER ELECTION" is defined in Section 3.6(c) of the Indenture.

"POLICY PROVIDER INTEREST OBLIGATIONS" means any interest on any Policy Drawing made to cover any shortfall attributable to any failure of the Liquidity Provider to honor any Interest Drawing in accordance with Section 2.02(e) of the Liquidity Facility in an amount equal to the amount of interest that would have accrued on such Interest Drawing if such Interest Drawing had been made in accordance with Section 2.02(e) of the Liquidity Facility at the interest rate applicable to such Interest Drawing until such Policy Drawing has been repaid in full.

"POLICY PROVIDER OBLIGATIONS" means all reimbursement and other amounts, including, without limitation, fees and indemnities (to the extent not included in Policy Expenses), due to the Policy Provider under the Policy Provider Agreement but shall not include any interest on Policy Drawings other than Policy Provider Interest Obligations.

"PREMIUM" means, with respect to any Security redeemed pursuant to Article 4 of the Indenture, the following percentage of the principal amount of such Security: (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Collateral Ratio or Minimum Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement.

"PRIOR FUNDS" means, on any Distribution Date, any Drawing paid under the Liquidity Facility on such Distribution Date and any funds withdrawn from the Cash Collateral Account on such Distribution Date in respect of accrued interest on the Securities.

"PROCEEDS DEFICIENCY DRAWING" is defined in Section 3.6(b) of the Indenture.

"PROPELLER" includes a part, appurtenance, and accessory of a propeller.

"PROVIDER INCUMBENCY CERTIFICATE" is defined in Section 3.7(b) of the Indenture.

"PROVIDER REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"PURCHASE AGREEMENT" means the Purchase Agreement dated December 2, 2002 by and between the Initial Purchaser and the Company.

"QIB" means a qualified institutional buyer as defined in Rule 144A.

"QUALIFIED SPARE PARTS" has the meaning provided in clause (1) of the first paragraph in Section 2.01 of the Security Agreement.

"RATING AGENCIES" means, collectively, at any time, each nationally recognized rating agency which shall have been requested by the Company to rate the Securities and which shall then be rating the Securities. The initial Rating Agency will be Moody's.

"RATINGS CONFIRMATION" means, with respect to any action proposed to be taken, a written confirmation from each of the Rating Agencies that such action would not result in (i) a reduction of the rating for the Securities below the then current rating for the Securities (such rating as determined without regard to the Policy) or (ii) a withdrawal or suspension of the rating of the Securities.

"RECORD DATE" means the fifteenth (15th) day preceding any Scheduled Interest Payment Date, whether or not a Business Day.

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture and such Security.

"REFERENCE AGENCY AGREEMENT" means the Reference Agency Agreement, dated as of the Issuance Date, among the Company, WTC, as the reference agent thereunder, and the Trustee.

"REGISTER" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRAR" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of December 6, 2002, by and between the Company and the Initial Purchaser.

"REGULATION S" means Regulation S under the Securities Act.

"REGULATION S DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"REGULATION S GLOBAL SECURITY" is defined in Section 2.1(d) of the Indenture.

"RELEVANT DATE" is defined in Section 3.6(c) of the Indenture.

"REPLACEMENT LIQUIDITY FACILITY" means an irrevocable revolving credit agreement (or agreements) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies to confirm in writing their respective ratings then in effect for the Securities (before downgrading of such ratings, if any, as a result of the downgrading of the Liquidity Provider), and be consented to by the Policy Provider, which consent shall not be unreasonably withheld or delayed, in a face amount (or in an aggregate face amount) equal to the amount of interest payable on the Securities (at the Capped Interest Rate, and without regard to expected future principal payments) on the eight Interest Payment Dates following the date of replacement of such Liquidity Facility (or if such date is an Interest Payment Date, on such day and the seven Interest Payment Dates following the date of replacement of such Liquidity Facility) and issued by a Person (or Persons) having unsecured short-term debt rating or issuer credit rating, as the case may be, issued by the Rating Agencies which are equal to or higher than the Threshold Rating. Without limitation of the form that a Replacement Liquidity Facility otherwise may have pursuant to the preceding sentence, a Replacement Liquidity Facility for the Securities may have a stated expiration date earlier than 15 days after the Final Legal Maturity Date so long as such Replacement Liquidity Facility provides for a Non-Extension Drawing as contemplated by Section 3.5(d) of the Indenture.

"REQUEST" means a written request for the action therein specified signed on behalf of the Company by any Officer and delivered to the Trustee. Each Request shall be accompanied by an Officers' Certificate if and to the extent required by Section 12.4 of the Indenture.

"REQUIRED AMOUNT" means, for any day, the sum of the aggregate amount of interest, calculated at the Capped Interest Rate, that would be payable on the Securities on each of the eight successive Interest Payment Dates immediately following such day or, if such day is an Interest Payment Date, on such day and the succeeding seven Interest Payment Dates, in each case calculated on the

basis of the outstanding principal amount of the Securities on such date and without regard to expected future payments of principal on the Securities.

"REQUIRED HOLDERS" means from time to time the Holders of more than 50% in aggregate unpaid principal amount of the Securities then Outstanding.

"RESPONSIBLE OFFICER" means (i) with respect to the Trustee, any officer in the corporate trust administration department of the Trustee or any other officer customarily performing functions similar to those performed by the Persons who at the time shall be such officers or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject, (ii) with respect to the Liquidity Provider, any authorized officer of the Liquidity Provider, and (iii) with respect to the Policy Provider, any authorized officer of the Policy Provider.

"RESTRICTED DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"RESTRICTED GLOBAL SECURITY" is defined in Section 2.1(c) of the Indenture.

"RESTRICTED LEGEND" is defined in Section 2.2 of the Indenture.

"RESTRICTED PERIOD" is defined in Section 2.1(d) of the Indenture.

"RESTRICTED SECURITIES" are defined in Section 2.2 of the Indenture.

"ROTABLE" means a Qualified Spare Part that wears over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which it relates.

"ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"RULE 144A" means Rule 144A under the Securities Act.

"SALES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"SCHEDULED INTEREST PAYMENT DATE" means each Interest Payment Date, without giving effect to the proviso to the definition of Interest Payment Date.

"SCHEDULED PAYMENT DATE" means (i) with respect to any payment of interest, the Interest Payment Date applicable thereto, (ii) with respect to any payment of defaulted interest, the payment date established pursuant to Section 2.16, (iii) with respect to amounts due on the redemption of any Security, the Redemption Date applicable thereto, and (iv) with respect to the final maturity of the Securities, December 6, 2007.

"SEC" means the Securities and Exchange Commission and any government agency succeeding to its functions.

"SECTION 1110" means Section 1110 of the Bankruptcy Code.

"SECTION 1110 PERIOD" means the continuous period of (i) 60 days specified in Section 1110(a)(2)(A) of the Bankruptcy Code (or such longer period, if any, agreed to under Section 1110(b) of the Bankruptcy Code), plus (ii) an additional period, if any, commencing with the trustee or debtor-in-possession in such proceeding agreeing, with court approval, to perform its obligations under the Operative Documents within such 60 days (or longer period as agreed) and continuing until such time as such trustee or debtor-in-possession ceases to fully perform its obligations thereunder with the result that the period during which the Collateral Agent is prohibited from repossessing the collateral under any Collateral Agreement comes to an end.

"SECURITIES" means the "Securities", as defined in the Indenture, that are issued under the Indenture.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY AGENT" means the Trustee acting in the capacity of security agent on behalf of the Holders under the Security Agreement.

"SECURITY AGREEMENT" means the Spare Parts Security Agreement dated as of the date of the Indenture between the Company and the Security Agent.

"SECURITYHOLDER" means any holder of one or more Securities.

"SEMIANNUAL METHODOLOGY" means the Annual Methodology, excluding actions referred to in clauses (iii) and (iv) of the definition of Annual Methodology.

"SEMIANNUAL VALUATION DATE" is defined in Section 2.2 of the Collateral Maintenance Agreement.

"SERVICEABLE PARTS" means Pledged Spare Parts in condition satisfactory for incorporation in, installation on, attachment or appurtenance to or use in an Aircraft, Engine or other Qualified Spare Part.

"SHELF REGISTRATION STATEMENT" means the shelf registration statement which may be required to be filed by the Company with the SEC pursuant to the Registration Rights Agreement, other than an Exchange Offer Registration Statement.

"SPARE PART" means an accessory, appurtenance, or part of an Aircraft (except an Engine or Propeller), Engine (except a Propeller), Propeller, or Appliance, that is to be installed at a later time in an Aircraft, Engine, Propeller or Appliance.

"SPARE PARTS COLLATERAL" has the meaning specified in Section 2.01 of the Security Agreement.

"SPARE PARTS DOCUMENTS" has the meaning set forth in clause (6) of the first paragraph of Section 2.01 of the Security Agreement.

"SPECIAL DEFAULT" means a Payment Default or a Continental Bankruptcy Event.

"SPECIAL RECORD DATE" has the meaning provided in Section 2.10 of the Indenture.

"SPECIAL VALUATION DATE" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"STANDARD & POOR'S" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"STATED AMOUNT" means the Maximum Commitment (as defined in the Liquidity Facility).

"STATED EXPIRATION DATE" is defined in Section 3.5(d) of the Indenture.

"SUBORDINATED SECURITIES" is defined in Section 2.18 of the Indenture.

"SUCCESSOR COMPANY" is defined in Section 5.4(a)(i) of the Indenture.

"SUPPLEMENTAL SECURITY AGREEMENT" means a supplement to the Security Agreement substantially in the form of Exhibit A to the Security Agreement.

"SUPPORT DOCUMENTS" means the Liquidity Facility, the Policy, the Policy Provider Agreement and the Fee Letters.

"TAX" and "TAXES" mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, loss, damage, liability, expense, additions to tax and additional amounts or costs incurred or imposed with respect thereto) imposed or otherwise assessed by the United States of America or by any state, local or foreign government (or any subdivision or agency thereof) or other taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth and similar charges; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, taxes on goods and services, gains taxes, license, registration and documentation fees, customs duties, tariffs, and similar charges.

"TERMINATION NOTICE" has the meaning assigned to such term in the Liquidity Facility.

"THRESHOLD AMOUNT" means $2,000,000.

"THRESHOLD RATING" means the short-term unsecured debt rating of P-1 by Moody's and A-1 by Standard & Poor's; PROVIDED that so long as the initial Liquidity Provider is the Liquidity Provider, the Threshold Rating shall apply to the Liquidity Guarantor.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbbb) as in effect on the date of the Indenture; PROVIDED, HOWEVER, that in the event the TIA is amended after such date, "TIA" means, to the extent required by any such amendment, the TIA as so amended.

"TRUST ACCOUNTS" is defined in Section 8.13(a) of the Indenture.

"TRUST OFFICER" means any officer in the corporate trust department of the Trustee, or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUSTEE" means the party named as such in the Indenture until a successor replaces it in accordance with the provisions of the Indenture and thereafter means the successor.

"TRUSTEE INCUMBENCY CERTIFICATE" is defined in Section 3.7(a) of the Indenture.

"TRUSTEE PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"TRUSTEE REPRESENTATIVES" is defined in Section 3.7(a) of the Indenture.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"UNAPPLIED PROVIDER ADVANCE" is defined in the Liquidity Facility.

"UNSERVICEABLE PARTS" means Pledged Spare Parts that are not Serviceable Parts.

"U.S." or "UNITED STATES" means the United States of America.

"U.S. AIR CARRIER" means any United States air carrier that is a Citizen of the United States holding an air carrier operating certificate issued pursuant to chapter 447 of title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6000 pounds or more of cargo.

"U.S. GOVERNMENT" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the option of the issuer thereof.

"U.S. PERSON" means any Person described in Section 7701(a)(30) of the Code.

"VALUATION DATES" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"WARRANTIES" is defined in clause (2) of Section 2.01 of the Security Agreement.

"WRITTEN NOTICE" means, from the Trustee, the Liquidity Provider or the Policy Provider, a written instrument executed by the Designated Representative

of such Person. An invoice delivered by the Liquidity Provider pursuant to Section 3.1 of the Indenture in accordance with its normal invoicing procedures shall constitute Written Notice under such Section.

"WTC" has the meaning specified in the first paragraph of the Indenture.

SECTION 2. RULES OF CONSTRUCTION. Unless the context otherwise requires, the following rules of construction shall apply for all purposes of the Operative Documents (including this appendix) and of such agreements as may incorporate this appendix by reference.

(a) In each Operative Document, unless otherwise expressly provided, a reference to:

(i) each of the Company, the Trustee, the Collateral Agent, the Security Agent or any other person includes, without prejudice to the provisions of any Operative Document, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;

(ii) words importing the plural include the singular and words importing the singular include the plural;

(iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Document, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Documents, and any agreement, instrument or document entered into in substitution or replacement therefor;

(iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Closing Date, and thereafter from time to time;

(v) the words "Agreement", "this Agreement", "hereby", "herein", "hereto", "hereof" and "hereunder" and words of similar import when used in any Operative Document refer to such Operative Document as a whole and not to any particular provision of such Operative Document;

(vi) the words "including", "including, without limitation", "including, but not limited to", and terms or phrases of similar import when used in any Operative Document, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section", an "Exhibit", an "Annex", an "Appendix" or a "Schedule" in any Operative Document, or in any annex thereto, is a reference to a section of, or an exhibit, an annex, an appendix or a schedule to, such Operative Document or such annex, respectively.

(b) Each exhibit, annex, appendix and schedule to each Operative Document is incorporated in, and shall be deemed to be a part of, such Operative Document.

(c) Unless otherwise defined or specified in any Operative Document, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Document are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Document.

(e) For purposes of each Operative Document, the occurrence and continuance of a Default or Event of Default referred to in Section 7.1(d), (e) or (f) of the Indenture shall not be deemed to prohibit the Company from taking any action or exercising any right that is conditioned on no Special Default, Default or Event of Default having occurred and be continuing if such Special Default, Default or Event of Default consists of the institution of reorganization proceedings with respect to the Company under Chapter 11 of the Bankruptcy Code and the trustee or debtor-in-possession in such proceedings shall have agreed to perform its obligations under the Operative Documents with the approval of the applicable court and thereafter shall have continued to perform such obligations in accordance with Section 1110.

Appendix II to the
Collateral Maintenance Agreement

[Address to Policy Provider and
to the Trustee]

APPRAISAL COMPLIANCE REPORT UNDER THE COLLATERAL MAINTENANCE AGREEMENT

Ladies and Gentlemen:

We refer to the Collateral Maintenance Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. (the "COMPANY") and MBIA Insurance Corporation (the "AGREEMENT"). Terms defined in the Agreement and used herein have such respective defined meanings. The Company hereby certifies that:

1. This Compliance Report is accompanied by an Independent Appraiser's Certificate (the "RELEVANT APPRAISAL") dated [_____]. The Valuation Date for purposes of the Relevant Appraisal was [_____] (the "RELEVANT VALUATION DATE").

2. The following sets forth the calculation of the Collateral Ratio as of the Relevant Valuation Date:

a.	The aggregate principal amount of all Securities Outstanding as of the Relevant Valuation Date	$[_____]
b.	The Fair Market Value of the Cash Collateral as of the Relevant Valuation Date	$[_____]
c.	The Fair Market Value of the Collateral (excluding Cash Collateral) as of the Relevant Valuation Date, as set forth in the accompanying Independent Appraiser's Certificate	$[_____]
d.	The Collateral Ratio ((a - b) / c)	[_____]%

3. The following sets forth the calculation of the Rotable Ratio as of the Relevant Valuation Date:

a.	The Fair Market Value of the Rotables as of the Relevant Valuation Date, as set forth in the accompanying Independent Appraiser's Certificate	$[_____]
b.	The aggregate principal amount of all Securities Outstanding as of the Relevant Valuation Date	$[_____]
c.	The Fair Market Value of the Cash Collateral as of the Relevant Valuation Date	$[_____]
d.	The Rotable Ratio (a / b - c)	[_____]%

4. The Continental Cash Balance as of the Relevant Valuation Date was $[_____].

Dated: [_____]

Very truly yours,

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

[Address to Policy Provider and
to the Trustee]

NONAPPRAISAL COMPLIANCE REPORT UNDER THE COLLATERAL MAINTENANCE AGREEMENT

Ladies and Gentlemen:

We refer to the Collateral Maintenance Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. (the "COMPANY") and MBIA Insurance Corporation (the "AGREEMENT"). Terms defined in the Agreement and used herein have such respective defined meanings. The Company hereby certifies that:

1. The most recent Independent Appraiser's Certificate furnished by the Company (the "RELEVANT APPRAISAL") [was dated October 31, 2002] [pursuant to Article 2 of the Agreement was dated [_____] (the "RELEVANT DATE").] The Valuation Date for purposes of the Relevant Appraisal was [_____] (the "RELEVANT VALUATION DATE").

2. The aggregate Appraised Value of all Collateral determined as of the Relevant Valuation Date pursuant to the Agreement [, as subsequently supplemented pursuant to Section 3.1 of the Agreement,] is $[_____].

3. During the period (the "RELEVANT PERIOD") beginning on the [Closing Date] [Relevant Date] and ending on [_____] (the "DETERMINATION DATE").

   i) Sales did not exceed 2% of the Appraised Value of the Collateral, and

   ii) Moves did not exceed 2% of the Appraised Value of the Collateral.

4. Loans outstanding on the Determination Date did not exceed 2% of the Appraised Value of the Collateral.

5. Attached hereto as Exhibit 1 is a report that correctly sets forth as of the Determination Date the percentage of the average cost of all Pledged Spare Parts consisting of Rotables, Expendables and all Pledged Spare Parts located at each Company facility.

6. Attached hereto as Exhibit 2 is a report that correctly sets forth the following information as of the Determination Date with respect to each Pledged Spare Part model among the 500 Pledged Spare Part models with the highest aggregate Appraised Value:

   i) Manufacturer's part number;

   ii) the Company's part tracking number;

   iii) part description;

iv) related aircraft model(s);

v) classification as Rotable or Expendable;

vi) quantity on hand; and

vii) the Company's average cost.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

INSURANCE

[OMITTED AS CONTAINING CONFIDENTIAL FINANCIAL INFORMATION]

SPARE PARTS SECURITY AGREEMENT

FROM

CONTINENTAL AIRLINES, INC.

TO

WILMINGTON TRUST COMPANY,
As Security Agent

Dated as of December 6, 2002

Floating Rate Secured Notes due 2007

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APPENDIX I DEFINITIONS

EXHIBIT A FORM OF SUPPLEMENTAL SECURITY AGREEMENT (To Add Designated Locations)

SCHEDULE 1 DESIGNATED LOCATIONS

SPARE PARTS SECURITY AGREEMENT

SPARE PARTS SECURITY AGREEMENT, dated as of December 6, 2002, by and between CONTINENTAL AIRLINES, INC., a Delaware corporation (the "COMPANY"), and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as Security Agent appointed pursuant to the Indenture (the "SECURITY AGENT").

RECITALS

WHEREAS, the Company, which is a certificated air carrier under Section 44705 of title 49 of the U.S. Code, the Trustee, the Policy Provider and the Liquidity Provider have entered into the Indenture, providing for the issuance of $200,000,000 aggregate principal amount of the Securities; and

WHEREAS, in order to secure the payment of the principal amount of and interest on the Securities and all other Obligations of the Company under the Indenture, the Securities and the other Operative Documents, the Company has agreed to grant a security interest in certain Spare Parts, Appliances and other Collateral, as provided for herein; and

WHEREAS, Schedule 1 to this Agreement specifically describes the locations at which such Spare Parts and Appliances covered by the security interest of this Agreement may be maintained by or on behalf of the Company, and Section 4.02(b) of this Agreement provides for the designation of additional locations pursuant to Supplemental Security Agreements; and

WHEREAS, the Company and the Security Agent wish to set forth herein their respective rights, liabilities and obligations with respect to the Spare Parts Collateral.

NOW, THEREFORE, in consideration of the premises and other benefits to the Company, the receipt and sufficiency of which are hereby acknowledged, the Company and the Security Agent agree as follows:

ARTICLE 1

DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.01 DEFINITIONS. Capitalized terms used above or hereinafter and not otherwise defined herein shall have the meanings ascribed to such terms in Section 1 of the Definitions Appendix attached hereto as Appendix I, which shall be part of this Security Agreement as if fully set forth in this place. Unless otherwise defined in this Security Agreement or in Section 1 of the Definitions Appendix, terms defined in Article 8 or 9 of the UCC as in effect in the State of New York (the "NY UCC") are used in this Security Agreement as such terms are defined in such Article 8 or 9.

SECTION 1.02 RULES OF CONSTRUCTION. The rules of construction for this Security Agreement are set forth in Section 2 of the Definitions Appendix.

ARTICLE 2

SECURITY INTEREST

SECTION 2.01 GRANT OF SECURITY INTEREST. To secure the prompt payment of the principal amount of, interest on, and Premium, if any, and Break Amount, if any, with respect to, all Securities from time to time outstanding under the Indenture according to their tenor and effect, and the prompt payment of all other amounts from time to time owing by the Company under, and the performance and observance by the Company of all the agreements, covenants and provisions contained in, the Indenture, the Securities, this Security Agreement and the other Operative Documents (collectively, the "OBLIGATIONS"), for the benefit of the Holders and each of the Indemnitees, and in consideration of the premises and of the covenants herein contained, and of the acceptance of the Securities by the Holders thereof, and for other good and valuable consideration the receipt and adequacy whereof are hereby acknowledged, the Company has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Security Agent, its successors in trust and assigns, for the security and benefit of, the Holders and each of the Indemnitees, a first priority security interest in and mortgage lien on all right, title and interest of the Company in, to and under the following described property, rights and privileges, whether now owned or hereafter acquired (which, collectively, together with all property hereafter specifically subject to the Lien of this Security Agreement by the terms hereof or any supplement hereto, are included within, and are referred to as, the "SPARE PARTS COLLATERAL"), to wit:

(1) all Spare Parts and Appliances first placed in service after October 22, 1994 and currently owned or hereafter acquired by the Company that (a) are appropriate for incorporation in, installation on, attachment or appurtenance to, or use in, (i) one or more of the following models of Aircraft: a Boeing model 737-700, 737-800, 737-900, 757-200, 757-300, 767-200, 767-400 or 777-200 Aircraft; (ii) any Engine utilized on any such Aircraft; or (iii) any other Qualified Spare Part, and (b) are not appropriate for incorporation in, installation on, attachment or appurtenance to, or use in, any other model of Aircraft currently operated by the Company or any Engine utilized on any such other model of Aircraft ("QUALIFIED SPARE PARTS"), PROVIDED that the following shall be excluded from the Lien of this Security Agreement: (w) any Spare Part or Appliance so long as it is incorporated in, installed on, attached or appurtenant to, or being used in, an Aircraft, Engine or Qualified Spare Part that is so incorporated, installed, attached, appurtenant or being used; (x) any Spare Part or Appliance that has been incorporated in, installed on, attached or appurtenant to, or used in an Aircraft, Engine or Qualified Spare Part that has been so incorporated, installed, attached, appurtenant or used, for so long after its removal from such Aircraft or Engine as it remains owned by a lessor or conditional seller of, or subject to a Lien applicable to, such Aircraft or Engine; (y) the Excluded Parts; and (z) any Spare Part or Appliance leased to, loaned to, or held on consignment by, the Company (such Spare Parts and Appliances, giving effect to such exclusions, the "PLEDGED SPARE PARTS");

(2) the rights of the Company under any warranty or indemnity, express or implied, regarding title, materials, workmanship, design or patent infringement or related matters in respect of the Pledged Spare Parts (the "WARRANTIES");

(3) all proceeds with respect to the sale or other disposition by the Security Agent of any Pledged Spare Part or other Spare Parts Collateral pursuant to the terms of this Security Agreement, and all insurance proceeds with respect to any Pledged Spare Part, but excluding any insurance maintained by the Company and not required under the Collateral Maintenance Agreement;

(4) all rents, revenues and other proceeds collected by the Security Agent pursuant to Section 6.01(c);

(5) all Eligible Accounts; all cash, Investment Securities and other financial assets held therein by the Security Agent or an Eligible Institution; and all security entitlements with respect thereto;

(6) all repair, maintenance and inventory records, logs, manuals and all other documents and materials similar thereto (including, without limitation, any such records, logs, manuals, documents and materials that are computer print-outs) at any time maintained, created or used by the Company, and all records, logs, documents and other materials required at any time to be maintained by the Company pursuant to the FAA or under the Federal Aviation Act, in each case with respect to any of the Pledged Spare Parts (the "SPARE PARTS DOCUMENTS"); and

(7) all proceeds of the foregoing.

PROVIDED, HOWEVER, that notwithstanding any of the foregoing provisions, so long as no Event of Default shall have occurred and be continuing, (a) the Security Agent shall not take or cause to be taken any action contrary to the Company's right hereunder to quiet enjoyment of the Pledged Spare Parts, to possess, use, retain and control the Pledged Spare Parts and to all revenues, income and profits derived therefrom, and (b) the Company shall have the right, to the exclusion of the Security Agent, with respect to the warranties and indemnities referred to in clause (2) above, to exercise in the Company's name all rights and powers (other than to amend, modify or waive any of the warranties or indemnities contained therein, except in the exercise of the Company's reasonable business judgment) and to retain any recovery or benefit resulting from the enforcement of any such warranty or indemnity; and PROVIDED FURTHER THAT, notwithstanding the occurrence or continuation of an Event of Default, the Security Agent shall not enter into any amendment of any such warranty or indemnity which would increase the obligations of the Company thereunder.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Security Agent, and its successors and assigns, in trust for the equal and proportionate benefit and security of the Holders and the Indemnitees, except as provided in Section 3.2 of the Indenture, without any preference, distinction or priority of any one Security over any other by reason of priority of time of issue, sale, negotiation, date of maturity thereof or otherwise for any reason

whatsoever, and for the uses and purposes and in all cases and as to all property specified in clauses (1) through (7) inclusive above, subject to the terms and provisions set forth in this Security Agreement.

The Company does hereby constitute the Security Agent the true and lawful attorney of the Company, irrevocably, granted for good and valuable consideration and coupled with an interest and with full power of substitution, and with full power (in the name of the Company or otherwise) to ask for, require, demand, receive, compound and give acquittance for any and all monies and claims for monies (in each case including insurance and requisition proceeds) due and to become due under or arising out of all property which now or hereafter constitutes part of the Spare Parts Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or to take any action or to institute any proceedings which the Security Agent may deem to be necessary or advisable in the premises; PROVIDED that the Security Agent shall not exercise any such rights except upon the occurrence and during the continuance of an Event of Default hereunder.

The Company agrees that at any time and from time to time, upon the written request of the Security Agent, the Company will promptly and duly execute and deliver or cause to be duly executed and delivered any and all such further instruments and documents (including without limitation UCC continuation statements) as the Security Agent may reasonably deem necessary to perfect, preserve or protect the mortgage, security interests and assignments created or intended to be created hereby or to obtain for the Security Agent the full benefits of the assignment hereunder and of the rights and powers herein granted.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Trustee, the Liquidity Provider, the Policy Provider and the Security Agent as follows:

SECTION 3.01 ORGANIZATION; QUALIFICATION. The Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has the corporate power and authority to conduct the business in which it is currently engaged and to own or hold under lease its properties and to enter into and perform its obligations under the Operative Documents to which it is party. The Company is duly qualified to do business as a foreign corporation in good standing in each jurisdiction in which the nature and extent of the business conducted by it, or the ownership of its properties, requires such qualification, except where the failure to be so qualified would not give rise to a Material Adverse Change to the Company.

SECTION 3.02 CORPORATE AUTHORIZATION. The Company has taken, or caused to be taken, all necessary corporate action (including, without limitation, the obtaining of any consent or approval of stockholders required by its Certificate of Incorporation or By-Laws) to authorize the execution and delivery of each of the Operative Documents to which it is party, and the performance of its obligations thereunder.

SECTION 3.03 NO VIOLATION. The execution and delivery by the Company of the Operative Documents to which it is party, the performance by the Company of its obligations thereunder and the consummation by the Company on the Closing Date of the transactions contemplated thereby, do not and will not (a) violate any provision of the Certificate of Incorporation or By-Laws of the Company, (b) violate any Law applicable to or binding on the Company or (c) violate or constitute any default under (other than any violation or default that would not result in a Material Adverse Change to the Company), or result in the creation of any Lien (other than as permitted under this Security Agreement) upon the Pledged Spare Parts under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, loan or other material agreement, instrument or document to which the Company is a party or by which the Company or any of its properties is bound.

SECTION 3.04 APPROVALS. The execution and delivery by the Company of the Operative Documents to which the Company is a party, the performance by the Company of its obligations thereunder and the consummation by the Company on the Closing Date of the transactions contemplated thereby do not and will not require the consent or approval of, or the giving of notice to, or the registration with, or the recording or filing of any documents with, or the taking of any other action in respect of, (a) any trustee or other holder of any debt of the Company and (b) any Government Entity, other than the filing of (x) the FAA Filed Documents (with the FAA) and the Financing Statements (and continuation statements periodically) and (y) filings, recordings, notices or other ministerial actions pursuant to any routine recording, contractual or regulatory requirements applicable to it.

SECTION 3.05 VALID AND BINDING AGREEMENTS. The Operative Documents to which the Company is a party have been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the other party or parties thereto, constitute the legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar Laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity.

SECTION 3.06 REGISTRATION AND RECORDATION. Except for (a) the filing for recordation (and recordation) of the FAA Filed Documents with the FAA, (b) the filing of the Financing Statements (and continuation statements relating thereto at periodic intervals), and (c) the deposit of the Initial Cash Collateral with, and the holding and investment of the Initial Cash Collateral by, the Security Agent in accordance with Article 7, no further action, including any filing or recording of any document (including any financing statement in respect thereof under Article 9 of the UCC) is necessary in order to establish and perfect the Security Agent's security interest in the Pledged Spare Parts, the Warranties, the Spare Parts Documents and the Initial Cash Collateral as against the Company and any other Person, in each case, in any applicable jurisdictions in the United States.

SECTION 3.07 THE COMPANY'S LOCATION. The Company's location (as such term is used in Section 9-307 of the UCC) is Delaware. The full and correct legal name and mailing address of the Company are correctly set forth in Section 9.05.

SECTION 3.08 COMPLIANCE WITH LAWS. (a) The Company is a Citizen of the United States and a U.S. Air Carrier.

(b) The Company holds all licenses, permits and franchises from the appropriate Government Entities necessary to authorize the Company to lawfully engage in air transportation and to carry on scheduled commercial passenger service as currently conducted, except where the failure to so hold any such license, permit or franchise would not give rise to a Material Adverse Change to the Company.

(c) The Company is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 3.09 BROKER'S FEES. No Person acting on behalf of the Company is or will be entitled to any broker's fee, commission or finder's fee in connection with the transactions pursuant to the Operative Documents on the Closing Date, other than the fees and expenses payable by the Company in connection with the sale of the Securities.

SECTION 3.10 SECTION 1110. The Security Agent is entitled to the benefits of Section 1110 (as currently in effect) with respect to the right to take possession of the Pledged Spare Parts and to enforce any of its other rights or remedies as provided in the Security Agreement in the event of a case under Chapter 11 of the Bankruptcy Code in which the Company is a debtor.

ARTICLE 4

COVENANTS

SECTION 4.01 NOTICE OF CHANGE OF LOCATION. The Company will give Security Agent timely written notice (but in any event within 30 days prior to the expiration of the period of time specified under applicable Law to prevent lapse of perfection) of any change in its location (as such term is used in Section 9-307 of the UCC) or legal name and will promptly take any action required by Section 4.04(c) as a result of such relocation.

SECTION 4.02 USE, POSSESSION AND DESIGNATED LOCATIONS.

(a) Subject to the terms of the Collateral Maintenance Agreement, the Company shall have the right, at any time and from time to time at its own cost and expense, without any release from or consent by the Security Agent, to deal with the Pledged Spare Parts in any manner consistent with the Company's ordinary course of business, including without limitation any of the following:

(i) to incorporate in, install on, attach or make appurtenant to, or use in, any Aircraft, Engine or Qualified Spare Part leased to or owned by the Company (whether or not subject to any Lien) any Pledged Spare Part, free from the Lien of this Security Agreement;

(ii) to dismantle any Pledged Spare Part that has become worn out or obsolete or unfit for use, and to sell or dispose of any such Pledged Spare Part or any salvage resulting from such dismantling, free from the Lien of this Security Agreement; and

(iii) to transfer any or all of the Pledged Spare Parts located at one or more Designated Locations to one or more other Designated Locations or to one or more locations which are not Designated Locations.

(b) The Company shall keep the Pledged Spare Parts at one or more of the Designated Locations, except as otherwise permitted under Sections 4.02(a) or 4.03 of this Agreement or the Collateral Maintenance Agreement. If and whenever the Company shall wish to add a location as a Designated Location, the Company will furnish to the Security Agent the following:

(i) a Supplemental Security Agreement duly executed by the Company, identifying each location that is to become a Designated Location and specifically subjecting the Pledged Spare Parts at such location to the Lien of this Security Agreement;

(ii) an Opinion of Counsel, dated the date of execution of said Supplemental Security Agreement, stating that said Supplemental Security Agreement has been duly filed for recording in accordance with the provisions of the Federal Aviation Act, and either: (a) no other filing or recording is required in any other place within the United States in order to perfect the Lien of this Security Agreement on the Qualified Spare Parts held at the Designated Locations specified in such Supplemental Security Agreement under the laws of the United States, or (b) if any such other filing or recording shall be required that said filing or recording has been accomplished in such other manner and places, which shall be specified in such Opinion of Counsel, as are necessary to perfect the Lien of this Security Agreement; and

(iii) An Officers' Certificate stating that in the opinion of the Officers executing the Officers' Certificate, all conditions precedent provided for in this Security Agreement relating to the subjection of such property to the Lien of this Security Agreement have been complied with.

SECTION 4.03 PERMITTED SALE OR DISPOSITIONS.

(a) So long as no Event of Default has occurred and is continuing, the Company may sell, transfer or dispose of Pledged Spare Parts free from the Lien of the Security Agreement, subject to the provisions of the Collateral Maintenance Agreement.

(b) No purchaser in good faith of property purporting to be transferred pursuant to Section 4.02(a)(ii) or 4.03(a) shall be bound to ascertain or inquire into the authority of the Company to make any such transfer, free and clear of the Lien of this Security Agreement. Any instrument of transfer executed by the Company under Section 4.02(a)(ii) or 4.03 shall be sufficient

for the purposes of this Security Agreement and shall constitute a good and valid release, assignment and transfer of the property therein described free from any right, title or interest of the Security Agent and the Lien of this Security Agreement.

SECTION 4.04 CERTAIN ASSURANCES. (a) The Company shall duly execute, acknowledge and deliver, or shall cause to be executed, acknowledged and delivered, all such further agreements, instruments, certificates or documents, and shall do and cause to be done such further acts and things, in any case, as Security Agent shall reasonably request for accomplishing the purposes of this Security Agreement, PROVIDED that any instrument or other document so executed by the Company will not expand any obligations or limit any rights of the Company in respect of the transactions contemplated by any Operative Document.

(b) The Company shall promptly take such action with respect to the recording, filing, re-recording and refiling of this Security Agreement and any amendments or supplements thereto, as shall be necessary to continue the perfection and priority of the Lien created by this Security Agreement.

(c) The Company, at its sole cost and expense, will cause the FAA Filed Documents, the Financing Statements and all continuation statements (and any amendments necessitated by any consolidation or merger of the Company, any conveyance, transfer or lease of all or substantially all of the assets of the Company, or any change of the Company's location) in respect of the Financing Statements to be prepared and, subject only to the execution and delivery thereof by Security Agent, duly and timely filed and recorded, or filed for recordation, to the extent permitted under the Federal Aviation Act (with respect to the FAA Filed Documents) or the UCC or similar law of any other applicable jurisdiction (with respect to such other documents).

SECTION 4.05 INDENTURE OBLIGATIONS. The Company agrees to perform and observe all of the agreements, covenants and obligations of the Company set forth in the Indenture, the Securities and the other Operative Documents (it being understood that this Section 4.05 shall not restrict the ability to amend or supplement, or waive compliance with, any Operative Document in accordance with its terms).

ARTICLE 5

INSURANCE

SECTION 5.01 APPLICATION OF INSURANCE PROCEEDS. (a) As between the Company and the Security Agent, all insurance proceeds up to the Debt Balance paid under policies required to be maintained by the Company pursuant to the Collateral Maintenance Agreement as a result of the occurrence of an Event of Loss with respect to any Pledged Spare Parts involving proceeds in excess of the Threshold Amount will be paid to the Security Agent. If either the Security Agent or the Company receives a payment of such insurance proceeds in excess of its entitlement pursuant to this Section 5.01, it shall promptly pay such excess to the other. At any time or from time to time after the receipt by the Security Agent of insurance proceeds, upon submission to the Security Agent of an Officers' Certificate stating that the Company has after the occurrence of such Event of Loss purchased additional Qualified Spare Parts that are located at or

have been shipped by vendor(s) to a Designated Location, and stating the aggregate purchase price for such additional Qualified Spare Parts, the Security Agent shall pay the amount of such purchase price, up to the amount of such insurance proceeds not previously disbursed pursuant to this sentence or otherwise distributed under the Indenture in accordance with its terms, to the Company or its designee.

(b) All proceeds of insurance required to be maintained by the Company in accordance with the Collateral Maintenance Agreement in respect of any property damage or loss involving proceeds of the Threshold Amount or less or not constituting an Event of Loss with respect to any Pledged Spare Parts and insurance proceeds in excess of the Debt Balance shall be paid over to, and retained by, the Company.

SECTION 5.02 APPLICATION OF PAYMENTS DURING EXISTENCE OF A SPECIAL DEFAULT OR EVENT OF DEFAULT. Any amount described in this Article 5 that is payable or creditable to, or retainable by, the Company shall not be paid or credited to, or retained by, the Company if at the time such payment, credit or retention would otherwise occur a Special Default or Event of Default shall have occurred and be continuing, but shall instead be held by or paid over to the Security Agent as security for the obligations of the Company under this Security Agreement and shall be invested pursuant to Article 7 hereof. At such time as there shall not be continuing any Special Default or Event of Default, such amount and any gains thereon shall be paid to the Company to the extent not previously applied in accordance with this Security Agreement.

ARTICLE 6

REMEDIES

SECTION 6.01 REMEDIES. (a) If an Event of Default shall have occurred and be continuing and so long as the same shall continue unremedied, then and in every such case the Security Agent may exercise any or all of the rights and powers and pursue any and all of the remedies pursuant to this Article 6, shall have and may exercise all of the rights and remedies of a secured party under the UCC, may take possession of all or any part of the properties covered or intended to be covered by the Lien created hereby or pursuant hereto, may exclude the Company and all persons claiming under it wholly or partly therefrom and may sell the Spare Parts Collateral as a whole or from time to time in part; PROVIDED, that the Security Agent shall give the Company twenty days' prior written notice of its intention to sell any Spare Parts Collateral. Without limiting any of the foregoing, it is understood and agreed that the Security Agent may exercise any right of sale of any Spare Parts Collateral available to it, even though it shall not have taken possession of such Spare Parts Collateral and shall not have possession thereof at the time of such sale.

(b) If an Event of Default shall have occurred and be continuing, at the request of the Security Agent, the Company shall assemble the Spare Parts Collateral and make it available to the Security Agent at the Designated Locations and shall promptly execute and deliver to the Security Agent such instruments of title and other documents as the Security Agent may deem necessary or advisable to enable the Security Agent or an agent or

representative designated by the Security Agent, at such time or times and place or places as the Security Agent may specify, to obtain possession of all or any part of the Spare Parts Collateral to which the Security Agent shall at the time be entitled hereunder. If the Company shall for any reason fail to execute and deliver such instruments and documents after such request by the Security Agent, the Security Agent may (i) obtain a judgment conferring on the Security Agent the right to immediate possession and requiring the Company to execute and deliver such instruments and documents to the Security Agent, to the entry of which judgment the Company hereby specifically consents to the fullest extent permitted by Law, and (ii) pursue all or part of such Spare Parts Collateral wherever it may be found and may enter any of the premises of Company wherever such Spare Parts Collateral may be or are supposed to be and search for such Spare Parts Collateral and take possession of and remove such Spare Parts Collateral. All expenses of obtaining such judgment or of pursuing, searching for and taking such property shall, until paid, be secured by the Lien of this Security Agreement.

(c) Upon every such taking of possession, the Security Agent may, from time to time, at the expense of the Spare Parts Collateral, make all such expenditures for maintenance, use, operation, storage, insurance, leasing, control, management, disposition, modifications or alterations to and of the Spare Parts Collateral, as it may deem proper. In each such case, the Security Agent shall have the right to maintain, use, operate, store, insure, lease, control, manage, dispose of, modify or alter the Spare Parts Collateral and to exercise all rights and powers of the Company relating to the Spare Parts Collateral, as the Security Agent shall deem best, including the right to enter into any and all such agreements with respect to the maintenance, use, operation, storage, insurance, leasing, control, management, disposition, modification or alteration of the Spare Parts Collateral or any part thereof as the Security Agent may determine, and the Security Agent shall be entitled to collect and receive directly all rents, revenues and other proceeds of the Spare Parts Collateral and every part thereof, without prejudice, however, to the right of the Security Agent under any provision of this Security Agreement to collect and receive all cash held by, or required to be deposited with, the Security Agent hereunder. Such rents, revenues and other proceeds shall be applied to pay the expenses of the maintenance, use, operation, storage, insurance, leasing, control, management, disposition, improvement, modification or alteration of the Spare Parts Collateral and of conducting the business thereof, and to make all payments which the Security Agent may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Spare Parts Collateral or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Company), and all other payments which the Security Agent may be required or authorized to make under any provision of this Security Agreement, as well as just and reasonable compensation for the services of the Security Agent, and of all persons properly engaged and employed by the Security Agent with respect hereto.

(d) The Holders shall be entitled, at any sale pursuant to this Section 6.01, to credit against any purchase price bid at such sale by such Holder all or any part of the unpaid obligations owing to such Holder and secured by the Lien of this Security Agreement (only to the extent that such purchase price would have been paid to such Holder pursuant to Section 3.2 of the Indenture if such purchase price were paid in cash and the foregoing provisions of this subsection (d) were not given effect).

(e) In the event of any sale of the Spare Parts Collateral, or any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the unpaid principal amount of all Securities then outstanding, together with accrued interest thereon, Break Amount, if any, Premium, if any, and other amounts due thereunder, shall immediately become due and payable without presentment, demand, protest or notice, all of which are hereby waived.

(f) After the occurrence and during the continuation of an Event of Default, in taking, or refraining from taking, any action under this Security Agreement pursuant to the exercise of remedies under Article 6, the Security Agent shall be directed by the Controlling Party.

SECTION 6.02 APPLICATION OF PROCEEDS. If, in the case of the happening of any Event of Default or Acceleration, the Security Agent shall exercise any of the powers conferred upon it by Section 6.01 hereof, all payments made by the Company to the Security Agent hereunder after such Event of Default or Acceleration, and the proceeds of any judgment collected by the Security Agent hereunder, and the proceeds of every sale or lease by the Security Agent hereunder of any part or the whole of the Spare Parts Collateral, together with any other sums which may then be held by the Security Agent under any of the provisions hereof, shall be applied by the Security Agent in the manner set forth in Section 7.10 of the Indenture.

After all such payments shall have been made in full, the title to any part or the whole of the Spare Parts Collateral remaining unsold and abandoned by the Security Agent shall be conveyed by the Security Agent to the Company or its named designee free from any further liabilities or obligations to the Security Agent hereunder. If after applying all such sums of money realized by the Security Agent as aforesaid there shall remain any amount due to the Security Agent under the provisions hereof, the Company agrees to pay the amount of such deficit to the Security Agent for application in accordance with the Indenture.

SECTION 6.03 OBLIGATIONS OF COMPANY NOT AFFECTED BY REMEDIES. No retaking of possession of part or the whole of the Spare Parts Collateral by the Security Agent, nor any withdrawal, lease or sale thereof, nor any action or failure or omission to act against the Company or in respect of the Spare Parts Collateral, on the part of the Security Agent, the Controlling Party or the Holder of any Securities, nor any delay or indulgence granted to the Company by the Security Agent, the Controlling Party or any such Holder, shall affect the obligations of the Company hereunder. The Security Agent may at any time upon notice in writing to the Company apply to any court of competent jurisdiction for instructions as to the application and distribution of the property held by it.

SECTION 6.04 REMEDIES CUMULATIVE. No right, power or remedy herein conferred upon or reserved to the Security Agent, the Trustee, the Policy Provider, the Liquidity Provider and/or the Holders of the Securities is intended to be exclusive of any other right, power or remedy conferred upon or reserved to any one or more of them and every right, power and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right, power and remedy given hereunder or under the Indenture or the other Operative Documents or now or hereafter existing at law or in equity or otherwise (including, without limitation, under the UCC as in effect in any applicable jurisdiction) and may be exercised from time to time and as often and in such

order as may be deemed expedient by the Security Agent, the Trustee, the Policy Provider, the Liquidity Provider and/or the Holders of the Securities, to the extent such right, power or remedy has been conferred upon or reserved to it. The exercise by any of them of any right, power or remedy shall not be construed as a waiver of the right of any of them to exercise at the same time or thereafter any other right, power or remedy, nor as an election precluding exercise at the same time or thereafter of any alternative right, power or remedy.

SECTION 6.05 DISCONTINUANCE OF PROCEEDINGS. In case the Security Agent shall have instituted any proceeding to enforce any right, power or remedy under this Security Agreement by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Security Agent, then and in every such case the Company and the Security Agent shall, subject to any determination in such proceedings, be restored to their former positions and rights hereunder with respect to the Spare Parts Collateral, and all rights, remedies and powers of the Company or the Security Agent shall continue as if no such proceedings had been instituted.

SECTION 6.06 WAIVER OF PAST DEFAULTS. So long as an Event of Default has occurred and is continuing, upon written instruction from the Controlling Party, the Security Agent shall waive any past Default hereunder and its consequences and upon any such waiver such Default shall cease to exist and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Security Agreement, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.07 APPOINTMENT OF RECEIVER. The Security Agent shall, as a matter of right, be entitled to the appointment of a receiver (who may be the Security Agent or any successor or nominee thereof) for all or any part of the Spare Parts Collateral, whether such receivership be incidental to a proposed sale of the Spare Parts Collateral or the taking of possession thereof or otherwise, and the Company hereby consents to the appointment of such a receiver and will not oppose any such appointment. Any receiver appointed for all or any part of the Spare Parts Collateral shall be entitled to exercise all the rights and powers of the Security Agent with respect to the Spare Parts Collateral.

SECTION 6.08 SECURITY AGENT AUTHORIZED TO EXECUTE BILLS OF SALE, ETC. The Company irrevocably appoints, while an Event of Default has occurred and is continuing, the Security Agent the true and lawful attorney-in-fact of the Company (which appointment is coupled with an interest) in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or delivery for the enforcement of the Lien of this Security Agreement, whether pursuant to foreclosure or power of sale, assignments and other instruments as may be necessary or appropriate, with full power of substitution, the Company hereby ratifying and confirming all that such attorney or any substitute shall do by virtue hereof in accordance with applicable law. Nevertheless, if so requested by the Security Agent or any purchaser, the Company shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Security Agent or such purchaser all bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

ARTICLE 7

CASH COLLATERAL

SECTION 7.01 MAINTAINING THE CASH COLLATERAL. So long as any Obligation of the Company under the Indenture or other Operative Document shall remain unpaid, the Company will maintain all Cash Collateral only with an Eligible Institution in an Eligible Account (as defined below). At the time the Securities are initially issued, the Company shall deposit the Initial Cash Collateral with the Security Agent to be held by the Security Agent as Cash Collateral under this Agreement.

SECTION 7.02 INVESTING OF CASH COLLATERAL.

(a) The Security Agent agrees that, notwithstanding anything to the contrary in this Security Agreement or the Indenture, (i) any Investment Securities and any investment earnings thereon shall be credited to an Eligible Account for which either the Security Agent or another Eligible Institution is the "securities intermediary" (as defined in Section 8-102(a)(14) of the NY UCC) and the Security Agent is the "entitlement holder" (as defined in Section 8-102(a)(7) of the NY UCC) of the "securities entitlement" (as defined in Section 8-102(a)(17) of the NY UCC) with respect to each "financial asset" (as defined in Section 8-102(a)(9) of the NY UCC) credited to such Eligible Account, (ii) all such amounts, Investment Securities and all other property acquired with cash credited to such Eligible Account will be credited to such Eligible Account, (iii) all items of property (whether cash, investment property, Investment Securities, other investments, securities, instruments or other property) credited to any Eligible Account will be treated as a "financial asset" under Article 8 of the NY UCC, (iv) the "securities intermediary's jurisdiction" (as defined in Section 8-110(e) of the NY UCC) with respect to such Eligible Account is the State of New York, and (v) all securities, instruments and other property in order or registered form and credited to an Eligible Account shall be payable to or to the order of, or registered in the name of, the applicable securities intermediary or shall be indorsed to such securities intermediary or in blank, and in no case whatsoever shall any financial asset credited to such Eligible Account be registered in the name of the Company, payable to or to the order of the Company or specially indorsed to the Company except to the extent the foregoing have been specially endorsed by the Company to such securities intermediary or in blank. The Security Agent agrees that it will hold (and will indicate clearly in its books and records that it holds) its "securities entitlement" to the "financial assets" credited to any Eligible Account in trust for the benefit of the Holders and the Trustee. The Company acknowledges that, by reason of the Security Agent being the "entitlement holder" in respect of such Eligible Account as provided above, the Security Agent shall have the sole right and discretion, subject only to the terms of this Security Agreement and the Indenture, to give all "entitlement orders" (as defined in Section 8-102(a)(8) of the NY UCC) with respect to such Eligible Account and any and all financial assets and other property credited thereto to the exclusion of the Company.

(b) From time to time the Security Agent will (a) invest, or direct the applicable Eligible Institution to invest, amounts received with respect to the applicable Cash Collateral in such Investment Securities as the Company may select and (b) invest or direct the applicable Eligible Institution to invest, interest paid on the Investment Securities referred to in clause (a) above, and

reinvest other proceeds of any such Investment Securities that may mature or be sold, in each case in such Investment Securities credited in the same manner. Interest and proceeds that are not invested or reinvested in Investment Securities as provided above shall be deposited and held as Spare Parts Collateral in the applicable Eligible Account.

(c) The Security Agent may sell or direct any Eligible Institution to sell any Investment Securities and the proceeds of such a sale may be retained by the Security Agent as Spare Parts Collateral hereunder.

SECTION 7.03 RELEASE OF CASH COLLATERAL. (a) Upon written request by the Company to the Security Agent after notice of redemption of the Securities has been given to Holders pursuant to Article 4 of the Indenture, the Security Agent shall deliver to the Trustee for deposit in the Collection Account Cash Collateral then held by the Security Agent up to the amount required to pay amounts due with respect to the Securities to be redeemed on the applicable Redemption Date.

(b) If the Collateral Ratio is less than the Maximum Collateral Ratio and the Rotable Ratio is greater than the Minimum Rotable Ratio, in each case as most recently determined pursuant to Article 2 or Section 3.1 of the Collateral Maintenance Agreement, and the Security Agent held any Cash Collateral as of the Valuation Date for such Collateral Ratio and Rotable Ratio (or subsequent date as of which such ratio was recalculated pursuant to Section 3.1 of the Collateral Maintenance Agreement), upon written request of the Company the Security Agent shall pay to the Company an amount of the Cash Collateral such that the Collateral Ratio would not be greater than the Maximum Collateral Ratio and the Rotable Ratio would not be less than the Minimum Rotable Ratio, giving effect to such payment (but otherwise using the information used as of such most recent determination date to determine such ratio).

ARTICLE 8

SECURITY AGENT

SECTION 8.01 SECURITY AGENT. The Security Agent has been appointed pursuant to the Indenture as Security Agent hereunder. The Security Agent shall be obligated, and shall have the right, hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release of Spare Parts Collateral) solely in accordance with this Security Agreement and the Indenture. Upon 30 days' written notice to the Company, the Security Agent may resign and a successor Security Agent may be appointed in the manner provided for a successor Trustee in the Indenture. Upon the acceptance of any appointment as a Security Agent by a successor Security Agent, that successor Security Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Security Agent under this Security Agreement, and the retiring Security Agent shall thereupon be discharged from its duties and obligations under this Security Agreement. After any retiring Security Agent's resignation, the provisions of this Security Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Security Agreement while it was Security Agent. The Security Agent agrees to and shall

have the benefit of all provisions of the Indenture and the other Operative Documents stated therein to be applicable to the Security Agent.

ARTICLE 9

MISCELLANEOUS

SECTION 9.01 TERMINATION. The Company agrees that this is a continuing agreement and shall remain in full force and effect until the occurrence of the Indenture Discharge Date, at which time the Security Agent shall have no further interest in and to the Spare Parts Collateral and will promptly release all of the Security Agent's interest in and to the Spare Parts Collateral, including any cash and/or Investment Securities held in accordance with the terms of this Security Agreement. The Security Agent shall acknowledge the termination of this Security Agreement and the release of the Spare Parts Collateral by executing and delivering to the Company such instruments to the foregoing effect as the Company shall reasonably request, at the sole cost and expense of the Company.

SECTION 9.02 BENEFITS OF SECURITY AGREEMENT RESTRICTED. Subject to the provisions of Section 9.09 hereof, nothing in this Security Agreement or the Securities, express or implied, shall give or be construed to give to any Person, other than the parties hereto, the Controlling Party and, in the case of Article 3, the Trustee, the Liquidity Provider and the Policy Provider, any legal or equitable right, remedy or claim under or in respect of this Security Agreement or under any covenant, condition or provision herein contained, all such covenants, conditions and provisions, subject to Section 9.09 hereof, being for the sole benefit of the parties hereto, the Controlling Party and, in the case of Article 3, the Trustee, the Liquidity Provider and the Policy Provider.

SECTION 9.03 CERTIFICATES AND OPINIONS OF COUNSEL; STATEMENTS TO BE CONTAINED THEREIN; BASIS THEREFOR. Upon any application or Request by the Company to the Security Agent to take any action under any of the provisions of this Security Agreement, the Company shall furnish to the Security Agent an Officers' Certificate and an Opinion of Counsel in compliance with, but only if required by, Sections 12.4 and/or 12.5 of the Indenture.

SECTION 9.04 APPRAISER'S CERTIFICATE. Unless otherwise specifically provided, an Independent Appraiser's Certificate shall be sufficient evidence of the Appraised Value and Fair Market Value to the Company of any property under this Security Agreement.

SECTION 9.05 NOTICES; WAIVER. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by this Security Agreement to be made upon, given or furnished to, or filed with

(a) the Company shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Company at:

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002
Attention: Treasurer

Telecopier No.: (713) 324-2447

(b) the Security Agent shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Security Agent at:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

Telecopier No.: (302) 651-8882

or to any of the above parties at any other address or telecopier number subsequently furnished in writing by it to each of the other parties listed above. Any such delivery shall be deemed made on the date of receipt by the addressee of such delivery or of refusal by such addressee to accept delivery.

SECTION 9.06 AMENDMENTS, ETC. (a) This Security Agreement may be amended or supplemented, and compliance with any obligation in this Security Agreement may be waived, as provided in Article 10 of the Indenture.

(b) The Company and the Security Agent may enter into one or more agreements supplemental hereto without the consent of the Trustee, the Policy Provider, the Liquidity Provider or any Holder for any of the following purposes: (i) to convey, transfer, assign, mortgage or pledge any property to or with the Security Agent; (ii) to correct or amplify the description of any property at any time subject to the Lien of this Security Agreement or better to assure, convey and confirm unto the Security Agent any property subject or required to be subject to the Lien of this Security Agreement; (iii) to add any location as a Designated Location; or (iv) to add to the covenants of the Company for the benefit of the Security Agent, the Trustee, the Policy Provider, the Liquidity Provider or the Holders, or to surrender any rights or power herein conferred upon the Company.

(c) If, in the opinion of the institution acting as Security Agent hereunder, any document required to be executed by it pursuant to the terms of Section 9.06 hereof affects any right, duty, immunity or indemnity with respect to such institution under this Security Agreement, such institution may in its discretion decline to execute such document.

SECTION 9.07 NO WAIVER. No failure on the part of the Security Agent to exercise, and no delay in exercising any right hereunder shall operate as a

waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. Failure by the Security Agent at any time or times hereafter to require strict performance by the Company or any other Person with any of the provisions, warranties, terms or conditions contained herein shall not waive, affect or diminish any right of the Security Agent at any time or times hereafter to demand strict performance thereof, and such right shall not be deemed to have been modified or waived by any course of conduct or knowledge of the Security Agent or any agent, officer or employee of the Security Agent.

SECTION 9.08 CONFLICT WITH TRUST INDENTURE ACT OF 1939. If and to the extent that any provision of this Security Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the TIA, such imposed duties shall control.

SECTION 9.09 SUCCESSORS AND ASSIGNS. This Security Agreement and all obligations of the Company hereunder shall be binding upon the successors and permitted assigns of the Company, and shall, together with the rights and remedies of the Security Agent hereunder, inure to the benefit of the Security Agent, the Trustee, the Holders, and their respective successors and assigns. The interest of the Company under this Security Agreement is not assignable and any attempt to assign all or any portion of this Security Agreement by the Company shall be null and void except for an assignment in connection with a merger, consolidation or conveyance, transfer or lease of all or substantially all the Company's assets permitted under the Indenture.

SECTION 9.10 GOVERNING LAW. THIS SECURITY AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.11 EFFECT OF HEADINGS. The Article and Section headings and the Table of Contents contained in this Security Agreement have been inserted for convenience of reference only, and are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Security Agreement.

SECTION 9.12 COUNTERPART ORIGINALS. This Security Agreement may be signed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Security Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Security Agreement.

SECTION 9.13 SEVERABILITY. The provisions of this Security Agreement are severable, and if any clause or provision shall be held invalid, illegal or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect in that jurisdiction only such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Security Agreement in any jurisdiction.

SECTION 9.14 SURVIVAL PROVISIONS. Notwithstanding any right of the Security Agent or any of the Holders to investigate the affairs of the Company, and

notwithstanding any knowledge of facts determined or determinable by any of them pursuant to such investigation or right of investigation, all representations and warranties of the Company contained herein shall survive the execution and delivery of this Security Agreement.

SECTION 9.15 BANKRUPTCY. It is the intention of the parties that the Security Agent shall be entitled to the benefits of Section 1110 with respect to the right to take possession of the Pledged Spare Parts and to enforce any of its other rights or remedies as provided herein in the event of a case under Chapter 11 of the Bankruptcy Code in which the Company is a debtor, and in any instance where more than one construction is possible of the terms and conditions hereof or any other pertinent Operative Document, each such party agrees that a construction which would preserve such benefits shall control over any construction which would not preserve such benefits.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be duly executed and delivered all as of the date first above written.

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

WILMINGTON TRUST COMPANY,
as Security Agent

By:

Name:
Title:

Appendix I

DEFINITIONS APPENDIX

SECTION 1. DEFINED TERMS.

"ACCELERATION" means, with respect to the amounts payable in respect of the Securities issued under the Indenture, such amounts becoming immediately due and payable pursuant to Section 7.2 of the Indenture. "ACCELERATE", "ACCELERATED" and "ACCELERATING" have meanings correlative to the foregoing.

"ACCRUED INTEREST" is defined in Section 3.6(a) of the Indenture.

"ADDITIONAL PARTS" is defined in Section 3.1(a)(i) of the Collateral Maintenance Agreement.

"ADDITIONAL ROTABLES" is defined in Section 3.1(b)(i) of the Collateral Maintenance Agreement.

"ADVANCE" means any Advance as defined in the Liquidity Facility.

"AFFILIATE" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

"AGENT" means any Registrar, Paying Agent or co-Registrar or co-Paying Agent.

"AGENT MEMBERS" is defined in Section 2.5(a) of the Indenture.

"AIRCRAFT" means any contrivance invented, used, or designed to navigate, or fly in, the air.

"ANNUAL METHODOLOGY" means, in determining an opinion as to the Fair Market Value of the Spare Parts Collateral, taking at least the following actions: (i) reviewing the Parts Inventory Report prepared as of the applicable Valuation Date; (ii) reviewing the Independent Appraiser's internal value database for values applicable to Qualified Spare Parts included in the Spare Parts Collateral; (iii) developing a representative sampling of a reasonable number of the different Qualified Spare Parts included in Spare Parts Collateral for which a market check will be conducted; (iv) checking other sources, such as manufacturers, other airlines, U.S. government procurement data and airline parts pooling price lists, for current market prices of the sample parts referred to in clause (iii); (v) establishing an assumed ratio of Serviceable Parts to Unserviceable Parts as of the applicable Valuation Date based upon information provided by the Company and the Independent Appraiser's limited physical review of the Spare Parts Collateral referred to in the following

clause (vi); (vi) visiting at least two locations selected by the Independent Appraiser where the Pledged Spare Parts are kept by the Company (neither of which was visited for purposes of the last appraisal under Section 2.1 or 2.2 of the Collateral Maintenance Agreement, whichever was most recent), PROVIDED that at least one such location shall be one of the top three locations at which the Company keeps the largest number of Pledged Spare Parts, to conduct a limited physical inspection of the Spare Parts Collateral; (vii) conducting a limited review of the inventory reporting system applicable to the Pledged Spare Parts, including checking information reported in such system against information determined through physical inspection pursuant to the preceding clause (vi) and (viii) reviewing a sampling of the Spare Parts Documents (including tear-down reports).

"ANNUAL VALUATION DATE" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"APPLIANCE" means an instrument, equipment, apparatus, a part, an appurtenance, or an accessory used, capable of being used, or intended to be used, in operating or controlling Aircraft in flight, including a parachute, communication equipment, and another mechanism installed in or attached to Aircraft during flight, and not a part of an Aircraft, Engine, or Propeller.

"APPLICABLE MARGIN" means 0.90%.

"APPLICABLE PERIOD" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"APPRAISAL COMPLIANCE REPORT" means, as of any date, a report providing information relating to the calculation of the Collateral Ratio and Rotable Ratio, which shall be substantially in the form of Appendix II to the Collateral Maintenance Agreement.

"APPRAISED VALUE" means, with respect to any Collateral, the Fair Market Value of such Collateral as most recently determined pursuant to (i) the report attached as Appendix II to the Offering Memo or (ii) Article 2 and, if applicable, Section 3.1 of the Collateral Maintenance Agreement.

"AVAILABLE AMOUNT" means, as of any date, the Maximum Available Commitment (as defined in the Liquidity Facility) on such date.

"AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"BANKRUPTCY CODE" means the United States Bankruptcy Code, 11 U.S.C. Section 101 ET SEQ.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any committee of such board duly authorized to act in respect of any particular matter.

"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; PROVIDED, HOWEVER, that no Break Amount will be payable (x) if the Break Amount, as calculated pursuant to the formula set forth below, is equal to or less than zero or (y) on or in respect of any Applicable

Date that is an Interest Payment Date (or, if such an Interest Payment Date is not a Business Day, the next succeeding Business Day)

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.

"BUSINESS DAY" means any day that is a day for trading by and between banks in the London interbank Eurodollar market and that is other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Houston, Texas, New York, New York, or, so long as any Security is outstanding, the city and state in which the Trustee maintains its Corporate Trust Office or, solely with respect to draws under any Policy, the city and state in which the office of the Policy Provider at which notices, presentations, transmissions, deliveries and communications are to be made under the Policy is located, and that, solely with respect to draws under the Liquidity Facility, also is a "Business Day" as defined in the Liquidity Facility.

"CAPPED INTEREST RATE" means a rate per annum equal to 12%.

"CASH COLLATERAL" means cash and/or Investment Securities deposited or to be deposited with the Collateral Agent or an Eligible Institution and subject to the Lien of any Collateral Agreement.

"CASH COLLATERAL ACCOUNT" means an Eligible Deposit Account in the name of the Trustee maintained at an Eligible Institution, which shall be the Trustee if it shall so qualify, into which all amounts drawn under the Liquidity Facility pursuant to Section 3.5(c), 3.5(d) or 3.5(i) of the Indenture shall be deposited.

"CITIZEN OF THE UNITED STATES" is defined in 49 U.S.C.ss. 40102(a)(15).

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"CLEARSTREAM" means Clearstream Banking societe anonyme, Luxembourg.

"CLOSING DATE" means the Issuance Date.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" means the Spare Parts Collateral and all other collateral in which the Collateral Agent has a security interest pursuant to the Collateral Agreements.

"COLLATERAL AGENT" means the Trustee in its capacity as Security Agent or as agent on behalf of the Holders under any other Collateral Agreement.

"COLLATERAL AGREEMENT" means the Security Agreement and any agreement under which a security interest has been granted pursuant to Section 3.1(a)(ii) of the Collateral Maintenance Agreement.

"COLLATERAL MAINTENANCE AGREEMENT" means the Collateral Maintenance Agreement, dated as of the date of the Indenture, between the Company and the Policy Provider.

"COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Securities Outstanding 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 the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"COLLECTION ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13 of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"COMPANY" means the party named as such in the Indenture or any obligor on the Securities until a successor replaces it pursuant to the Indenture and thereafter means the successor.

"CONSENT PERIOD" is defined in Section 3.5(d) of the Indenture.

"CONTINENTAL BANKRUPTCY EVENT" means the occurrence and continuation of an Event of Default under Section 7.1(d), (e) or (f) of the Indenture.

"CONTINENTAL CASH BALANCE" means the sum of (a) the amount of cash and cash equivalents that would have been shown on the balance sheet of Continental and its consolidated subsidiaries prepared in accordance with GAAP as of any Valuation Date, plus (b) the amount of marketable securities that would have been reflected on such balance sheet which had, as of such Valuation Date, a maturity of less than one year and which, but for their maturity, would have qualified to be reflected on such balance sheet as cash equivalents.

"CONTROLLING PARTY" means the Person entitled to act as such pursuant to the terms of Section 3.8 of the Indenture.

"CORPORATE TRUST OFFICE" when used with respect to the Trustee means the office of the Trustee at which at any particular time its corporate trust business is administered and which, at the Closing Date, is located at Wilmington Trust Company, as Trustee, Rodney Square North 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

"DEBT BALANCE" means 110% of the principal amount of the Outstanding Securities.

"DEBT RATE" means a rate per annum equal, in the case of the first Interest Period, to 2.32% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Registration Rights Agreement) occurs on or prior to the 210th day after the Closing Date, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement), PROVIDED that the additional margin added to the Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time, PROVIDED FURTHER that, if a default in the payment of interest on the Securities occurs and is continuing on any Interest Payment Date, then the Debt Rate applicable to the Interest Period ending on such Interest Payment Date shall not exceed the Capped Interest Rate, except that for purposes of any payment made by the Company intended to cure such default, this proviso shall not apply.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"DEFINITIONS APPENDIX" means the Definitions Appendix attached as Appendix I to the Indenture and constituting a part of the Indenture.

"DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"DESIGNATED LOCATIONS" means the locations in the U.S. designated from time to time by the Company at which the Pledged Spare Parts may be maintained by or on behalf of the Company, which initially shall be the locations set forth on Schedule 1 to the Security Agreement and shall include the additional locations designated by the Company pursuant to Section 4.04(d) of the Security Agreement.

"DESIGNATED REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"DISTRIBUTION DATE" means (i) each Scheduled Payment Date (and, if a Payment required to be paid to the Trustee for distribution on such Scheduled Payment Date has not been so paid by 12:30 p.m., New York time, in whole or in part, on such Scheduled Payment Date, the next Business Day on which the Trustee receives some or all of such Payment by 12:30 p.m., New York time, except for a defaulted payment of interest that is not paid within five days after the Scheduled Payment Date therefor), (ii) each day established for payment by the Trustee pursuant to Section 7.10, (iii) the Non-Performance Payment Date, (iv) the Final Legal Maturity Date, (v) the Election Distribution Date, (vi) the Policy Election Distribution Date, (vii) the date established as a Distribution Date pursuant to Section 3.6(f) of the Indenture and (viii) solely for purposes of payments to be made by the Policy Provider pursuant to Section 3.6(d) of the Indenture and not for purposes of any other payment or distribution under the Indenture, the date established for such payment in accordance with the Policy.

"DOWNGRADE DRAWING" is defined in Section 3.5(c) of the Indenture.

"DOWNGRADE EVENT" has the meaning assigned to such term in Section 3.5(c) of the Indenture.

"DOWNGRADED FACILITY" is defined in Section 3.5(c) of the Indenture.

"DRAWING" means an Interest Drawing, a Final Drawing, a Non-Extension Drawing or a Downgrade Drawing, as the case may be.

"DTC" means The Depository Trust Company, its nominees and their respective successors.

"ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"ELIGIBLE ACCOUNT" means an account established by and with an Eligible Institution at the request of the Security Agent, which institution agrees, for all purposes of the New York UCC including Article 8 thereof, that (a) such account shall be a "securities account" (as defined in Section 8-501 of the New York UCC), (b) such institution is a "securities intermediary" (as defined in Section 8-102(a)(14) of the New York UCC), (c) all property (other than cash) credited to such account shall be treated as a "financial asset" (as defined in Section 8-102(9) of the New York UCC), (d) the Security Agent shall be the "entitlement holder" (as defined in Section 8-102(7) of the New York UCC) in respect of such account, (e) it will comply with all entitlement orders issued by the Security Agent to the exclusion of the Company, (f) it will waive or subordinate in favor of the Security Agent all claims (including without limitation, claims by way of security interest, lien or right of set-off or right of recoupment), and (g) the "securities intermediary jurisdiction" (under Section 8-110(e) of the New York UCC) shall be the State of New York.

"ELIGIBLE DEPOSIT ACCOUNT" means either (a) a segregated account with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its

equivalent. An Eligible Deposit Account may be maintained with the Liquidity Provider so long as the Liquidity Provider is an Eligible Institution; provided that such Liquidity Provider shall have waived all rights of set-off and counterclaim with respect to such account.

"ELIGIBLE INSTITUTION" means (a) the Security Agent or (b) a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), which has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent.

"ELIGIBLE INVESTMENTS" means (a) investments in obligations of, or guaranteed by, the U.S. Government having maturities no later than 90 days following the date of such investment, (b) investments in open market commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof with a short-term unsecured debt rating issued by Moody's of at least P-1 and a short-term issuer credit rating issued by Standard & Poor's of at least A-1 having maturities no later than 90 days following the date of such investment or (c) investments in negotiable certificates of deposit, time deposits, banker's acceptances, commercial paper or other direct obligations of, or obligations guaranteed by, commercial banks organized under the laws of the United States or of any political subdivision thereof (or any U.S. branch of a foreign bank) with a short-term unsecured debt rating by Moody's of at least P-1 and a short-term issuer credit rating by Standard & Poor's of at least A-1, having maturities no later than 90 days following the date of such investment; PROVIDED, HOWEVER, that (x) all Eligible Investments that are bank obligations shall be denominated in U.S. dollars; and (y) the aggregate amount of Eligible Investments at any one time that are bank obligations issued by any one bank shall not be in excess of 5% of such bank's capital surplus; PROVIDED FURTHER that any investment of the types described in clauses (a), (b) and (c) above may be made through a repurchase agreement in commercially reasonable form with a bank or other financial institution qualifying as an Eligible Institution so long as such investment is held by a third party custodian also qualifying as an Eligible Institution; PROVIDED FURTHER, HOWEVER, that in the case of any Eligible Investment issued by a domestic branch of a foreign bank, the income from such investment shall be from sources within the United States for purposes of the Code. Notwithstanding the foregoing, no investment of the types described in clause (b) above which is issued or guaranteed by the Company or any of its Affiliates, and no investment in the obligations of any one bank in excess of $10,000,000, shall be an Eligible Investment unless written approval has been obtained from the Policy Provider and a Ratings Confirmation shall have been received with respect to the making of such investment.

"ENGINE" means an engine used, or intended to be used, to propel an Aircraft, including a part, appurtenance, and accessory of the Engine, except a Propeller.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time

"EUROCLEAR" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"EVENT OF DEFAULT" is defined in Section 7.1 of the Indenture.

"EVENT OF LOSS" means (i) the loss of any of the Pledged Spare Parts or of the use thereof due to destruction, damage beyond repair or rendition of any of the Pledged Spare Parts permanently unfit for normal use for any reason whatsoever (other than the use of Expendables in the Company's operations); (ii) any damage to any of the Pledged Spare Parts which results in the receipt of insurance proceeds with respect to such Pledged Spare Parts on the basis of an actual or constructive loss; or (iii) the loss of possession of any of the Pledged Spare Parts by the Company for ninety (90) consecutive days as a result of the theft or disappearance of such Pledged Spare Parts.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"EXCHANGE FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"EXCHANGE OFFER" means the exchange offer which may be made pursuant to the Registration Rights Agreement to exchange Initial Certificates for Exchange Certificates.

"EXCHANGE OFFER REGISTRATION STATEMENT" means the registration statement that, pursuant to the Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Securities for Exchange Securities.

"EXCHANGE SECURITIES" means the securities substantially in the form of Exhibit A to the Indenture issued in exchange for the Initial Securities pursuant to the Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCLUDED PARTS" means Spare Parts and Appliances held by the Company at a location not a Designated Location.

"EXPENDABLES" means Qualified Spare Parts other than Rotables.

"EXPENSES" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims, actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation).

"FAA" means the Federal Aviation Administration or similar regulatory authority established to replace it.

"FAA FILED DOCUMENTS" means the Security Agreement.

"FACILITY OFFICE" means, with respect to any Liquidity Facility, the office of the Liquidity Provider thereunder, presently located at 1585 Broadway, New York, New York 10036, or such other office as such Liquidity Provider from time to time shall notify the Trustee as its "Facility Office" under any such Liquidity Facility; provided that such Liquidity Provider shall not change its Facility Office to another Facility Office outside the United States of America except in accordance with Sections 3.01, 3.02 or 3.03 of any such Liquidity Facility.

"FAIR MARKET VALUE" means, with respect to any Collateral, its fair market value 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, provided that cash shall be valued at its Dollar amount.

"FEDERAL AVIATION ACT" means Title 49 of the United States Code, "Transportation", as amended from time to time, or any similar legislation of the United States enacted in substitution or replacement thereof.

"FEE LETTERS" means, collectively, (i) the Fee Letter dated as of the Closing Date between the Trustee and the initial Liquidity Provider with respect to the initial Liquidity Facility and (ii) any fee letter entered into between the Trustee and any Replacement Liquidity Provider in respect of any Replacement Liquidity Facility.

"FINAL DRAWING" is defined in Section 3.5(i) of the Indenture.

"FINAL LEGAL MATURITY DATE" means December 6, 2009.

"FINAL ORDER" has the meaning assigned to such term in the Policy.

"FINAL SCHEDULED PAYMENT DATE" means December 6, 2007.

"FINANCING STATEMENTS" means, collectively, UCC-1 financing statements covering the Spare Parts Collateral, by the Company, as debtor, showing the Security Agent as secured party, for filing in Delaware, Guam and each other jurisdiction that, in the opinion of the Security Agent, is necessary to perfect its Lien on the Spare Parts Collateral.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"GLOBAL EXCHANGE SECURITY" is defined in Section 2.1(f) of the Indenture.

"GLOBAL SECURITIES" is defined in Section 2.1(d) of the Indenture.

"GOVERNMENT ENTITY" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Documents or relating

to the observance or performance of the obligations of any of the parties to the Operative Documents.

"HOLDER" or "SECURITYHOLDER" means the Person in whose name a Security is registered on the Registrar's books.

"INDEMNITEE" means (i) WTC, the Trustee and the Collateral Agent, (ii) each separate or additional trustee or security agent appointed pursuant to the Indenture, (iii) each Liquidity Provider, (iv) the Policy Provider, and (v) each of the respective directors, officers, employees, agents and servants of each of the persons described in clauses (i) through (iv) inclusive above.

"INDENTURE" means the Indenture dated as of December 6, 2002, among the Company, the Trustee, the Liquidity Provider and the Policy Provider under which the Securities are issued.

"INDENTURE DISCHARGE DATE" means the date of the termination of the effectiveness of the Indenture pursuant to Section 9.1(a) thereof (without giving effect to Section 9.1(b) thereof).

"INDENTURE TRUSTEE" means the Trustee.

"INDEPENDENT APPRAISER" means Simat, Helliesen & Eichner, Inc. or any other Person (i) engaged in a business which includes appraising Aircraft and assets related to the operation and maintenance of Aircraft from time to time and (ii) who does not have any material financial interest in the Company and is not connected with the Company or any of its Affiliates as an officer, director, employee, promoter, underwriter, partner or person performing similar functions.

"INDEPENDENT APPRAISER'S CERTIFICATE" means a certificate signed by an Independent Appraiser and attached as Appendix II to the Offering Memo or delivered thereafter pursuant to Article 2 or Section 3.1 of the Collateral Maintenance Agreement.

"INITIAL CASH COLLATERAL" shall mean cash in the amount of $13,056,950.

"INITIAL FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"INITIAL PURCHASER" means Morgan Stanley & Co. Incorporated.

"INITIAL SECURITIES" mean the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit A thereto, other than the Exchange Securities.

"INSTITUTIONAL ACCREDITED INVESTOR" means an institutional investor that is an "accredited investor" within the meaning set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"INTEREST DRAWING" is defined in Section 3.5(a) of the Indenture.

"INTEREST PAYMENT DATE" means March 6, June 6, September 6 and December 6 of each year so long as any Security is Outstanding (commencing March 6, 2003),

PROVIDED that if any such day is not a Business Day, then the relevant Interest Payment Date shall be the next succeeding Business Day.

"INTEREST PERIOD" means (i) in the case of the first Interest Period, the period commencing on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date following such date and (ii) in the case of each subsequent Interest Period, the period commencing on (and including) the last day of the immediately preceding Interest Period, and ending on (but excluding) the next Interest Payment Date.

"INVESTMENT EARNINGS" means investment earnings on funds on deposit in the Trust Accounts net of losses and investment expenses of the Trustee in making such investments.

"INVESTMENT SECURITY" means (a) any bond, note or other obligation which is a direct obligation of or guaranteed by the U.S. or any agency thereof; (b) any obligation which is a direct obligation of or guaranteed by any state of the U.S. or any subdivision thereof or any agency of any such state or subdivision, and which has the highest rating published by Moody's or Standard & Poor's; (c) any commercial paper issued by a U.S. obligor and rated at least P-1 by Moody's or A-1 by Standard & Poor's; (d) any money market investment instrument relying upon the credit and backing of any bank or trust company which is a member of the Federal Reserve System and which has a combined capital (including capital reserves to the extent not included in capital) and surplus and undivided profits of not less than $250,000,000 (including the Collateral Agent and its Affiliates if such requirements as to Federal Reserve System membership and combined capital and surplus and undivided profits are satisfied), including, without limitation, certificates of deposit, time and other interest-bearing deposits, bankers' acceptances, commercial paper, loan and mortgage participation certificates and documented discount notes accompanied by irrevocable letters of credit and money market fund investing solely in securities backed by the full faith and credit of the United States; or (e) repurchase agreements collateralized by any of the foregoing.

"ISSUANCE DATE" means the date of issuance of the Initial Securities.

"LAW" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"LIBOR" has the meaning specified in the Reference Agency Agreement.

"LIBOR ADVANCE" has the meaning provided in the Liquidity Facility.

"LIEN" means any mortgage, pledge, lease, security interest, encumbrance, lien or charge of any kind affecting title to or any interest in property.

"LIQUIDITY EVENT OF DEFAULT" has the meaning assigned to such term in the Liquidity Facility.

"LIQUIDITY EXPENSES" means all Liquidity Obligations other than (i) the principal amount of any Drawings under the Liquidity Facility and (ii) any interest accrued on any Liquidity Obligations.

"LIQUIDITY FACILITY" means, initially, the Revolving Credit Agreement dated as of the Issuance Date, between the Trustee and the initial Liquidity Provider, and from and after the replacement of such Revolving Credit Agreement pursuant hereto, the Replacement Liquidity Facility therefor, if any, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"LIQUIDITY GUARANTEE" means the Guarantee Agreement, dated as of the date of the Indenture, providing for the guarantee by the Liquidity Guarantor of the obligations of the Liquidity Provider under the Liquidity Facility.

"LIQUIDITY GUARANTOR" means Morgan Stanley.

"LIQUIDITY OBLIGATIONS" means all principal, interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility or the Fee Letter.

"LIQUIDITY PROVIDER" means Morgan Stanley Capital Services Inc., together with any Replacement Liquidity Provider which has issued a Replacement Liquidity Facility to replace any Liquidity Facility pursuant to Section 3.5(e) of the Indenture.

"LIQUIDITY PROVIDER REIMBURSEMENT DATE" is defined in Section 3.6(d) of the Indenture.

"LOANS" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MATERIAL ADVERSE CHANGE" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Documents.

"MAXIMUM COLLATERAL RATIO" means 45%.

"MINIMUM ROTABLE RATIO" means 150%.

"MOODY'S" means Moody's Investors Service, Inc.

"MOVES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MSCS" has the meaning specified in the first paragraph of the Indenture.

"NEW YORK UCC" is defined in Section 1.01 of the Security Agreement.

"NONAPPRAISAL COMPLIANCE REPORT" means a report providing information relating to compliance by the Company with Section 3.2 of the Collateral Maintenance Agreement, which shall be substantially in the form of Appendix III to the Collateral Maintenance Agreement.

"NON-CONTROLLING PARTY" means, at any time, the Holders, the Liquidity Provider and the Policy Provider, excluding whichever is the Controlling Party at such time.

"NON-EXTENDED FACILITY" is defined in Section 3.5(d) of the Indenture.

"NON-EXTENSION DRAWING" is defined in Section 3.5(d) of the Indenture.

"NON-PERFORMANCE DRAWING" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMANCE PAYMENT DATE" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMING" means, with respect to any Security, a Payment Default existing thereunder (without giving effect to any Acceleration); PROVIDED, that, in the event of a bankruptcy proceeding under the 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 Bankruptcy Code (or such longer period as may apply under Section 1110(b) of the Bankruptcy Code or as may apply for the cure of such Payment Default under Section 1110(a)(2)(B) of the Bankruptcy Code) shall not be taken into consideration until the expiration of the applicable period.

"NON-PERFORMING PERIOD" is defined in Section 3.6(c) of the Indenture.

"NON-U.S. PERSON" means any Person other than a U.S. person, as defined in Regulation S.

"NOTICE OF AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"NOTICE FOR PAYMENT" means a Notice of Nonpayment as such term is defined in the Policy.

"OBLIGATIONS" is defined in Section 2.01 of the Security Agreement.

"OFFERING MEMO" means the Offering Memorandum, dated December 2, 2002, of the Company relating to the offering of the Securities.

"OFFICER" means the Chairman of the Board, the President, any Vice President of any grade, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary or the Controller of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers satisfying the requirements of Sections 12.4 and 12.5 of the Indenture.

"OPERATIVE DOCUMENTS" means the Indenture, the Collateral Agreements, the Collateral Maintenance Agreement and the Reference Agency Agreement.

"OPINION OF COUNSEL" means a written opinion from the General Counsel of the Company, legal counsel to the Company or another legal counsel who is reasonably acceptable to the Trustee, which Opinion of Counsel shall comply with Sections 12.4 and 12.5 of the Indenture. The counsel may be an employee of the Company. The acceptance by the Trustee (without written objection to the Company during the fifteen (15) Business Days following receipt) of, or its action on, an opinion of counsel not specifically referred to above shall be sufficient evidence that such counsel is acceptable to the Trustee.

"OUTSTANDING" or "OUTSTANDING" when used with respect to Securities or a Security, means all Securities theretofore authenticated and delivered under the Indenture, except:

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Holders of such Securities, PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Securities for which payment has been deposited with the Trustee or any Paying Agent in trust pursuant to Article 9 of the Indenture (except to the extent provided therein); and

(d) Securities which have been paid, or for which other Securities shall have been authenticated and delivered in lieu thereof or in substitution therefor pursuant to the terms of Section 2.12 of the Indenture, unless proof satisfactory to the Trustee is presented that any such Securities are held by bona fide purchasers in whose hands the Securities are valid obligations of the Company.

A Security does not cease to be Outstanding because the Company or one of its Affiliates holds the Security; PROVIDED, HOWEVER, that in determining whether the Holders of the requisite aggregate principal amount of Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or any other Operative Document, Section 2.13 of the Indenture shall be applicable.

"OUTSTANDING AMOUNT" is defined in Section 3.6(b) of the Indenture.

"OVERDUE SCHEDULED PAYMENT" means any Payment of accrued interest on the Securities which is not in fact received by the Trustee (whether from the Company, the Liquidity Provider, the Policy Provider or otherwise) on or within five days after the Scheduled Payment Date relating thereto and which is not subsequently paid in connection with the redemption or final maturity of a Security.

"PARTS INVENTORY REPORT" means, as of any date, a list identifying the Pledged Spare Parts by manufacturer's part number and brief description and stating the quantity of each such part included in the Pledged Spare Parts as of such specified date.

"PAYING AGENT" has the meaning provided in Section 2.8 of the Indenture.

"PAYMENT" means (i) any payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to the Securities from the Company, (ii) any payment of interest on the Securities with funds drawn under the Liquidity Facility or from a Cash Collateral Account or (iii) any payment of interest on or principal of Securities with funds drawn under the Policy, or (iv) any payment received or amount realized by the Trustee from the exercise of remedies after the occurrence of an Event of Default.

"PAYMENT DEFAULT" means a Default referred to in Section 7.1(a) of the Indenture.

"PAYMENT DUE RATE" means (a) the Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"PERMITTED DAYS" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"PERMITTED LESSEE" has the meaning provided in Section 3.6(b) of the Collateral Maintenance Agreement.

"PERMITTED LIEN" means (a) the rights of Security Agent under the Operative Documents; (b) Liens attributable to Security Agent (both in its capacity as Security Agent and in its individual capacity); (c) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 3.6 of the Collateral Maintenance Agreement; (d) Liens for Taxes of the Company (and its U.S. federal tax law consolidated group), either not yet due or being contested in good faith by appropriate proceedings so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (e) materialmen's, mechanics', workers', repairers', employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent for more than 60 days or is being contested in good faith by appropriate proceedings, so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (f) Liens arising out of any judgment or award against the Company, so long as such judgment shall, within 60 days after the entry thereof, have been discharged or vacated, or execution thereof stayed pending appeal or shall have been discharged, vacated or reversed within 60 days after the expiration of such stay, and so long as during any such 60 day period there is not as a result, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or any impairment of the Lien of the Security Agreement; (g) any other Lien with respect to which the Company shall have provided a bond, cash collateral or other security adequate in the reasonable opinion of Security Agent.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, trustee, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"PLEDGED SPARE PARTS" has the meaning set forth in clause (1) of the first paragraph of Section 2.01 of the Security Agreement.

"POLICY" means MBIA Insurance Corporation Financial Guaranty Insurance Policy No. 39753, issued as of the Closing Date, as amended, supplemented or otherwise modified from time to time in accordance with its respective terms.

"POLICY ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13(a) of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"POLICY DRAWING" means any payment of a claim under the Policy.

"POLICY ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"POLICY EXPENSES" means all amounts (including amounts in respect of premiums, fees, expenses or indemnities) due to the Policy Provider under the Policy Provider Agreement other than (i) any Policy Drawing, (ii) any interest accrued on any Policy Provider Obligations, 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 shall not include any indemnity payments owed to the Policy Provider.

"POLICY FEE LETTER" means the fee letter, dated as of the date hereof, from the Policy Provider to Continental and acknowledged by the Trustee, setting forth the fees and premiums payable with respect to the Policy.

"POLICY PROVIDER" means MBIA Insurance Corporation, a New York insurance company, and its successors and permitted assigns.

"POLICY PROVIDER AGREEMENT" means the Insurance and Indemnity Agreement dated as of the date hereof among the Trustee, the Company and the Policy Provider, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"POLICY PROVIDER DEFAULT" shall mean 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 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).

"POLICY PROVIDER ELECTION" is defined in Section 3.6(c) of the Indenture.

"POLICY PROVIDER INTEREST OBLIGATIONS" means any interest on any Policy Drawing made to cover any shortfall attributable to any failure of the Liquidity Provider to honor any Interest Drawing in accordance with Section 2.02(e) of the Liquidity Facility in an amount equal to the amount of interest that would have accrued on such Interest Drawing if such Interest Drawing had been made in accordance with Section 2.02(e) of the Liquidity Facility at the interest rate applicable to such Interest Drawing until such Policy Drawing has been repaid in full.

"POLICY PROVIDER OBLIGATIONS" means all reimbursement and other amounts, including, without limitation, fees and indemnities (to the extent not included in Policy Expenses), due to the Policy Provider under the Policy Provider Agreement but shall not include any interest on Policy Drawings other than Policy Provider Interest Obligations.

"PREMIUM" means, with respect to any Security redeemed pursuant to Article 4 of the Indenture, the following percentage of the principal amount of such Security: (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Collateral Ratio or Minimum Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement.

"PRIOR FUNDS" means, on any Distribution Date, any Drawing paid under the Liquidity Facility on such Distribution Date and any funds withdrawn from the Cash Collateral Account on such Distribution Date in respect of accrued interest on the Securities.

"PROCEEDS DEFICIENCY DRAWING" is defined in Section 3.6(b) of the Indenture.

"PROPELLER" includes a part, appurtenance, and accessory of a propeller.

"PROVIDER INCUMBENCY CERTIFICATE" is defined in Section 3.7(b) of the Indenture.

"PROVIDER REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"PURCHASE AGREEMENT" means the Purchase Agreement dated December 2, 2002 by and between the Initial Purchaser and the Company.

"QIB" means a qualified institutional buyer as defined in Rule 144A.

"QUALIFIED SPARE PARTS" has the meaning provided in clause (1) of the first paragraph in Section 2.01 of the Security Agreement.

"RATING AGENCIES" means, collectively, at any time, each nationally recognized rating agency which shall have been requested by the Company to rate the Securities and which shall then be rating the Securities. The initial Rating Agency will be Moody's.

"RATINGS CONFIRMATION" means, with respect to any action proposed to be taken, a written confirmation from each of the Rating Agencies that such action would not result in (i) a reduction of the rating for the Securities below the then current rating for the Securities (such rating as determined without regard to the Policy) or (ii) a withdrawal or suspension of the rating of the Securities.

"RECORD DATE" means the fifteenth (15th) day preceding any Scheduled Interest Payment Date, whether or not a Business Day.

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture and such Security.

"REFERENCE AGENCY AGREEMENT" means the Reference Agency Agreement, dated as of the Issuance Date, among the Company, WTC, as the reference agent thereunder, and the Trustee.

"REGISTER" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRAR" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of December 6, 2002, by and between the Company and the Initial Purchaser.

"REGULATION S" means Regulation S under the Securities Act.

"REGULATION S DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"REGULATION S GLOBAL SECURITY" is defined in Section 2.1(d) of the Indenture.

"RELEVANT DATE" is defined in Section 3.6(c) of the Indenture.

"REPLACEMENT LIQUIDITY FACILITY" means an irrevocable revolving credit agreement (or agreements) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies to confirm in writing their respective ratings then in effect for the Securities (before downgrading of such ratings, if any, as a result of the downgrading of the Liquidity Provider), and be consented to by the Policy Provider, which consent shall not be unreasonably withheld or delayed, in a face amount (or in an aggregate face amount) equal to the amount of interest payable on the Securities (at the Capped Interest Rate, and without regard to expected future principal payments) on the eight Interest Payment Dates following the date of replacement of such Liquidity Facility (or if such date is an Interest Payment Date, on such day and the seven Interest Payment Dates following the date of replacement of such Liquidity Facility) and issued by a Person (or Persons) having unsecured short-term debt rating or issuer credit rating, as the case may be, issued by the Rating Agencies which are equal to or higher than the Threshold Rating. Without limitation of the form that a Replacement Liquidity Facility otherwise may have pursuant to the preceding sentence, a Replacement Liquidity Facility for the Securities may have a stated expiration date earlier than 15 days after the Final Legal Maturity Date so long as such Replacement Liquidity Facility provides for a Non-Extension Drawing as contemplated by Section 3.5(d) of the Indenture.

"REQUEST" means a written request for the action therein specified signed on behalf of the Company by any Officer and delivered to the Trustee. Each Request shall be accompanied by an Officers' Certificate if and to the extent required by Section 12.4 of the Indenture.

"REQUIRED AMOUNT" means, for any day, the sum of the aggregate amount of interest, calculated at the Capped Interest Rate, that would be payable on the Securities on each of the eight successive Interest Payment Dates immediately following such day or, if such day is an Interest Payment Date, on such day and the succeeding seven Interest Payment Dates, in each case calculated on the

basis of the outstanding principal amount of the Securities on such date and without regard to expected future payments of principal on the Securities.

"REQUIRED HOLDERS" means from time to time the Holders of more than 50% in aggregate unpaid principal amount of the Securities then Outstanding.

"RESPONSIBLE OFFICER" means (i) with respect to the Trustee, any officer in the corporate trust administration department of the Trustee or any other officer customarily performing functions similar to those performed by the Persons who at the time shall be such officers or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject, (ii) with respect to the Liquidity Provider, any authorized officer of the Liquidity Provider, and (iii) with respect to the Policy Provider, any authorized officer of the Policy Provider.

"RESTRICTED DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"RESTRICTED GLOBAL SECURITY" is defined in Section 2.1(c) of the Indenture.

"RESTRICTED LEGEND" is defined in Section 2.2 of the Indenture.

"RESTRICTED PERIOD" is defined in Section 2.1(d) of the Indenture.

"RESTRICTED SECURITIES" are defined in Section 2.2 of the Indenture.

"ROTABLE" means a Qualified Spare Part that wears over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which it relates.

"ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"RULE 144A" means Rule 144A under the Securities Act.

"SALES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"SCHEDULED INTEREST PAYMENT DATE" means each Interest Payment Date, without giving effect to the proviso to the definition of Interest Payment Date.

"SCHEDULED PAYMENT DATE" means (i) with respect to any payment of interest, the Interest Payment Date applicable thereto, (ii) with respect to any payment of defaulted interest, the payment date established pursuant to Section 2.16, (iii) with respect to amounts due on the redemption of any Security, the Redemption Date applicable thereto, and (iv) with respect to the final maturity of the Securities, December 6, 2007.

"SEC" means the Securities and Exchange Commission and any government agency succeeding to its functions.

"SECTION 1110" means Section 1110 of the Bankruptcy Code.

"SECTION 1110 PERIOD" means the continuous period of (i) 60 days specified in Section 1110(a)(2)(A) of the Bankruptcy Code (or such longer period, if any, agreed to under Section 1110(b) of the Bankruptcy Code), plus (ii) an additional period, if any, commencing with the trustee or debtor-in-possession in such proceeding agreeing, with court approval, to perform its obligations under the Operative Documents within such 60 days (or longer period as agreed) and continuing until such time as such trustee or debtor-in-possession ceases to fully perform its obligations thereunder with the result that the period during which the Collateral Agent is prohibited from repossessing the collateral under any Collateral Agreement comes to an end.

"SECURITIES" means the "Securities", as defined in the Indenture, that are issued under the Indenture.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY AGENT" means the Trustee acting in the capacity of security agent on behalf of the Holders under the Security Agreement.

"SECURITY AGREEMENT" means the Spare Parts Security Agreement dated as of the date of the Indenture between the Company and the Security Agent.

"SECURITYHOLDER" means any holder of one or more Securities.

"SEMIANNUAL METHODOLOGY" means the Annual Methodology, excluding actions referred to in clauses (iii) and (iv) of the definition of Annual Methodology.

"SEMIANNUAL VALUATION DATE" is defined in Section 2.2 of the Collateral Maintenance Agreement.

"SERVICEABLE PARTS" means Pledged Spare Parts in condition satisfactory for incorporation in, installation on, attachment or appurtenance to or use in an Aircraft, Engine or other Qualified Spare Part.

"SHELF REGISTRATION STATEMENT" means the shelf registration statement which may be required to be filed by the Company with the SEC pursuant to the Registration Rights Agreement, other than an Exchange Offer Registration Statement.

"SPARE PART" means an accessory, appurtenance, or part of an Aircraft (except an Engine or Propeller), Engine (except a Propeller), Propeller, or Appliance, that is to be installed at a later time in an Aircraft, Engine, Propeller or Appliance.

"SPARE PARTS COLLATERAL" has the meaning specified in Section 2.01 of the Security Agreement.

"SPARE PARTS DOCUMENTS" has the meaning set forth in clause (6) of the first paragraph of Section 2.01 of the Security Agreement.

"SPECIAL DEFAULT" means a Payment Default or a Continental Bankruptcy Event.

"SPECIAL RECORD DATE" has the meaning provided in Section 2.10 of the Indenture.

"SPECIAL VALUATION DATE" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"STANDARD & POOR'S" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"STATED AMOUNT" means the Maximum Commitment (as defined in the Liquidity Facility).

"STATED EXPIRATION DATE" is defined in Section 3.5(d) of the Indenture.

"SUBORDINATED SECURITIES" is defined in Section 2.18 of the Indenture.

"SUCCESSOR COMPANY" is defined in Section 5.4(a)(i) of the Indenture.

"SUPPLEMENTAL SECURITY AGREEMENT" means a supplement to the Security Agreement substantially in the form of Exhibit A to the Security Agreement.

"SUPPORT DOCUMENTS" means the Liquidity Facility, the Policy, the Policy Provider Agreement and the Fee Letters.

"TAX" and "TAXES" mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, loss, damage, liability, expense, additions to tax and additional amounts or costs incurred or imposed with respect thereto) imposed or otherwise assessed by the United States of America or by any state, local or foreign government (or any subdivision or agency thereof) or other taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth and similar charges; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, taxes on goods and services, gains taxes, license, registration and documentation fees, customs duties, tariffs, and similar charges.

"TERMINATION NOTICE" has the meaning assigned to such term in the Liquidity Facility.

"THRESHOLD AMOUNT" means $2,000,000.

"THRESHOLD RATING" means the short-term unsecured debt rating of P-1 by Moody's and A-1 by Standard & Poor's; PROVIDED that so long as the initial Liquidity Provider is the Liquidity Provider, the Threshold Rating shall apply to the Liquidity Guarantor.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbbb) as in effect on the date of the Indenture; PROVIDED, HOWEVER, that in the event the TIA is amended after such date, "TIA" means, to the extent required by any such amendment, the TIA as so amended.

"TRUST ACCOUNTS" is defined in Section 8.13(a) of the Indenture.

"TRUST OFFICER" means any officer in the corporate trust department of the Trustee, or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUSTEE" means the party named as such in the Indenture until a successor replaces it in accordance with the provisions of the Indenture and thereafter means the successor.

"TRUSTEE INCUMBENCY CERTIFICATE" is defined in Section 3.7(a) of the Indenture.

"TRUSTEE PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"TRUSTEE REPRESENTATIVES" is defined in Section 3.7(a) of the Indenture.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"UNAPPLIED PROVIDER ADVANCE" is defined in the Liquidity Facility.

"UNSERVICEABLE PARTS" means Pledged Spare Parts that are not Serviceable Parts.

"U.S." or "UNITED STATES" means the United States of America.

"U.S. AIR CARRIER" means any United States air carrier that is a Citizen of the United States holding an air carrier operating certificate issued pursuant to chapter 447 of title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6000 pounds or more of cargo.

"U.S. GOVERNMENT" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the option of the issuer thereof.

"U.S. PERSON" means any Person described in Section 7701(a)(30) of the Code.

"VALUATION DATES" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"WARRANTIES" is defined in clause (2) of Section 2.01 of the Security Agreement.

"WRITTEN NOTICE" means, from the Trustee, the Liquidity Provider or the Policy Provider, a written instrument executed by the Designated Representative

of such Person. An invoice delivered by the Liquidity Provider pursuant to Section 3.1 of the Indenture in accordance with its normal invoicing procedures shall constitute Written Notice under such Section.

"WTC" has the meaning specified in the first paragraph of the Indenture.

SECTION 2. RULES OF CONSTRUCTION. Unless the context otherwise requires, the following rules of construction shall apply for all purposes of the Operative Documents (including this appendix) and of such agreements as may incorporate this appendix by reference.

(a) In each Operative Document, unless otherwise expressly provided, a reference to:

(i) each of the Company, the Trustee, the Collateral Agent, the Security Agent or any other person includes, without prejudice to the provisions of any Operative Document, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;

(ii) words importing the plural include the singular and words importing the singular include the plural;

(iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Document, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Documents, and any agreement, instrument or document entered into in substitution or replacement therefor;

(iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Closing Date, and thereafter from time to time;

(v) the words "Agreement", "this Agreement", "hereby", "herein", "hereto", "hereof" and "hereunder" and words of similar import when used in any Operative Document refer to such Operative Document as a whole and not to any particular provision of such Operative Document;

(vi) the words "including", "including, without limitation", "including, but not limited to", and terms or phrases of similar import when used in any Operative Document, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section", an "Exhibit", an "Annex", an "Appendix" or a "Schedule" in any Operative Document, or in any annex thereto, is a reference to a section of, or an exhibit, an annex, an appendix or a schedule to, such Operative Document or such annex, respectively.

(b) Each exhibit, annex, appendix and schedule to each Operative Document is incorporated in, and shall be deemed to be a part of, such Operative Document.

(c) Unless otherwise defined or specified in any Operative Document, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Document are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Document.

(e) For purposes of each Operative Document, the occurrence and continuance of a Default or Event of Default referred to in Section 7.1(d), (e) or (f) of the Indenture shall not be deemed to prohibit the Company from taking any action or exercising any right that is conditioned on no Special Default, Default or Event of Default having occurred and be continuing if such Special Default, Default or Event of Default consists of the institution of reorganization proceedings with respect to the Company under Chapter 11 of the Bankruptcy Code and the trustee or debtor-in-possession in such proceedings shall have agreed to perform its obligations under the Operative Documents with the approval of the applicable court and thereafter shall have continued to perform such obligations in accordance with Section 1110.

EXHIBIT A

FORM OF SUPPLEMENTAL SECURITY AGREEMENT
(To Add Designated Locations)
SUPPLEMENTAL SECURITY AGREEMENT No. _____

SUPPLEMENTAL SECURITY AGREEMENT NO. _____, dated as of _____ of CONTINENTAL AIRLINES, INC., a Delaware corporation (together with its successors and assigns, the "COMPANY").

WHEREAS, the Company, which is a certificated air carrier under Section 44705 of title 49 of the U.S. Code, and Wilmington Trust Company, as Security Agent (the "SECURITY AGENT"), have heretofore executed and delivered a Spare Parts Security Agreement, dated as of [ ], 2002 (the "SECURITY AGREEMENT"), and terms defined in the Security Agreement and used herein have such defined meanings unless otherwise defined herein;

WHEREAS, the Security Agreement grants a Lien on, among other things, certain Spare Parts and Appliances to secure (subject to the provisions of the Security Agreement) the payment of the Securities and the other Obligations;

WHEREAS, the Company has previously designated the locations at which the Pledged Spare Parts may be maintained by or on behalf of the Company in the Security Agreement [and in Supplemental Security Agreement No. __];

WHEREAS, the Security Agreement [and the Supplemental Security Agreements] has [have] been duly recorded with the Federal Aviation Administration at Oklahoma City, Oklahoma, pursuant to the Federal Aviation Act on the following date as a document or conveyance bearing the following number:

	DATE OF RECORDING	DOCUMENT OR CONVEYANCE NO.
Security Agreement.....		

WHEREAS, the Company, as provided in the Security Agreement, is hereby executing and delivering to the Security Agent this Supplemental Security Agreement for the purposes of adding locations at which the Pledged Spare Parts may be maintained by or on behalf of the Company; and

WHEREAS, all things necessary to make this Supplemental Security Agreement the valid, binding and legal obligation of the Company, including all proper corporate action on the part of the Company, have been done and performed and have happened;

NOW, THEREFORE, THIS SUPPLEMENTAL SECURITY AGREEMENT WITNESSETH, that the locations listed on Schedule 1 hereto shall be Designated Locations for purposes

of the Security Agreement at which Pledged Spare Parts may be maintained by or on behalf of the Company.

This Supplemental Security Agreement shall be construed as supplemental to the Security Agreement and shall form a part thereof, and the Security Agreement is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

THIS SUPPLEMENTAL SECURITY AGREEMENT IS DELIVERED IN THE STATE OF NEW YORK. THIS SECURITY AGREEMENT SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Delivery of an executed counterpart of a signature page to this Supplemental Security Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Supplemental Security Agreement.

IN WITNESS WHEREOF, this Supplemental Security Agreement has been duly executed and delivered all as of the date first above written.

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

SCHEDULE I to EXHIBIT A

SCHEDULE 1
DESIGNATED LOCATIONS

WAREHOUSING	
Continental Airlines, Inc., Stores / Receiving	5840 S. Carge Road, Cleveland, OH 44135
Continental Airlines, Inc., Off-Site Warehouse	640 Frelinghuysen Ave., Newark, NJ 07114
Continental Airlines, Inc., Stores / Receiving	Brewster Road, Hangar 55C, Newark, NJ 07114
Continental Airlines, Inc., Stores / Receiving	17-3120 Mariner Avenue, Tiyan Barrigada, Guam 96913
Continental Airlines, Inc., Stores / Receiving	Material Services - EWA Service Road. Gate 30, Honolulu International Airport, Honolulu, HI 96819
Continental Airlines, Inc., Stores / Receiving	110 Lauhoe Place, Honolulu, HI 96819
Continental Airlines, Inc., Stores / Receiving	8401 Travelair Hangar #7, Houston, TX 77061
Continental Airlines, Inc., Stores / Receiving	Houston Intercontinental Airport, Houston, TX 77032
Continental Airlines, Inc., Stores / Receiving	7300 World Way West, Los Angeles, CA 90045
Continental Airlines, Inc., Stores / Receiving	5410 Bear Road, Orlando, FL 32827
Continental Airlines, Inc., Morales Warehouse Kitting	4849 Wright Road, Houston, TX 77032
Continental Airlines, Inc., Parts Control	15851 Vickery Drive, Houston, TX 77032
Continental Airlines, Inc., Stores / Receiving	4849 Wright Road / Bldg B, Houston, TX 77032

	MAINTENANCE
Continental Airlines, Inc.	Atlanta Hartsfield Intl. Airport Concourse D - 8, Atlanta, GA 30320
Continental Airlines, Inc.	Logan Intl. Airport Terminal C - A/C Dept., E. Boston, MA 02128
Continental Airlines, Inc.	5300 Riverside Drive, Cleveland, OH 44135
Continental Airlines, Inc.	Ronald Reagan Washington National Airport, Washington, DC 20001
Continental Airlines, Inc.	26360 East 103rd Avenue, Denver, CO 80249
Continental Airlines, Inc.	910 W. Airfield Drive, Ste. 500, Dallas, TX 75261
Continental Airlines, Inc.	Detroit Metro Airport, Detroit, MI 48242
Continental Airlines, Inc.	Hangar 54, Brewster Road, Newark, NJ 07114
Continental Airlines, Inc.	50 Terminal Drive, Ft. Lauderdale, FL 33315
Continental Airlines, Inc.	Honolulu Intl. Airport, 110 Lauhoe Drive, Honolulu, HI 96819
Continental Airlines, Inc.	8437 Lockheed, Bldg. 3 Upstairs, Houston, TX 77061
Continental Airlines, Inc.	4849 Wright Road, 141-B, Hangar E, Houston, TX 77032
Continental Airlines, Inc.	15555 Vickery Drive, Houston, TX 77032
Continental Airlines, Inc.	5757 Wayne Newton Blvd.- Ticket Counter, Las Vegas, NV 89111
Continental Airlines, Inc.	7300 World Way West, Los Angeles, CA 90045
Continental Airlines, Inc.	LaGuardia Airport, Main Terminal, Flushing, NY 11371
Continental Airlines, Inc.	8855 Tradeport Drive, Orlando, FL 32827
Continental Airlines, Inc.	Miami Int'l Airport - Concourse G, Miami, FL 33122
Continental Airlines, Inc.	New Orleans Intl. Airport Bldg 1, East Access Road, Kenner, LA 70062
Continental Airlines, Inc.	O'Hare Intl. Airport, Chicago, IL 60666
Continental Airlines, Inc.	3400 Sky Harbor Blvd., Phoenix, AZ 85034
Continental Airlines, Inc.	Raleigh - Durham Intl. Airport, Raleigh, NC 27613
Continental Airlines, Inc.	9700 Airport Blvd. Room 222, San Antonio, TX 78216
Continental Airlines, Inc.	SEA-TAC Intl. Airport- A/C MX Dept., Seattle, WA 98158
Continental Airlines, Inc.	San Francisco Intl. Airport-S. Terminal Bldg, San Francisco, CA 94128
Continental Airlines, Inc.	18601 N. Airport Way, Ste. 207, Santa Ana, CA 92707
Continental Airlines, Inc.	Tampa Intl. Airport - Airside A, Tampa, FL 33607

REPAIR SUPPLIES

4 Flight Industries	2057 S Grove Avenue, Ontario, CA 91761
AAR Hermetic	100 Corporate Drive, Holtsville, NY 11742
ACME Electric Corporation	528 West 21st Street, Tempe, AZ 85282
Adams Rite Aerospace Inc	4141 N Palm St, Fullerton, CA 92835
Air Cruisers Company	1740 Highway 34 North, Wall Township, NJ 07719
Air Cruisers Company	15556 Dupont Avenue Building B, Chino, CA 91710
Air Show Inc	15222 Del Amo, Tustin, CA 92780
Air Spares	2617 East "L" Street, Tacoma, WA 98421-2201
Aircraft Interiors Resources	283 Lockhaven, Suite 122, Houston, TX 77073
Allen Aircraft Products Inc	6168 Woodbine Avenue, Ravenna, OH 44266
Ameron Global Product Support	1350-2 Lincoln Avenue, Holbrook, NY 11741
Ametek Aerospace	Aerospace & Power Inst., 50 Fordham Road, Wilmington, MA 01887
Ametek Aerospace	1644 Whittier Ave., Costa Mesa, CA 92627
Applied Aerodynamics Inc	2265 Valley Branch Ln, Dallas, TX 75234
Argo-Tech Corporation	671 West 17th Street, Costa Mesa, CA 92627
Arkwin Industries, Inc	686 Main Street, Westbury, NY 11590
Aviall Battery Shop	2139 Airport Rd, Waterford, MI 48327
Aviall Services Inc	8210 Haskell Avenue, Van Nuys, CA 91406
Aviall Services Inc	8305 B Telephone Rd, Houston, TX 77061
Aviall Services Inc	140 Grand St., Teterboro Airport, Carlstadt, NJ 07072
Aviation Product Support Inc	7600 Tyler Blvd, Mentor, OH 44060
Av-Ox, Inc	6734 Valjean Avenue, Van Nuys, CA 91406
Av-Ox, Inc	1812 Production Court, Louisville, KY 40299
Avtech Corp	3400 Wallingford Avenue N, Seattle, WA 98103
BAE Systems Controls Inc	2000 Taylor St, Dock #1, Fort Wayne, IN 46802
Barry Controls Aerospace	4510 Van Owen Street, Burbank, CA 91505
BE Aerospace	10800 Pflumm Road, Lenexa, KS 66215
BE Aerospace ISG	3355 E. Lapalma Avenue, Repair Division, Anaheim, CA 92806
BFGoodrich Aircraft	Repairs/Cust Service, 100 Panton Road, Vergennes, VT 05491

Boeing Company Airplane Div	Cust Repair Services, M/S 34-02/Col d4, 2201 S. 142 St. Door W10, Seatac, WA 98168
Boeing Company Airplane Div	3131 Storey Road West, Irving, TX 75038
Boeing Company Airplane Div	2201 S 142nd Street, Bldg 2201 Door W-10, SSA111, Seatac, WA 98168
Boeing Company Airplane Div	The Boeing Co Wichita Div, Attn: T Spear 316-526-7268, 3801 S. Oliver, Building 1-198D, Wichita, KS 67277-2207
Britax Aircraft Interior	Kent North Corporate Park, 8011 South 187th Street, Building G, Kent, WA 98032
Carleton Technologies Inc	10 Cobham Drive, Orchard Park, NY 14127
Circle Seal Corporation	Return Materials, 2301 Wardlow Circle, Corona, CA 91720
Continental Airlines	Battery Shop, Orlando Intl Airport, 5410 Bear Rd, Suite 300, Orlando, FL 32827
Continental Airlines, Inc.	Sheetmetal Sh, E250, MX10, Los Angeles Intl Airport, 7300 World Way West, Los Angeles, CA 90045
Crane Co Hydro-Aire Division	3000 Winona Avenue, Burbank, CA 91503
Crissair Inc	38905 10th Street East, Palmdale, CA 93590
Curtiss-Wright Flight Sys	3120 Northwest Blvd., Gastonia, NC 28052-1167
Delta Airlines Inc	Hartsfield Int'l Airport, TOC2 & TOC3 Breezeway, Department 380, 1775 Aviation Blvd, Atlanta, GA 30320-6001
Eaton Aeroquip Inc	Meadowbrook Road, Toccoa, GA 30577
Eaton Aerospace LLC	3675 Patterson Avenue S.E., Grand Rapids, MI 49512
EFS Aerospace Inc 643247	24910 Avenue Tibbetts, Valencia, CA 91355
Eldec Corporation	1522 217th Pl. Southeast, Bothell, WA 98021
Envirovac Inc	1260 Turret Drive, Rockford, IL 61115
Fortner Engineering &	918 Thompson Avenue, Glendale, CA 91201-2079
Frisby Aerospace, Inc	4520 Hampton Rd, Clemmons, NC 27012
Gables Engineering Inc	247 Greco Avenue, Coral Gables, FL 33146
GE Aircraft Engines	1200 Jaybird Road, Peebles, OH 45660
GE Engine Services, Inc	Aviation Service Dept, ACSC Central Rcv'g Dock 1, 199 Container Place, Cincinnati, OH 45246
GE Engine Services, Inc	Strother Field Industrial Park, Arkansas City, KS 67005
GE Engine Services, Inc	c/o Honeywell Intl Inc, 1 Cliff Garrett Dr, Anniston, AL 36201
General Dynamics OTS, Inc.	Attn: CRR, 9845 Willows Rd. NE, Building 97A, Redmond, WA 98052
GKN Aerospace Chem-Tronics Inc	1550 N. 105th East Avenue, Tulsa, OK 74116
Goodrich Corporation	2403 Walnut Ridge, Dallas, TX 75229
Goodrich Corporation	9151 King Arthur Drive, Dallas, TX 75247
Goodrich Corporation	Landing Gear Division, 3201 N W. 167th St, Opa Lacka, FL 33056-4253

Goodrich Corporation	Stringtown Rd., HC75, Union, WV 24983
Goodrich Corporation	30 Van Nostrand Avenue, Englewood, NJ 07631-4396
Goodrich Corporation	Aerostructures Group, Foley Service Center, 1300 West Fern Avenue, Foley, AL 36536
Goodrich Corporation	3405 So 5th Street, Phoenix, AZ 85040
Goodrich Corporation	Everett Service Center, Everett, WA 98204-3500
Goodrich Corporation AIS	817 W. Howard Lane, Austin, TX 78753-9710
H&L Accessory Inc	T824 Old Woodruff Rd, Greer, SC 29651
Hamilton Sundstrand	4747 Harrison Road, Plant 6, RATN. Repair Center, Rockford, IL 61108
Hamilton Sundstrand	18008B N. Black Canyon Highway, Phoenix, AZ 85023
Hamilton Sundstrand Corp	1 Hamilton Rd., Doc W, Windsor Locks, CT 06096
Hamilton Sundstrand Corp	4401 Donald Douglas Drive, Long Beach, CA 90808
Hartman Electrical Mfg.	Div.-CII Technologies, 175 North Diamond Street, Mansfield, OH 44902
Hawker Pacific Inc	11310 Sherman Way, Sun Valley, CA 91352
Honeywell Inc	1830 Industrial Avenue, Wichita, KS 67216
Honeywell Inc	4150 Lind Ave S W, Renton, WA 98055
Honeywell Inc	8840 Evergreen Blvd., Coon Rapids, MN 55433-6040
Honeywell International	16580 Air Center Blvd., Suite #400, Houston, TX 77032
Honeywell International Inc	1944 E. Sky Harbor Circle, Phoenix, AZ 85034
Honeywell International Inc	1 Cliff Garrett Dr., Anniston, AL 36201
Honeywell International Inc	1300 West Warner Road, R & O Receiving, Tempe, AZ 85284
Honeywell International Inc	11100 N Oracle Rd, Tucson, AZ 85740-8001
Honeywell International Inc	117 E. Providencia St., Burbank, CA 91502
Honeywell International Inc	6930 N. Lakewood, Tulsa, OK 74117
Honeywell/Grimes	Product Support Group, 240 Twain Ave, Urbana, OH 43078
HR Textron Inc	25200 West Rye Can Rd, Valencia, CA 91355
I T T Aerospace Controls	Repair and Overhaul, 28150 Industry Drive, Valencia, CA 91355
Iacobucci U.S.A.	200 Industrial Way West, Eatontown, NJ 07724
IDC Aerospace, LLC	8050 W. Fairlane Avenue, Milwaukee, WI 53223
IPECO Inc	2275 Jefferson Street, Torrance, CA 90501
JAMCO America	1018 80th St SW, Everett, WA 98203
Kidde Aerospace	4200 Airport Dr, NW Bldg. B, Wilson, NC 27896-9643
KPS N.A. Inc	500-D Radar Road, Greensboro, NC 27410
Kulite Semiconductor Prod.	One Willow Tree Road, Leonia, NJ 07605
L3 Communications Aviation	6000 Fruitville Road, Sarasota, FL 34232-6414

Labinal Aero Defense Sys Inc	7505 Hardeson Road, Suite 100, Everett, WA 98203
Matsushita Avionics Systems	22333 29th Drive S.E., Bothell, WA 98021
Matsushita Avionics Systems	1405 South Beltline Rd #300, Coppell, TX 75019
Med-Air	23015 N. 15 Ave., Suite 105, Phoenix, AZ 85027
Meggitt Safety Systems, Inc	1915 Voyager Avenue, Simi Valley, CA 93063-3349
Messier Services	America, Inc., 45360 Severn Way, Sterling, VA 20166-8914
Midway Aircraft Instrument	100 Riser Rd., Little Ferry, NJ 07643
Miltope Corp	Attn: Product Support, 500 Richardson Road South, Hope Hull, AL 36043
Monogram Sanitation	800 West Artesia Blvd., Compton, CA 90224
Moog Inc	2268 South 3270 West, Salt Lake City, UT 84119
Norco Inc	139 Ethan Allen Highway, Ridgefield, CT 06877-6294
Nordam Group Inc	11200 E. Pine Street, Tulsa, OK 74116
Nordam-Texas	5101 Blue Mound Rd, Ft. Worth, TX 76106
P L Porter Controls, Inc	6355 Desoto, Woodland Hills, CA 91367
Parker Hannifin	2220 Palmer Ave., Kalamazoo, MI 49001-4165
Parker Hannifin Corp	14300 Alton Parkway, Irvine, CA 92618
Parker Hannifin Corp	Gull Electronics Sys. Div, 300 Marcus Boulevard, Smithtown, NY 11787
Parker Hannifin Corp	200 Railroad Street, Forest, OH 45843
PPG Industries Inc	1719 Highway 72 East, Huntsville, AL 35811
Radiant Power Corp	6416 Parkland Drive, Ste B, Sarasota, FL 34243
Rockwell Collins	7235 Corporate Center Dr., #E, Miami, FL 33126
Rockwell Collins Avionics	400 Collins Road N.E., Cedar Rapids, IA 52498
Rockwell Collins Avionics	5159 Southridge Parkway, Atlanta, GA 30349
Rockwell Collins Avionics	2051 Airport Road, Wichita, KS 67209-1949
Rockwell Collins Avionics	8304 Esters Blvd, Suite 890, Irving, TX 75062-2209
Rockwell Collins Avionics	620 Naches Ave SW, Renton, WA 98055
Rogerson Kratos	16940 Von Karman, Irvine, CA 92606
Rosemount Aerospace Inc	14300 Judicial Road, Burnsville, MN 55306
Sicma Aero Seat Services, Inc	22030 20th Ave. SE Ste 102, Bothell, WA 98021
Smiths Aerospace Acuation	2720 W Washington Ave, Yakima, WA 98909
Smiths Industries	14100 Roosevelt Blvd. Dock B, Clearwater, FL 33762
Smiths Industries	3290 Patterson Ave., Grand Rapids, MI 49512-1991
Smiths Industries Acuation Sys	110 Algonquin Parkway, Whippany, NJ 07981
Soundair	15510 Wood-Red Rd., Woodinville, WA 98072

Spirent Systems Wichita Inc	8710 E. 32nd North, Wichita, KS 67226
Tactair Fluids Control	4806 West Taft Road, Liverpool, NY 13088
Teledyne Controls	12333 West Olympic Boulevard, Los Angeles, CA 90064
Thales Avionics, Inc.	641 Industry Drive, Seattle, WA 98188
Transaero Inc	80 Crossways Park Drive, Woodbury, NY 11797
Transdigital Comm Corporation	1800 E Lambert Road, Suite 230, Brea, CA 92821
Unison Industries	7575 Bay Meadows Way, Jacksonville, FL 32256
Verizon Airfone Inc	3600 Thayer Ct, Aurora, IL 60504
Vibro-Metr Inc	10 Ammon Drve, Manchester, NH 03103
Vickers Inc	5353 Highland Drive, Jackson, MS 39206
Volvo Aero Services LP	23206 66th Ave South, Kent, WA 98032
West Coast Specialties Inc	8158 304th Ave. S.E., Preston, WA 98050
Whittaker Controls Inc	12838 Saticoy St, North Hollywood, CA 91605

SCHEDULE 1
DESIGNATED LOCATIONS

MAINLINE STATIONS

Albuquerque Int'l Airport	2200 Sunport Blvd South East, Albuquerque, NM 87106
Anchorage Int'l Airport	5000 W. International Airport, Anchorage, AK 99502
Atlanta Int'l Airport	6000 North Terminal Drive, Atlanta, GA 30320
Austin-Bergstrom Int'l Airport	3600 Presidential Blvd, Suite 103, Austin, TX 78719
Bradley Int'l Airport	Bradley International Airport, Windsor Locks, CT 06096
Birmingham Int'l Airport	5900 Airport Hwy., Birmingham, AL 35212
Nashville Metropolitan Airport	1 Terminal Dr, Suite 329, Nashville, TN 37214
Logan Int'l Airport	Logan International Airport, 300 Terminal C, East Boston, MA 02128
Baton Rouge Metropolitan Airport	Terminal Building, Baton Rouge, LA 70807
Buffalo Niagara Int'l Airport	Buffalo Niagara International Airport, East Terminal, Attn: Ticket Counter, Buffalo, NY 14225
Baltimore/Washington Int'l Airport	Baltimore/Washington International Airport, Baltimore, MD 21240
Charleston Int'l Airport	5500 International Blvd, Ticket Counter, Charleston, SC 29418
Charlotte Douglas Int'l Airport	5501 Josh Birmingham Pkwy, Charlotte, NC 28219
Port Columbus Int'l Airport	4600 International Gateway, Columbus, OH 43219
Colorado Springs Int'l Airport	Peterson Field, 7770 Drennan Rd., Colorado Springs, CO 80916
Corpus Christi Int'l Airport	606 International Dr., Corpus Christi, TX 78406
Washington National Airport	Ronald Reagan Washington National Airport, Terminal B, Washington, DC 20001
Denver Int'l Airport	8700 Pena Blvd., Room 3260, Denver, CO 80249
Dallas/Ft.Worth Int'l Airport	Terminal B, Dallas/Ft. Worth, TX 75261
Detroit MetroAirport	Edward H. McNamara Terminal, Building 830, Detroit, MI 48242
Eagle/Vail Int'l Airport	0215 Eldon Wilson Rd., Gypsum, CO 81637
El Paso Int'l Airport	6701 Convair, El Paso, TX 79925
Ft. Lauderdale Int'l Airport	50 Terminal Drive, Terminal 1, Ft. Lauderdale, FL 33315
Piedmont Triad Int'lAirport	6415 Airport Parkway, Greensboro, NC 27409
Yampa Valley Regional Airport	11005 Routt County Rd. 51A, Hayden, CO 81639
Honolulu Int'l Airport	300 Rogers Blvd. #11, Honolulu, HI 96819
Washington Dulles Int'l Airport	Main Ticket Counter, Washington, DC 20041
Indianapolis Int'l Airport	2500 South High School Rd. Suite 33, Indianapolis, IN 46241
Jacksonville Int'l Airport	2400 Yankee Clipper Drive, Suite 108, Jacksonville, FL 32218

SCHEDULE 1
DESIGNATED LOCATIONS

JFK Int'l Airport	Terminal One Ticket Office, Jamaica, NY 11430
McCarran Int'l Airport	5757 Wayne Newton Blvd., Las Vegas, NV 89111
Los Angeles Int'l Airport	600 World Way, Los Angeles, CA 90045
La Guardia Int'l Airport	Central Terminal Building, Flushing, NY 11371
Kansas City Int'l Airport	52 Beirut Circle, Kansas City, MO 64153
Orlando Int'l Airport	9247 Airport Blvd, Orlando, FL 32827
Midway Airport	5757 S. Cicero, Chicago, IL 60638
Memphis Int'l Airport	2491 Winchester, Memphis, TN 38116
Miller Int'l Airport	2500 South Bicentennial Blvd, Suite 101, McAllen, TX 78503
Manchester Airport	Manchester Airport, Airport Road, Manchester, NH 03103
Miami Int'l Airport	Miami International Airport, Concourse G - 3rd Fl., Miami, FL 33159
General Mitchell Int'l Airport	S. Howell Avenue, Milwaukee, WI 53207
Minneapolis/St.Paul Int'l Airport	4300 Glumack Drive, Blue Concourse, St. Paul, MN 55111
New Orleans Int'l Airport	900 Airline Hwy., Kenner, LA 70061
Montrose County Airport	2100 Airport Road, Suite 104, Montrose, CO 81401
Myrtle Beach Int'l Airport	1100 Jetport Rd., Myrtle Beach, SC 29577
Oakland Int'l Airport	1 Airport Drive, Oakland, CA 94621
Will Rogers World Airport	7100 Terminal Dr., Oklahoma City, OK 73159
Eppley Airfield	4501 Abbot Drive, Omaha, NE 68119
Ontario Int'l Airport	2900 E. Airport Dr., Room 1464, Ontario, CA 91761
O'Hare Int'l Airport	O'Hare International Airport, Chicago, IL 60666
Norfolk Int'l Airport	2200 Norview Avenue, Norfolk, VA 23518
Palm Beach Int'l Airport	1000 PBIA, Box #114, West Palm Beach, FL 33406
Portland Int'l Airport	7000 NE Airport Way, Portland, OR 97218
Philadelphia Int'l Airport	Philadelphia International Airport, Concourse D, Philadelphia, PA 19153
Sky Harbor Int'l Airport	3800 Sky Harbor Blvd., Phoenix, AZ 85034
Pittsburgh Int'l Airport	Pittsburgh International Airport, Main Terminal, Pittsburgh, PA 15231
Pensacola Int'l Airport	2430 Airport Blvd., Pensacola, FL 32504
Palm Springs Int'l Airport	3400 E. Tahquitz Canyon Way Suite 2, Palm Springs, CA 92262
Theodore Francis Green Airport	T. F. Green State Airport, Post Road, Warwick, RI 02886
Raleigh Durham Int'l. Airport.	1035 Cargo Rd, Raleigh NC 27623
Richmond Int'l Airport	1 Richard E. Byrd Drive, Suite 105, Richmond, VA 23231
Reno Tahoe Int'l Airport	2001 East Plumb Lane, Reno, NV 89502
Southwest Florida Int'l Airport	16000 Chamberlin Parkway, Ft. Myers, FL 33913

San Diego Int'l Airport	3707 North Harbor Drive, Suite 115, San Diego, CA 92101
San Antonio Int'l Airport	9700 Airport Blvd., San Antonio, TX 78216
Savannah Int'l Aiport	424 Airways Ave., Savannah, GA 31408
Louisville Int'l Airport	600 Terminal Drive, Box 6, Louisville, KY 40209
Seattle-Tacoma Int'l Airport	17801 Pacific Highway South, Seattle, WA 98158
San Francisco Int'l Airport	South Terminal Building Tkt Counter Level, San Francisco, CA 94128
San Jose Int'l Airport	1661 Airport Blvd, Terminal C, San Jose, CA 95110
Salt Lake Int'l Airport	776 Terminal Rd., Salt Lake City, UT 84122
Sacramento Metropolitan Airport	6850 Airport Boulevard, Sacramento, CA 95837
John Wayne Airport	18601 N. Airport Way, Suite 207, Santa Ana, CA 92707
Sarasota/Bradenten Airport	6008 Airport Circle, Sarasota, FL 34243
Lambert Field	10701 Lambert Int'l Blvd., St. Louis, MO 63145
Tampa Int'l Airport	5500 West Spruce St., Tampa, FL 33607
Tulsa Int'l Airport	7777 East Apache, Tulsa, OK 74115
Tucson Int'l Airport	7005 South Plumer Ave., Tucson, AZ 85706

REFERENCE AGENCY AGREEMENT

REFERENCE AGENCY AGREEMENT, dated as of December 6, 2002 (this "AGREEMENT"), between Continental Airlines, Inc., a Delaware corporation (the "COMPANY"), Wilmington Trust Company, a Delaware banking corporation ("WTC"), as Trustee under the Indenture referred to below, and WTC, as reference agent hereunder (the "REFERENCE AGENT").

W I T N E S S E T H:
- - - - - - - - - - -

WHEREAS, certain terms used herein have the defined meanings as provided in Section 1 below;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Company is entering into the Indenture, dated as of the date hereof (the "INDENTURE"), with WTC, as Trustee, Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider;

WHEREAS, the Indenture contemplates the issuance by the Company of its Floating Rate Secured Notes due 2007 (the "SECURITIES");

WHEREAS, the Company and the Initial Purchaser have entered into the Purchase Agreement, which provides for the issuance of the Securities; and

WHEREAS, the Indenture provides that the Securities to be issued thereunder bear interest at a rate per annum based on LIBOR, as determined pursuant to this Agreement.

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

SECTION 1. DEFINITIONS. Unless otherwise defined herein, all capitalized terms used but not defined herein have the meanings assigned to such terms in the Indenture. The conventions of construction and usage set forth in the Indenture are incorporated by reference herein. In addition, the following terms shall have the meanings specified below:

"INTEREST PAYMENT DATE" means March 1, June 1, September 1 and December 1 of each year so long as any Security is outstanding (commencing on March 1, 2003), PROVIDED that if any such day is not a Business Day, then the relevant Interest Payment Date shall be the next succeeding Business Day.

"INTEREST PERIOD" means (i) in the case of the first Interest Period, the period commencing on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date following such date and (ii) in the case of each subsequent Interest Period, the period commencing on (and including) the last day of the immediately preceding Interest Period, and ending on (but excluding) the next Interest Payment Date.

"INTEREST RATE DETERMINATION DATE" means, with respect to any Interest Period, the second London Banking Day prior to the first day of such Interest Period.

"LIBOR" means the rate determined pursuant to Section 6(b).

"LONDON BANKING DAY" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England.

"REFERENCE BANKS" means Barclays Bank, JPMorgan Chase Bank and Deutsche Bank (or, if any such bank is not at the relevant date a major bank in the London interbank market, another major bank in the London interbank market in lieu thereof selected by the Reference Agent in good faith and in a commercially reasonable manner).

"REPRESENTATIVE AMOUNT" means an amount that is representative for a single transaction in the London interbank market at the relevant time.

"TELERATE" means page 3750 on the Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated by the British Banker's Association for the purpose of displaying rates or prices comparable to that).

SECTION 2. APPOINTMENT OF REFERENCE AGENT. The Company hereby appoints WTC as the Reference Agent, and WTC hereby accepts such appointment and agrees to perform the duties and obligations of Reference Agent set forth in Section 6.

SECTION 3. STATUS OF REFERENCE AGENT. Any acts taken by the Reference Agent under this Agreement, including the calculation of any LIBOR, shall be deemed to have been taken by the Reference Agent solely in its capacity as an agent acting on behalf of the Company and shall not create or imply any obligation to, or any agency, fiduciary or trust relationship with, any of the owners or holders of the Securities.

SECTION 4. REFERENCE AGENT FEES AND EXPENSES. In consideration of the Reference Agent's performance of the services provided for under this Agreement, the Company shall pay to the Reference Agent an annual fee set forth under a separate agreement between the Company and WTC. In addition, the Company shall reimburse the Reference Agent for all reasonable out-of-pocket expenses, disbursements and advances (including reasonable legal fees and expenses) incurred or made by the Reference Agent from time to time in connection with the services rendered by it under this Agreement, except any expenses, disbursements or advances attributable to its negligence or wilful misconduct.

SECTION 5. RIGHTS AND LIABILITIES OF REFERENCE AGENT. In the absence of

negligence or wilful misconduct on the part of the Reference Agent, its directors, officers, employees and agents, such persons may conclusively rely, as to the truth of the statements expressed in, and shall be fully protected and shall incur no liability for, or in respect of, any action taken, omitted to be taken, or suffered to be taken by it, in reliance upon, any written order, instruction, notice, request, direction, statement, certificate, consent,

report, affidavit or other instrument, paper, document or communication, reasonably believed by it in good faith to be genuine, from the Company and conforming to the requirements of this Agreement. Any written order, instruction, notice, request, direction, statement, certificate, consent, report, affidavit or other instrument, paper, document or communication from the Company or given by it and sent, delivered or directed to the Reference Agent under, pursuant to, or as permitted by, any provision of this Agreement shall be sufficient for purposes of this Agreement if such written order, instruction, notice, request, direction, statement, certificate, consent, report, affidavit or other instrument, paper, document or communication is in writing and signed by any officer of the Company. The Reference Agent may consult with counsel satisfactory to it and the advice (to be confirmed in writing) or opinion of such counsel shall constitute full and complete authorization and protection of the Reference Agent with respect to any action taken, omitted to be taken, or suffered to be taken by it hereunder in good faith and in accordance with and in reliance upon the advice (to be confirmed in writing) or opinion of such counsel. The Reference Agent shall not be liable for any error resulting from use of or reliance on a source or publication required to be used under Section 6 to the extent such use of or reliance on such source or publication is contemplated by Section 6.

SECTION 6. DUTIES OF REFERENCE AGENT. (a) The duties and obligations of the Reference Agent shall be determined solely by the express provisions of this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Reference Agent. Subject to their duty to act without negligence, neither the Reference Agent nor its directors, officers, employees and agents guarantee the correctness or completeness of any data or other information furnished hereunder.

(b) For the purpose of calculating the Debt Rate payable on the Securities "LIBOR" for each Interest Period that commences after the Closing Date (it being understood that the Debt Rate for the Interest Period commencing on the Closing Date shall be determined pursuant to the Purchase Agreement) shall mean the rate determined in accordance with the following provisions:

(i) The Reference Agent will determine LIBOR for each such Interest Period as the rate for deposits in U.S. Dollars for a period of three months which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on the Interest Rate Determination Date for such Interest Period.

(ii) If the rate referred to in Section 6(b)(i) 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 the Reference Banks at approximately 11:00 a.m., London time, on the Interest Rate Determination 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 a Representative Amount. 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 as requested, the rate for that Interest Period will 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 a

Representative Amount, 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.

(c) As soon as practicable after 11:00 a.m. (London time) on each Interest Rate Determination Date, the Reference Agent will calculate the Debt Rate for such Interest Period, which shall be applicable to the Securities. The Reference Agent's determination of LIBOR and the Debt Rate (in the absence of negligence, willful default, bad faith or manifest error) shall be conclusive and binding upon all parties.

(d) As promptly as is practicable after the determination thereof, the Reference Agent shall give notice of the applicable LIBOR, the Debt Rate and the next Interest Payment Date to the Company, the Liquidity Provider, the Policy Provider and the Trustee.

(e) The Reference Agent shall determine Break Amount if and when required under the Indenture.

SECTION 7. AMENDMENT OF THE SECURITIES. The Company shall deliver to the Reference Agent, at least three Business Days prior to the effective date of any amendment of the interest rate terms of the Indenture, written notice of such amendment describing the terms of such amendment in reasonable detail, and a certification by the Company that such amendment is in compliance with the terms of the Indenture.

SECTION 8. OWNERSHIP OF THE SECURITIES. The Reference Agent, its officers, directors, employees and shareholders may become the owners of or acquire any interest in any Securities, with the same rights that it or they would have if it were not the Reference Agent, and may engage or be interested in any financial or other transaction with the Company as freely as if it were not the Reference Agent.

SECTION 9. TERM; TERMINATION, RESIGNATION OR REMOVAL OF REFERENCE AGENT. (a) This Agreement shall have a noncancellable term commencing on the date hereof and expiring on payment in full of the Securities or, if earlier, termination of the Indenture. During such term, this Agreement shall not be terminable by any party hereto except as expressly provided in Section 9(b).

(b) The Reference Agent may at any time resign by giving written notice to the Company and the Trustee, specifying therein the date on which its desired resignation shall become effective; PROVIDED that such notice shall be given no less than 30 days prior to said effective date unless the Reference Agent, the Company and the Trustee otherwise agree in writing. The Company may remove the Reference Agent at any time by giving written notice to the Reference Agent and to the holders of the Securities and specifying the effective date of such removal, which shall be at least 30 days after the date of notice; PROVIDED, HOWEVER, that no resignation by or removal of the Reference Agent shall become effective prior to the date of appointment by the Company, as provided in Section 10, of a successor reference agent and the acceptance of such appointment by such successor reference agent; and PROVIDED, FURTHER, that in the event that an instrument of acceptance by a successor reference agent shall not have been delivered pursuant to Section 10 within 90 days after the giving of such notice of resignation or removal, the Reference Agent may petition any

court of competent jurisdiction for the appointment of a successor reference agent. The provisions of Sections 5, 11 and 13 hereof shall remain in effect following termination of this Agreement or the earlier resignation or removal of the Reference Agent.

SECTION 10. APPOINTMENT OF SUCCESSOR REFERENCE AGENT. In the event of the resignation by or removal of the Reference Agent pursuant to Section 9, the Company shall promptly appoint a successor reference agent. Any successor reference agent appointed by the Company following resignation by or removal of the Reference Agent pursuant to the provisions of Section 9 shall execute and deliver to the incumbent Reference Agent, the Company and the Trustee an instrument accepting such appointment. Thereupon, such successor reference agent shall, without any further act, deed or conveyance, become vested with all the authority, rights, powers, immunities, duties and obligations of the Reference Agent and with like effect as if originally named as Reference Agent hereunder, and the incumbent Reference Agent shall thereupon be obligated to transfer and deliver such relevant records or copies thereof maintained by the Reference Agent in connection with the performance of its obligations hereunder. The Company shall notify each Rating Agency of any resignation by or removal of the Reference Agent under Section 9 and of the appointment of and acceptance by any successor Reference Agent pursuant to this Section 10.

SECTION 11. INDEMNIFICATION. The Company shall indemnify and hold harmless the Reference Agent, its directors, officers, employees and agents from and against any and all actions, claims, damages, liabilities, judgments, losses, costs, charges and expenses (including reasonable legal fees and expenses) relating to or arising out of actions or omissions from actions in any capacity hereunder, except actions, claims, damages, liabilities, judgments, losses, costs, charges and expenses caused by the negligence or wilful misconduct of the Reference Agent, its directors, officers, employees or agents. The Reference Agent shall be indemnified and held harmless by the Company for any error resulting from use of or reliance on a source or publication required to be used under Section 6. The Reference Agent shall be indemnified and held harmless by the Company for, or in respect of, any actions taken, omitted to be taken or suffered to be taken in good faith by the Reference Agent in reliance upon (a) advice (to be confirmed in writing) or opinion of counsel or (b) a written instruction from the Company.

SECTION 12. MERGER, CONSOLIDATION OR SALE OF BUSINESS BY REFERENCE AGENT. Any corporation into which the Reference Agent may be merged or consolidated or any corporation resulting from any merger or consolidation to which the Reference Agent may be a party, or any corporation to which the Reference Agent may sell or otherwise transfer all or substantially all of its assets and corporation trust business, shall, to the extent permitted by applicable law, become the Reference Agent under this Agreement without the execution or filing of any paper or any further act by the parties hereto. The Reference Agent shall give notice in writing to the Company and the Trustee of any such merger, consolidation or sale.

SECTION 13. MISCELLANEOUS. (a) If there should develop any conflict between the Reference Agent and any other Person relating to the rights or obligations of the Reference Agent in connection with calculation of LIBOR or the Debt Rate, the terms of this Agreement shall govern such rights and obligations.

(b) The Reference Agent agrees to cooperate with the Company and its agents, employees, directors and officers, including by providing such information as may reasonably be requested to permit the Company or such agents, employees, directors and officers to monitor the Reference Agent's compliance with its obligations under this Agreement.

(c) The Reference Agent shall not assign or delegate or otherwise subcontract this Agreement or all or any part of its rights or obligations hereunder to any Person without the prior written consent of the Company.

(d) THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

(e) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

[Remainder of this page is blank.]

IN WITNESS WHEREOF, this Agreement has been entered into as of the date first set forth above.

CONTINENTAL AIRLINES, INC.

By

Name:
Title:

WILMINGTON TRUST COMPANY, as
Reference Agent

By

Name:
Title:

WILMINGTON TRUST COMPANY, as
Trustee

By

Name:
Title:

REVOLVING CREDIT AGREEMENT

DATED AS OF DECEMBER 6, 2002

BETWEEN

WILMINGTON TRUST COMPANY,
AS TRUSTEE
UNDER THE INDENTURE

AS BORROWER

AND

MORGAN STANLEY CAPITAL SERVICES INC.

AS LIQUIDITY PROVIDER

RELATING TO

CONTINENTAL AIRLINES
FLOATING RATE SECURED NOTES
DUE 2007

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ANNEX V Notice of Termination

ANNEX VI Notice of Replacement Trustee

REVOLVING CREDIT AGREEMENT

This REVOLVING CREDIT AGREEMENT (this "Agreement") dated as of December 6, 2002, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity but solely as Trustee under the Indenture (each as defined below) (the "BORROWER"), and MORGAN STANLEY CAPITAL SERVICES INC., a corporation organized under the laws of the State of Delaware (the "LIQUIDITY PROVIDER").

W I T N E S S E T H:
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WHEREAS, pursuant to the Indenture (such term and all other capitalized terms used in these recitals having the meanings set forth or referred to in Section 1.01), the Company is issuing the Securities; and

WHEREAS, the Borrower, in order to support the timely payment of a portion of the interest on the Securities in accordance with their terms, has requested the Liquidity Provider to enter into this Agreement, providing in part for the Borrower to request in specified circumstances that Advances be made hereunder.

WHEREAS, the Liquidity Provider has requested Morgan Stanley (the "GUARANTOR") to enter into a Guarantee Agreement, providing for the full and unconditional guarantee of the Liquidity Provider's obligations under this Agreement (the "GUARANTEE AGREEMENT").

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. (a) DEFINITIONS. As used in this Agreement and unless otherwise expressly indicated, or unless the context clearly requires otherwise, the following capitalized terms shall have the following respective meanings for all purposes of this Agreement:

"ADDITIONAL COST" has the meaning assigned to such term in Section 3.01.

"ADVANCE" means an Interest Advance, a Final Advance, a Provider Advance or an Applied Provider Advance, as the case may be.

"APPLICABLE LIQUIDITY RATE" has the meaning assigned to such term in Section 3.07(g).

"APPLICABLE MARGIN" means (x) with respect to any Unpaid Advance or Applied Provider Advance, 2.00% per annum, or (y) with respect to any Unapplied Provider Advance, the rate per annum specified in the Fee Letter.

"APPLIED DOWNGRADE ADVANCE" has the meaning assigned to such term in Section 2.06(a).

"APPLIED NON-EXTENSION ADVANCE" has the meaning assigned to such term in Section 2.06(a).

"APPLIED PROVIDER ADVANCE" has the meaning assigned to such term in Section 2.06(a).

"BASE RATE" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to (a) the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Liquidity Provider from three Federal funds brokers of recognized standing selected by it, plus (b) one-quarter of one percent (1/4 of 1%).

"BASE RATE ADVANCE" means an Advance that bears interest at a rate based upon the Base Rate.

"BORROWER" has the meaning assigned to such term in the recital of parties to this Agreement.

"BORROWING" means the making of Advances requested by delivery of a Notice of Borrowing.

"BUSINESS DAY" means any day other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Houston, Texas, New York, New York or, so long as any Security is outstanding, the city and state in which the Borrower maintains its Corporate Trust Office or receives or disburses funds, and, if the applicable Business Day relates to any Advance or other amount bearing interest based on the LIBOR Rate, on which dealings are carried on in the London interbank market.

"CAPPED INTEREST RATE" means a rate per annum equal to 12%.

"COMPANY" means Continental Airlines, Inc., a Delaware corporation, and its successors and permitted assigns.

"DOWNGRADE ADVANCE" means an Advance made pursuant to Section 2.02(c).

"EFFECTIVE DATE" has the meaning specified in Section 4.01. The delivery of the certificate of the Liquidity Provider contemplated by Section 4.01(e) shall be conclusive evidence that the Effective Date has occurred.

"EXCLUDED TAXES" means (i) taxes imposed on the overall net income of the Liquidity Provider or of its Facility Office by the jurisdiction where such Liquidity Provider's principal office or such Facility Office is located, and (ii) Excluded Withholding Taxes.

"EXCLUDED WITHHOLDING TAXES" means (i) withholding Taxes imposed by the United States except (but only in the case of a successor Liquidity Provider organized under the laws of a jurisdiction outside the United States) to the extent that such United States withholding Taxes are imposed or increased as a result of any change in applicable law (excluding from change in applicable law for this purpose a change in an applicable treaty or other change in law affecting the applicability of a treaty) after the date hereof, or in the case of a successor Liquidity Provider (including a transferee of an Advance) or Facility Office, after the date on which such successor Liquidity Provider obtains its interest or on which the Facility Office is changed, and (ii) any withholding Taxes imposed by the United States which are imposed or increased as a result of the Liquidity Provider failing to deliver to the Borrower any certificate or document (which certificate or document in the good faith judgment of the Liquidity Provider it is legally entitled to provide) which is reasonably requested by the Borrower to establish that payments under this Agreement are exempt from (or entitled to a reduced rate of) withholding Tax.

"EXPENSES" means liabilities, obligations, damages, settlements, penalties, claims, actions, suits, costs, expenses, and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel and costs of investigation), provided that Expenses shall not include any Taxes.

"EXPIRY DATE" means December 4, 2003, initially, or any date to which the Expiry Date is extended pursuant to Section 2.10.

"FACILITY OFFICE" means the office of the Liquidity Provider presently located at New York, New York, or such other office as the Liquidity Provider from time to time shall notify the Borrower as its Facility Office hereunder; provided that the Liquidity Provider shall not change its Facility Office to another Facility Office outside the United States of America except in accordance with Section 3.01, 3.02 or 3.03 hereof.

"FINAL ADVANCE" means an Advance made pursuant to Section 2.02(d).

"GAAP" means generally accepted accounting principles as set forth in the statements of financial accounting standards issued by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, as such principles may at any time or from time to time be varied by any applicable financial accounting rules or regulations issued by the Securities and Exchange Commission and, with respect to any person, shall mean such principles applied on a basis consistent with prior periods except as may be disclosed in such person's financial statements.

"GUARANTOR" has the meaning assigned to such term in the preliminary statements of this Agreement.

"GUARANTEE AGREEMENT" has the meaning assigned to such term in the preliminary statements of this Agreement.

"INDENTURE" means the Indenture dated as of the date hereof among the Company, the Liquidity Provider, the Policy Provider and the Trustee, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"INTEREST ADVANCE" means an Advance made pursuant to Section 2.02(a).

"INTEREST PERIOD" means, with respect to any LIBOR Advance, each of the following periods:

(i) the period beginning on the third Business Day following either (x) the Liquidity Provider's receipt of the Notice of Borrowing for such LIBOR Advance or (y) the withdrawal of funds from the Cash Collateral Account for the purpose of paying interest on the Securities as contemplated by Section 2.06(a) hereof and, in either case, ending on the next Interest Payment Date; and

(ii) each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the next Interest Payment Date;

PROVIDED, HOWEVER, that if (x) the Final Advance shall have been made, or (y) other outstanding Advances shall have been converted into the Final Advance, then the Interest Periods shall be successive periods of one month beginning on the third Business Day following the Liquidity Provider's receipt of the Notice of Borrowing for such Final Advance (in the case of clause (x) above) or the Interest Payment Date following such conversion (in the case of clause (y) above).

"LIBOR ADVANCE" means an Advance bearing interest at a rate based upon the LIBOR Rate.

"LIBOR RATE" means, with respect to any Interest Period,

(i) the rate per annum appearing on display page 3750 (British Bankers Association-LIBOR) of the Dow Jones Markets Service (or any successor or substitute therefor) at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period, or

(ii) if the rate calculated pursuant to clause (i) above is not available, the average (rounded upwards, if necessary, to the next 1/16 of 1%) of the rates per annum at which deposits in dollars are offered for the relevant Interest Period by three banks of recognized standing selected by the Liquidity Provider in the London interbank market at approximately 11:00 A.M.

(London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the LIBOR Advance to which such Interest Period is to apply and for a period comparable to such Interest Period.

"LIQUIDITY EVENT OF DEFAULT" means the occurrence of either (a) the Acceleration of the Securities or (b) a Continental Bankruptcy Event.

"LIQUIDITY INDEMNITEE" means (i) the Liquidity Provider, (ii) the Guarantor, (iii) the respective directors, officers, employees and agents of the Liquidity Provider and the Guarantor, and (iv) the successors and permitted assigns of the persons described in clauses (i) through (iii), inclusive.

"LIQUIDITY PROVIDER" has the meaning assigned to such term in the recital of parties to this Agreement.

"MAXIMUM AVAILABLE COMMITMENT" shall mean, subject to the proviso contained in the third sentence of Section 2.02(a), at any time of determination, (a) the Maximum Commitment at such time LESS (b) the aggregate amount of each Interest Advance outstanding at such time; provided that following a Provider Advance or a Final Advance, the Maximum Available Commitment shall be zero.

"MAXIMUM COMMITMENT" means initially $48,733,333.33 as the same may be reduced from time to time in accordance with Section 2.04(a).

"NON-EXCLUDED TAX" has the meaning specified in Section 3.03.

"NON-EXTENSION ADVANCE" means an Advance made pursuant to Section 2.02(b).

"NOTICE OF BORROWING" has the meaning specified in Section 2.02(e).

"NOTICE OF REPLACEMENT TRUSTEE" has the meaning specified in Section 3.08.

"OFFERING MEMORANDUM" means the Offering Memorandum dated December 2, 2002 relating to the Securities, as such Offering Memorandum may be amended or supplemented.

"PROVIDER ADVANCE" means a Downgrade Advance or a Non-Extension Advance.

"REFERENCE BANK" has the meaning assigned to such term in Section 7.08(a).

"REGULATORY CHANGE" has the meaning assigned to such term in Section 3.01.

"REPLENISHMENT AMOUNT" has the meaning assigned to such term in Section 2.06(b).

"REQUIRED AMOUNT" means, for any day, the sum of the aggregate amount of interest, calculated at the rate per annum equal to the Capped Interest

Rate that would be payable on the Securities on each of the eight successive quarterly Interest Payment Dates immediately following such day or, if such day is an Interest Payment Date, on such day and the succeeding seven quarterly Interest Payment Dates, in each case calculated on the basis of the principal amount of the Securities on such day and without regard to expected future payments of principal on the Securities.

"TERMINATION DATE" means the earliest to occur of the following: (i) the Expiry Date; (ii) the date on which the Borrower delivers to the Liquidity Provider a certificate, signed by a Responsible Officer of the Borrower, certifying that the Securities have been paid in full (or provision has been made for such payment in accordance with the Indenture) or are otherwise no longer entitled to the benefits of this Agreement; (iii) the date on which the Borrower delivers to the Liquidity Provider a certificate, signed by a Responsible Officer of the Borrower, certifying that a Replacement Liquidity Facility has been substituted for this Agreement in full pursuant to Section 3.5(e) of the Indenture; (iv) the fifth Business Day following the receipt by the Borrower of a Termination Notice from the Liquidity Provider pursuant to Section 6.01 hereof; (v) the date on which no Advance is or may (including by reason of reinstatement as herein provided) become available for a Borrowing hereunder; and (vi) the occurrence of the Liquidity Provider Reimbursement Date.

"TERMINATION NOTICE" means the Notice of Termination substantially in the form of Annex V to this Agreement.

"TRANSFEREE" has the meaning assigned to such term in Section 7.08(b).

"UNAPPLIED DOWNGRADE ADVANCE" means any Downgrade Advance other than an Applied Downgrade Advance.

"UNAPPLIED NON-EXTENSION ADVANCE" means any Non-Extension Advance other than an Applied Non-Extension Advance.

"UNAPPLIED PROVIDER ADVANCE" means any Provider Advance other than an Applied Provider Advance.

"UNPAID ADVANCE" has the meaning assigned to such term in Section 2.05.

(b) TERMS DEFINED IN THE INDENTURE. For all purposes of this Agreement, the following terms shall have the respective meanings assigned to such terms in the Indenture:

"ACCELERATION", "CASH COLLATERAL ACCOUNT", "CLOSING DATE", "CONTINENTAL BANKRUPTCY EVENT", "CONTROLLING PARTY", "CORPORATE TRUST OFFICE", "DEBT RATE", "DISTRIBUTION DATE", "DOWNGRADED FACILITY", "FEE LETTER", "FINAL LEGAL MATURITY DATE", "INITIAL PURCHASER", "INTEREST PAYMENT DATE", "INVESTMENT EARNINGS", "LIQUIDITY FACILITY", "LIQUIDITY OBLIGATIONS", "LIQUIDITY PROVIDER REIMBURSEMENT DATE", "MOODY'S", "NON-EXTENDED FACILITY", "NON-PERFORMING", "OPERATIVE DOCUMENTS", "PAYMENT", "PERSON", "POLICY", "POLICY DRAWINGS", "POLICY PROVIDER", "PURCHASE AGREEMENT", "RATING AGENCY", "RATINGS CONFIRMATION", "REPLACEMENT LIQUIDITY FACILITY", "RESPONSIBLE OFFICER", "SECURITIES", "SPARE PARTS COLLATERAL", "STANDARD &

POOR'S", "SUPPORT DOCUMENTS", "TAXES", "THRESHOLD RATING", "TRUSTEE", and "WRITTEN NOTICE".

ARTICLE II

AMOUNT AND TERMS OF THE COMMITMENT

Section 2.01. THE ADVANCES. The Liquidity Provider hereby irrevocably agrees, on the terms and conditions hereinafter set forth, to make Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until 1:00 p.m. (New York City time) on the Expiry Date (unless the obligations of the Liquidity Provider shall be earlier terminated in accordance with the terms of Section 2.04(b)) in an aggregate amount at any time outstanding not to exceed the Maximum Commitment.

Section 2.02. MAKING THE ADVANCES. (a) Interest Advances shall be made in one or more Borrowings by delivery to the Liquidity Provider of one or more written and completed Notices of Borrowing in substantially the form of Annex I attached hereto, signed by a Responsible Officer of the Borrower, in an amount not exceeding the Maximum Available Commitment at such time and shall be used solely for the payment when due of interest on the Securities at the Debt Rate (not to exceed the Capped Interest Rate) for the applicable Interest Period in accordance with Section 3.5(a) of the Indenture. Each Interest Advance made hereunder shall automatically reduce the Maximum Available Commitment and the amount available to be borrowed hereunder by subsequent Advances by the amount of such Interest Advance (subject to reinstatement as provided in the next sentence). Upon repayment to the Liquidity Provider in full of the amount of any Interest Advance made pursuant to this Section 2.02(a), together with accrued interest thereon (as provided herein), the Maximum Available Commitment shall be reinstated by the amount of such repaid Interest Advance, but not to exceed the Maximum Commitment; PROVIDED, HOWEVER, that the Maximum Available Commitment shall not be so reinstated at any time if (i) a Liquidity Event of Default shall have occurred and be continuing and the Securities are Non-Performing or (ii) the Liquidity Provider Reimbursement Date shall have occurred.

(b) A Non-Extension Advance shall be made in a single Borrowing if this Agreement is not extended in accordance with Section 3.5(d) of the Indenture (unless a Replacement Liquidity Facility to replace this Agreement shall have been delivered to the Borrower as contemplated by said Section 3.5(d) within the time period specified in such Section) by delivery to the Liquidity Provider of a written and completed Notice of Borrowing in substantially the form of Annex II attached hereto, signed by a Responsible Officer of the Borrower, in an amount equal to the Maximum Available Commitment at such time, and shall be used to fund the Cash Collateral Account in accordance with said Section 3.5(d) and Section 3.5(f) of the Indenture.

(c) A Downgrade Advance shall be made in a single Borrowing upon a downgrading of the Guarantor's short-term unsecured debt rating issued by Moody's or Standard & Poor's below the applicable Threshold Rating or the Guarantee Agreement ceasing to be in full force and effect or becoming invalid or unenforceable or the Guarantor denying its liability thereunder (as provided

for in Section 3.5(c) of the Indenture) unless a Replacement Liquidity Facility to replace this Agreement shall have been previously delivered to the Borrower in accordance with said Section 3.5(c), by delivery to the Liquidity Provider of a written and completed Notice of Borrowing in substantially the form of Annex III attached hereto, signed by a Responsible Officer of the Borrower, in an amount equal to the Maximum Available Commitment at such time, and shall be used to fund the Cash Collateral Account in accordance with said Section 3.5(c) and Section 3.5(f) of the Indenture.

(d) A Final Advance shall be made in a single Borrowing upon the receipt by the Borrower of a Termination Notice from the Liquidity Provider pursuant to Section 6.01 hereof by delivery to the Liquidity Provider of a written and completed Notice of Borrowing in substantially the form of Annex IV attached hereto, signed by a Responsible Officer of the Borrower, in an amount equal to the Maximum Available Commitment at such time, and shall be used to fund the Cash Collateral Account (in accordance with Sections 3.5(f) and 3.5(i) of the Indenture).

(e) Each Borrowing shall be made on notice in writing (a "NOTICE OF BORROWING") in substantially the form required by Section 2.02(a), 2.02(b), 2.02(c) or 2.02(d), as the case may be, given by the Borrower to the Liquidity Provider. If a Notice of Borrowing is delivered by the Borrower in respect of any Borrowing no later than 1:00 p.m. (New York City time) on a Business Day, upon satisfaction of the conditions precedent set forth in Section 4.02 with respect to a requested Borrowing, the Liquidity Provider shall make available to the Borrower, in accordance with its payment instructions, the amount of such Borrowing in U.S. dollars and immediately available funds, before 4:00 p.m. (New York City time) on such Business Day or on such later Business Day specified in such Notice of Borrowing. If a Notice of Borrowing is delivered by the Borrower in respect of any Borrowing on a day that is not a Business Day or after 1:00 p.m. (New York City time) on a Business Day, upon satisfaction of the conditions precedent set forth in Section 4.02 with respect to a requested Borrowing, the Liquidity Provider shall make available to the Borrower, in accordance with its payment instructions, the amount of such Borrowing in U.S. dollars and in immediately available funds, before 12:00 Noon (New York City time) on the first Business Day next following the day of receipt of such Notice of Borrowing or on such later Business Day specified by the Borrower in such Notice of Borrowing. Payments of proceeds of a Borrowing shall be made by wire transfer of immediately available funds to the Borrower in accordance with such wire transfer instructions as the Borrower shall furnish from time to time to the Liquidity Provider for such purpose. Each Notice of Borrowing shall be irrevocable and binding on the Borrower.

(f) Upon the making of any Advance requested pursuant to a Notice of Borrowing, in accordance with the Borrower's payment instructions, the Liquidity Provider shall be fully discharged of its obligation hereunder with respect to such Notice of Borrowing, and the Liquidity Provider shall not thereafter be obligated to make any further Advances hereunder in respect of such Notice of Borrowing to the Borrower or to any other Person. If the Liquidity Provider makes an Advance requested pursuant to a Notice of Borrowing before 12:00 Noon (New York City time) on the second Business Day after the date of payment specified in Section 2.02(e), the Liquidity Provider shall have fully discharged its obligations hereunder with respect to such Advance and an event of default shall not have occurred hereunder. Following the making of any Advance pursuant to Section 2.02(b), (c) or (d) hereof to fund the Cash Collateral Account, the

Liquidity Provider shall have no interest in or rights to the Cash Collateral Account, the funds constituting such Advance or any other amounts from time to time on deposit in the Cash Collateral Account; PROVIDED that the foregoing shall not affect or impair the obligations of the Trustee to make the distributions contemplated by Section 3.5(e) or 3.5(f) of the Indenture, and PROVIDED FURTHER, that the foregoing shall not affect or impair the rights of the Liquidity Provider to provide written instructions with respect to the investment and reinvestment of amounts in the Cash Collateral Account to the extent provided in Section 8.13(b) of the Indenture. By paying to the Borrower proceeds of Advances requested by the Borrower in accordance with the provisions of this Agreement, the Liquidity Provider makes no representation as to, and assumes no responsibility for, the correctness or sufficiency for any purpose of the amount of the Advances so made and requested.

Section 2.03. FEES. The Borrower agrees to pay to the Liquidity Provider the fees set forth in the Fee Letter applicable to this Agreement.

Section 2.04. REDUCTION OR TERMINATION OF THE MAXIMUM COMMITMENT.

(a) AUTOMATIC REDUCTION. Promptly following each date on which the Required Amount is reduced as a result of a payment of the principal amount of the Securities or otherwise, the Maximum Commitment shall automatically be reduced to an amount equal to such reduced Required Amount (as calculated by the Borrower). The Borrower shall give notice of any such automatic reduction of the Maximum Commitment to the Liquidity Provider within two Business Days thereof. The failure by the Borrower to furnish any such notice shall not affect such automatic reduction of the Maximum Commitment.

(b) TERMINATION. Upon the making of any Provider Advance or Final Advance hereunder or the occurrence of the Termination Date or the Liquidity Provider Reimbursement Date, the obligation of the Liquidity Provider to make further Advances hereunder shall automatically and irrevocably terminate, and the Borrower shall not be entitled to request any further Borrowing hereunder.

Section 2.05. REPAYMENTS OF INTEREST ADVANCES OR THE FINAL ADVANCE. Subject to Sections 2.06, 2.07 and 2.09 hereof, the Borrower hereby agrees, without notice of an Advance or demand for repayment from the Liquidity Provider (which notice and demand are hereby waived by the Borrower), to pay, or to cause to be paid, to the Liquidity Provider on each date on which the Liquidity Provider shall make an Interest Advance or the Final Advance, an amount equal to (a) the amount of such Advance (any such Advance, until repaid, is referred to herein as an "UNPAID ADVANCE"), plus (b) interest on the amount of each such Unpaid Advance as provided in Section 3.07 hereof; PROVIDED that if (i) the Liquidity Provider shall make a Provider Advance at any time after making one or more Interest Advances which shall not have been repaid in accordance with this Section 2.05 or (ii) this Liquidity Facility shall become a Downgraded Facility or Non-Extended Facility at any time when unreimbursed Interest Advances have reduced the Maximum Available Commitment to zero, then such Interest Advances shall cease to constitute Unpaid Advances and shall be deemed to have been changed into an Applied Downgrade Advance or an Applied Non-Extension Advance, as the case may be, for all purposes of this Agreement (including, without limitation, for the purpose of determining when such Interest Advance is required to be repaid to the Liquidity Provider in accordance with Section 2.06

and for the purposes of Section 2.06(b)). The Borrower and the Liquidity Provider agree that the repayment in full of each Interest Advance and Final Advance on the date such Advance is made is intended to be a contemporaneous exchange for new value given to the Borrower by the Liquidity Provider.

Section 2.06. REPAYMENTS OF PROVIDER ADVANCES.

(a) Amounts advanced hereunder in respect of a Provider Advance shall be deposited in the Cash Collateral Account, invested and withdrawn from the Cash Collateral Account as set forth in Sections 3.5(c), (d) and (f) of the Indenture. The Borrower agrees to pay to the Liquidity Provider, on each Interest Payment Date, commencing on the first Interest Payment Date after the making of a Provider Advance, interest on the principal amount of any such Provider Advance as provided in Section 3.07; PROVIDED, HOWEVER, that amounts in respect of a Provider Advance withdrawn from the Cash Collateral Account for the purpose of paying interest on the Securities in accordance with Section 3.5(f) of the Indenture (the amount of any such withdrawal being (y) in the case of a Downgrade Advance, an "APPLIED DOWNGRADE ADVANCE" and (z) in the case of a Non-Extension Advance, an "APPLIED NON-EXTENSION ADVANCE" and, together with an Applied Downgrade Advance, an "APPLIED PROVIDER ADVANCE") shall thereafter (subject to Section 2.06(b)) be treated as an Interest Advance under this Agreement for purposes of determining the Applicable Liquidity Rate for interest payable thereon; PROVIDED FURTHER, HOWEVER, that if, following the making of a Provider Advance, the Liquidity Provider delivers a Termination Notice to the Borrower pursuant to Section 6.01 hereof, such Provider Advance shall thereafter be treated as a Final Advance under this Agreement for purposes of determining the Applicable Liquidity Rate for interest payable thereon and the obligation for repayment thereof. Subject to Sections 2.07 and 2.09 hereof, immediately upon the withdrawal of any amounts from the Cash Collateral Account on account of a reduction in the Required Amount, the Borrower shall repay to the Liquidity Provider a portion of the Provider Advances in a principal amount equal to such reduction, plus interest on the principal amount prepaid as provided in Section 3.07 hereof.

(b) At any time when an Applied Provider Advance (or any portion thereof) is outstanding, upon the deposit in the Cash Collateral Account of any amount pursuant to clause "FOURTH" of Section 3.2 of the Indenture (any such amount being a "REPLENISHMENT AMOUNT") for the purpose of replenishing or increasing the balance thereof up to the Required Amount at such time, (i) the aggregate outstanding principal amount of all Applied Provider Advances (and of Provider Advances treated as an Interest Advance for purposes of determining the Applicable Liquidity Rate for interest payable thereon) shall be automatically reduced by the amount of such Replenishment Amount and (ii) the aggregate outstanding principal amount of all Unapplied Provider Advances shall be automatically increased by the amount of such Replenishment Amount.

(c) Upon the provision of a Replacement Liquidity Facility in replacement of this Agreement in accordance with Section 3.5(e) of the Indenture, amounts remaining on deposit in the Cash Collateral Account after giving effect to any Applied Provider Advance on the date of such replacement shall be reimbursed to the Liquidity Provider, but only to the extent such amounts are necessary to repay in full to the Liquidity Provider all amounts owing to it hereunder.

Section 2.07. PAYMENTS TO THE LIQUIDITY PROVIDER UNDER THE INDENTURE. In order to provide for payment or repayment to the Liquidity Provider of any amounts hereunder, the Indenture provides that amounts available and referred to in Article 3 of the Indenture, to the extent payable to the Liquidity Provider pursuant to the terms of the Indenture (including, without limitation, Section 3.5(f) and 3.6(d) of the Indenture), shall be paid to the Liquidity Provider in accordance with the terms thereof. Amounts so paid to the Liquidity Provider shall be applied by the Liquidity Provider to Liquidity Obligations then due and payable in accordance with the Indenture or, if not provided for in the Indenture, then in such manner as the Liquidity Provider shall deem appropriate.

Section 2.08. BOOK ENTRIES. The Liquidity Provider shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower resulting from Advances made from time to time and the amounts of principal and interest payable hereunder and paid from time to time in respect thereof; PROVIDED, HOWEVER, that the failure by the Liquidity Provider to maintain such account or accounts shall not affect the obligations of the Borrower in respect of Advances.

Section 2.09. PAYMENTS FROM AVAILABLE FUNDS ONLY. All payments to be made by the Borrower under this Agreement (including, without limitation, Section 7.05 and 7.07 hereof) shall be made only from amounts that constitute Payments or payments under Section 3.9 or Article 6 of the Indenture or any other amounts available for distribution under the Indenture and only to the extent that the Borrower shall have sufficient income or proceeds therefrom to enable the Borrower to make payments in accordance with the terms hereof after giving effect to the priority of payments provisions set forth in the Indenture. The Liquidity Provider agrees that it will look solely to such amounts in respect of payments to be made by the Borrower hereunder to the extent available for distribution to it as provided in the Indenture and this Agreement and that the Borrower, in its individual capacity, is not personally liable to it for any amounts payable or liability under this Agreement except as expressly provided in this Agreement or the Indenture. Amounts on deposit in the Cash Collateral Account shall be available to the Borrower to make payments under this Agreement only to the extent and for the purposes expressly contemplated in Section 3.5(f) of the Indenture. Nothing herein shall limit or otherwise affect the right of the Liquidity Provider to receive payment from the Policy Provider under Section 3.6(d) of the Indenture.

Section 2.10. EXTENSION OF THE EXPIRY DATE; NON-EXTENSION ADVANCE. The Expiry Date shall be automatically extended, effective on the 25th day prior to each Expiry Date (unless such Expiry Date is on or after the date that is 15 days after the Final Legal Maturity Date), for a period of 364 days after such Expiry Date (unless the obligations of the Liquidity Provider are earlier terminated in accordance with the terms hereof), without the necessity of any act on the part of the Borrower or the Liquidity Provider, unless the Liquidity Provider shall advise the Borrower prior to such 25th day that it does not agree to such extension of such Expiry Date, in which event (and if the Liquidity Provider shall not have been replaced in accordance with Section 3.5(e) of the Indenture), the Borrower shall be entitled on and after such 25th day (but prior to such Expiry Date) to request a Non-Extension Advance in accordance with Section 2.02(b) hereof and Section 3.5(d) of the Indenture.

ARTICLE III

OBLIGATIONS OF THE BORROWER

Section 3.01. INCREASED COSTS. The Borrower shall pay to the Liquidity Provider from time to time such amounts as may be necessary to compensate the Liquidity Provider for any increased costs incurred by the Liquidity Provider which are attributable to its making or maintaining any LIBOR Advances hereunder or its obligation to make any such Advances hereunder, or any reduction in any amount receivable by the Liquidity Provider under this Agreement or the Indenture in respect of any such Advances or such obligation (such increases in costs and reductions in amounts receivable being herein called "ADDITIONAL COSTS"), resulting from any change after the date of this Agreement in U.S. federal, state, municipal, or foreign laws or regulations (including Regulation D of the Board of Governors of the Federal Reserve System), or the adoption or making after the date of this Agreement of any interpretations, directives, or requirements applying to a class of banks including the Liquidity Provider under any U.S. federal, state, municipal, or any foreign laws or regulations (whether or not having the force of law) by any court, central bank or monetary authority charged with the interpretation or administration thereof (a "REGULATORY CHANGE"), which: (1) changes the basis of taxation of any amounts payable to the Liquidity Provider under this Agreement in respect of any such Advances or such obligation (other than Excluded Taxes); or (2) imposes or modifies any reserve, special deposit, compulsory loan or similar requirements relating to any extensions of credit or other assets of, or any deposits with other liabilities of, the Liquidity Provider (including any such Advances or such obligation or any deposits referred to in the definition of LIBOR Rate or related definitions). The Liquidity Provider agrees to use reasonable efforts (consistent with applicable legal and regulatory restrictions) to change the jurisdiction of its Facility Office if making such change would avoid the need for, or reduce the amount of, any amount payable under this Section that may thereafter accrue and would not, in the reasonable judgment of the Liquidity Provider, be otherwise disadvantageous to the Liquidity Provider.

The Liquidity Provider will notify the Borrower of any event occurring after the date of this Agreement that will entitle the Liquidity Provider to compensation pursuant to this Section 3.01 as promptly as practicable after it obtains knowledge thereof and determines to request such compensation, which notice shall describe in reasonable detail the calculation of the amounts owed under this Section. Determinations by the Liquidity Provider for purposes of this Section 3.01 of the effect of any Regulatory Change on its costs of making or maintaining Advances or on amounts receivable by it in respect of Advances, and of the additional amounts required to compensate the Liquidity Provider in respect of any Additional Costs, shall be prima facie evidence of the amount owed under this Section.

Notwithstanding the preceding two paragraphs, the Liquidity Provider and the Trustee agree that the initial Liquidity Provider (i.e., Morgan Stanley Capital Services Inc.) shall not be entitled to the benefits of the preceding two paragraphs; PROVIDED, however, that any permitted assignee or participant of the initial Liquidity Provider which is a bank organized under the laws of the United States or any State thereof shall be entitled to the benefits of the preceding two paragraphs (subject, in the case of any permitted participant, to the limitation set forth in Section 7.08 hereof).

Section 3.02. CAPITAL ADEQUACY. If (1) the adoption, after the date hereof, of any applicable governmental law, rule or regulation regarding capital adequacy, (2) any change, after the date hereof, in the interpretation or administration of any such law, rule or regulation by any central bank or other governmental authority charged with the interpretation or administration thereof or (3) compliance by the Liquidity Provider or any corporation controlling the Liquidity Provider with any applicable guideline or request of general applicability, issued after the date hereof, by any central bank or other governmental authority (whether or not having the force of law) that constitutes a change of the nature described in clause (2), has the effect of requiring an increase in the amount of capital required to be maintained by the Liquidity Provider or any corporation controlling the Liquidity Provider, and such increase is based upon the Liquidity Provider's obligations hereunder and other similar obligations, the Borrower shall pay to the Liquidity Provider from time to time such additional amount or amounts as are necessary to compensate the Liquidity Provider for such portion of such increase as shall be reasonably allocable to the Liquidity Provider's obligations to the Borrower hereunder. The Liquidity Provider agrees to use reasonable efforts (consistent with applicable legal and regulatory restrictions) to change the jurisdiction of its Facility Office if making such change would avoid the need for, or reduce the amount of, any amount payable under this Section that may thereafter accrue and would not, in the reasonable judgment of the Liquidity Provider, be otherwise materially disadvantageous to the Liquidity Provider.

The Liquidity Provider will notify the Borrower of any event occurring after the date of this Agreement that will entitle the Liquidity Provider to compensation pursuant to this Section 3.02 as promptly as practicable after it obtains knowledge thereof and determines to request such compensation, which notice shall describe in reasonable detail the calculation of the amounts owed under this Section. Determinations by the Liquidity Provider for purposes of this Section 3.02 of the effect of any increase in the amount of capital required to be maintained by the Liquidity Provider and of the amount allocable to the Liquidity Provider's obligations to the Borrower hereunder shall be prima facie evidence of the amounts owed under this Section.

Notwithstanding the preceding two paragraphs, the Liquidity Provider and the Trustee agree that the initial Liquidity Provider (i.e., Morgan Stanley Capital Services Inc.) shall not be entitled to the benefits of the preceding two paragraphs; PROVIDED, however, that any permitted assignee or participant of the initial Liquidity Provider which is a bank organized under the laws of the United States or any State thereof shall be entitled to the benefits of the preceding two paragraphs (subject, in the case of any permitted participant, to the limitation set forth in Section 7.08 hereof).

Section 3.03. PAYMENTS FREE OF DEDUCTIONS.

All payments made by the Borrower under this Agreement shall be made free and clear of, and without reduction for or on account of, any present or future stamp or other taxes, levies, imposts, duties, charges, fees, deductions, withholdings, restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected, withheld or assessed, excluding Excluded Taxes (such non-excluded taxes being referred to herein, collectively, as "NON-EXCLUDED TAXES" and each, individually, as a "NON-EXCLUDED TAX"). If any

Non-Excluded Taxes are required to be withheld from any amounts payable to the Liquidity Provider under this Agreement, (i) the Borrower shall within the time prescribed therefor by applicable law pay to the appropriate governmental or taxing authority the full amount of any such Non-Excluded Taxes (and any additional Non-Excluded Taxes in respect of the additional amounts payable under clause (ii) hereof) and make such reports or returns in connection therewith at the time or times and in the manner prescribed by applicable law, and (ii) the amounts so payable to the Liquidity Provider shall be increased to the extent necessary to yield to the Liquidity Provider (after payment of all Non-Excluded Taxes) interest or any other such amounts payable under this Agreement at the rates or in the amounts specified in this Agreement. The Liquidity Provider agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Facility Office if making such change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of the Liquidity Provider, be otherwise disadvantageous to the Liquidity Provider. From time to time upon the reasonable request of the Borrower, the Liquidity Provider agrees to provide to the Borrower, if applicable, two original Internal Revenue Service Form W-9 (or, in the case of a successor Liquidity Provider that is organized under the laws of a jurisdiction outside the United States, Internal Revenue Service Form W-8BEN or W-8ECI), or any successor or other form prescribed by the Internal Revenue Service, certifying that the Liquidity Provider is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement. Within 30 days after the date of each payment hereunder, the Borrower shall furnish to the Liquidity Provider the original or a certified copy of (or other documentary evidence of) the payment of the Non-Excluded Taxes applicable to such payment.

Section 3.04. PAYMENTS. The Borrower shall make or cause to be made each payment to the Liquidity Provider under this Agreement so as to cause the same to be received by the Liquidity Provider not later than 1:00 P.M. (New York City time) on the day when due. The Borrower shall make all such payments in lawful money of the United States of America, to the Liquidity Provider in immediately available funds, by wire transfer to Citibank, N.A., New York, New York, ABA 021 000 089 in favor of account number 4072 4601, account name: Morgan Stanley Capital Services Inc., reference: Continental Liquidity Facility, attn: Kevin Hyland.

Section 3.05. COMPUTATIONS. All computations of interest based on the Base Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the LIBOR Rate shall be made on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

Section 3.06. PAYMENT ON NON-BUSINESS DAYS. Whenever any payment to be made hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and no additional interest shall be due as a result (and if so made, shall be deemed to have been made when due). If any payment in respect of interest on an Advance is so deferred to the next succeeding Business Day, such deferral shall not delay the commencement of the next Interest Period for such Advance (if such Advance is a LIBOR Advance) or reduce the number of days for which interest will be payable on such Advance on the next interest payment date for such Advance.

Section 3.07. INTEREST.

(a) Subject to Section 2.09, the Borrower shall pay, or shall cause to be paid, without duplication, interest on (i) the unpaid principal amount of each Advance from and including the date of such Advance (or, in the case of an Applied Provider Advance, from and including the date on which the amount thereof was withdrawn from the Cash Collateral Account to pay interest on the Securities) to but excluding the date such principal amount shall be paid in full (or, in the case of an Applied Provider Advance, the date on which the Cash Collateral Account is fully replenished in respect of such Advance) and (ii) any other amount due hereunder (whether fees, commissions, expenses or other amounts or, to the extent permitted by law, installments of interest on Advances or any such other amount) which is not paid when due (whether at stated maturity, by acceleration or otherwise) from and including the due date thereof to but excluding the date such amount is paid in full, in each such case, at a fluctuating interest rate per annum for each day equal to the Applicable Liquidity Rate (as defined below) for such Advance or such other amount as in effect for such day, but in no event at a rate per annum greater than the maximum rate permitted by applicable law; PROVIDED, HOWEVER, that, if at any time the otherwise applicable interest rate as set forth in this Section 3.07 shall exceed the maximum rate permitted by applicable law, then any subsequent reduction in such interest rate will not reduce the rate of interest payable pursuant to this Section 3.07 below the maximum rate permitted by applicable law until the total amount of interest accrued equals the amount of interest that would have accrued if such otherwise applicable interest rate as set forth in this Section 3.07 had at all times been in effect.

(b) Except as provided in clause (e) below, each Advance (including, without limitation, each outstanding Unapplied Downgrade Advance) will be either a Base Rate Advance or a LIBOR Advance as provided in this Section. Each such Advance will be a Base Rate Advance for the period from the date of its borrowing to (but excluding) the third Business Day following the Liquidity Provider's receipt of the Notice of Borrowing for such Advance. Thereafter, such Advance shall be a LIBOR Advance; provided that the Borrower (at the direction of the Controlling Party, so long as the Liquidity Provider is not the Controlling Party) may (x) convert the Final Advance into a Base Rate Advance on the last day of an Interest Period for such Advance by giving the Liquidity Provider no less than four Business Days' prior written notice of such election or (y) elect to maintain the Final Advance as a Base Rate Advance by not requesting a conversion of the Final Advance to a LIBOR Advance under Clause (5) of the applicable Notice of Borrowing (or, if such Final Advance is deemed to have been made, without delivery of a Notice of Borrowing pursuant to Section 2.06, by requesting, prior to 11:00 A.M. (New York City time) on the first Business Day immediately following the Borrower's receipt of the applicable Termination Notice, that such Final Advance not be converted from a Base Rate Advance to a LIBOR Advance).

(c) Each LIBOR Advance shall bear interest during each Interest Period at a rate per annum equal to the LIBOR Rate for such Interest Period plus the Applicable Margin for such LIBOR Advance, payable in arrears on the last day of such Interest Period and, in the event of the payment of principal of such LIBOR Advance on a day other than such last day, on the date of such payment (to the extent of interest accrued on the amount of principal repaid).

(d) Each Base Rate Advance shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin for such Base Rate Advance, payable in arrears on each Interest Payment Date and, in the event of the payment of principal of such Base Rate Advance on a day other than a Interest Payment Date, on the date of such payment (to the extent of interest accrued on the amount of principal repaid).

(e) Each outstanding Unapplied Non-Extension Advance shall bear interest in an amount equal to the Investment Earnings on amounts on deposit in the Cash Collateral Account plus the Applicable Margin for such Unapplied Non-Extension Advance on the amount of such Unapplied Non-Extension Advance from time to time, payable in arrears on each Interest Payment Date.

(f) Each amount not paid when due hereunder (whether fees, commissions, expenses or other amounts or, to the extent permitted by applicable law, installments of interest on Advances but excluding Advances) shall bear interest at a rate per annum equal to the Base Rate plus 2.00% until paid.

(g) Each change in the Base Rate shall become effective immediately. The rates of interest specified in this Section 3.07 with respect to any Advance or other amount shall be referred to as the "APPLICABLE LIQUIDITY RATE".

Section 3.08. REPLACEMENT OF BORROWER. From time to time and subject to the successor Borrower's meeting the eligibility requirements set forth in Section 8.10 of the Indenture applicable to the Trustee, upon the effective date and time specified in a written and completed Notice of Replacement Trustee in substantially the form of Annex VI attached hereto (a "NOTICE OF REPLACEMENT TRUSTEE") delivered to the Liquidity Provider by the then Borrower, the successor Borrower designated therein shall be substituted for as the Borrower for all purposes hereunder.

Section 3.09. FUNDING LOSS INDEMNIFICATION. The Borrower shall pay to the Liquidity Provider, upon the request of the Liquidity Provider, such amount or amounts as shall be sufficient (in the reasonable opinion of the Liquidity Provider) to compensate it for any loss, cost, or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by the Liquidity Provider to fund or maintain any LIBOR Advance (but excluding loss of anticipated profits) incurred as a result of:

(1) Any repayment of a LIBOR Advance on a date other than the last day of the Interest Period for such Advance; or

(2) Any failure by the Borrower to borrow a LIBOR Advance on the date for borrowing specified in the relevant notice under Section 2.02.

Section 3.10. ILLEGALITY. Notwithstanding any other provision in this Agreement, if any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Liquidity Provider (or its Facility Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful

or impossible for the Liquidity Provider (or its Facility Office) to maintain or fund its LIBOR Advances, then upon notice to the Borrower by the Liquidity Provider, the outstanding principal amount of the LIBOR Advances shall be converted to Base Rate Advances (a) immediately upon demand of the Liquidity Provider, if such change or compliance with such request, in the judgment of the Liquidity Provider, requires immediate repayment; or (b) at the expiration of the last Interest Period to expire before the effective date of any such change or request. The Liquidity Provider agrees to use reasonable efforts (consistent with applicable legal and regulatory restrictions) to change the jurisdiction of its Facility Office if making such change would avoid or cure the aforesaid illegality and would not, in the reasonable judgment of the Liquidity Provider, be otherwise disadvantageous to the Liquidity Provider.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS OF SECTION 2.01. Section 2.01 of this Agreement shall become effective on and as of the first date (the "EFFECTIVE DATE") on which the following conditions precedent have been satisfied or waived:

(a) The Liquidity Provider shall have received each of the following, and in the case of each document delivered pursuant to paragraphs (i), (ii) and (iii), each in form and substance satisfactory to the Liquidity Provider:

(i) This Agreement duly executed on behalf of the Borrower and the Fee Letter applicable to this Agreement duly executed on behalf of the Borrower;

(ii) The Indenture duly executed on behalf of each of the parties thereto (other than the Liquidity Provider);

(iii) Fully executed copies of each of the Operative Documents and Support Documents executed and delivered on the Closing Date (other than this Agreement, the Fee Letter applicable to this Agreement and the Indenture);

(iv) A copy of the Offering Memorandum and specimen copies of the Securities;

(v) An executed copy of each document, instrument, certificate and opinion delivered on the Closing Date pursuant to the Indenture, the other Operative Documents and the Support Documents (in the case of each such opinion, other than the opinion of counsel for the Initial Purchaser, either addressed to the Liquidity Provider or accompanied by a letter from the counsel rendering such opinion to the effect that the Liquidity Provider is entitled to rely on such opinion as of its date as if it were addressed to the Liquidity Provider);

(vi) Evidence that there shall have been made and shall be in full force and effect, all filings, recordings and/or registrations, and there shall have been given or taken any notice or other similar action as may be reasonably necessary or, to the extent reasonably

requested by the Liquidity Provider, reasonably advisable, in order to establish, perfect, protect and preserve the right, title and interest, remedies, powers, privileges, liens and security interests of, or for the benefit of, the Borrower and the Liquidity Provider created by the Operative Documents and the Support Documents executed and delivered on the Closing Date;

(vii) An agreement from the Company, pursuant to which (i) the Company agrees to provide to the Liquidity Provider (A) within 90 days after the end of each of the first three fiscal quarters in each fiscal year of the Company, a consolidated balance sheet of the Company as of the end of such quarter and related statements of income and cash flows for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, prepared in accordance with GAAP; PROVIDED, that so long as the Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, a copy of the Company's report on Form 10-Q for such fiscal quarter (excluding exhibits) or a written notice executed by an authorized officer of the Company that such report has been filed with the Securities and Exchange Commission, providing a website address at which such report may be accessed and confirming that the report accessible at such website address conforms to the original report filed with the Securities and Exchange Commission, will satisfy this subclause (A), and (B) within 120 days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company as of the end of such fiscal year and related statements of income and cash flows of the Company for such fiscal year, in comparative form with the preceding fiscal year, prepared in accordance with GAAP, together with a report of the Company's independent certified public accountants with respect to their audit of such financial statements; PROVIDED, that so long as the Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, a copy of the Company's report on Form 10-K for such fiscal year (excluding exhibits) or a written notice executed by an authorized officer of the Company that such report has been filed with the Securities and Exchange Commission, providing a website address at which such report may be accessed and confirming that the report accessible at such website address conforms to the original report filed with the Securities and Exchange Commission, will satisfy this subclause (B), and (ii) the Company agrees to allow the Liquidity Provider to inspect the Company's books and records regarding the transactions contemplated hereby or by the other Operative Documents or Support Documents, and to discuss such transactions with officers and employees of the Company; and

(viii) Such other documents, instruments, opinions and approvals pertaining to the transactions contemplated hereby or by the other Operative Documents or the Support Documents as the Liquidity Provider shall have reasonably requested.

(b) The following statement shall be true on and as of the Effective Date: no event has occurred and is continuing, or would result from the entering into of this Agreement or the making of any Advance, which constitutes a Liquidity Event of Default.

(c) The Liquidity Provider shall have received payment in full of all fees and other sums required to be paid to or for the account of the Liquidity Provider on or prior to the Effective Date.

(d) All conditions precedent to the issuance of the Securities under the Indenture shall have been satisfied or waived, and all conditions precedent to the purchase of the Securities by the Initial Purchaser under the Purchase Agreement shall have been satisfied or waived.

(e) The Borrower shall have received a certificate, dated the date hereof, signed by a duly authorized representative of the Liquidity Provider, certifying that all conditions precedent to the effectiveness of Section 2.01 have been satisfied or waived.

Section 4.02. CONDITIONS PRECEDENT TO BORROWING. The obligation of the Liquidity Provider to make an Advance on the occasion of each Borrowing shall be subject to the conditions precedent that the Effective Date shall have occurred and, on or prior to the date of such Borrowing, the Borrower shall have delivered a Notice of Borrowing which conforms to the terms and conditions of this Agreement and has been completed as may be required by the relevant form of the Notice of Borrowing for the type of Advances requested.

ARTICLE V

COVENANTS

Section 5.01. AFFIRMATIVE COVENANTS OF THE BORROWER. So long as any Advance shall remain unpaid or the Liquidity Provider shall have any Maximum Commitment hereunder or the Borrower shall have any obligation to pay any amount to the Liquidity Provider hereunder, the Borrower will, unless the Liquidity Provider shall otherwise consent in writing:

(a) PERFORMANCE OF THIS AND OTHER AGREEMENTS. Punctually pay or cause to be paid all amounts payable by it under this Agreement, the other Operative Documents and Support Documents and observe and perform in all material respects the conditions, covenants and requirements applicable to it contained in this Agreement, the other Operative Documents and Support Documents.

(b) REPORTING REQUIREMENTS. Furnish to the Liquidity Provider with reasonable promptness, such other information and data with respect to the transactions contemplated by the Operative Documents and Support Documents as from time to time may be reasonably requested by the Liquidity Provider; and permit the Liquidity Provider, upon reasonable notice, to inspect the Borrower's books and records with respect to such transactions and to meet with officers and employees of the Borrower to discuss such transactions.

(c) CERTAIN OPERATIVE DOCUMENTS AND SUPPORT DOCUMENTS. Furnish to the Liquidity Provider with reasonable promptness, such Operative Documents and Support Documents entered into after the date hereof as from time to time may be reasonably requested by the Liquidity Provider.

Section 5.02. NEGATIVE COVENANTS OF THE BORROWER. So long as any Advance shall remain unpaid or the Liquidity Provider shall have any Maximum Commitment hereunder or the Borrower shall have any obligation to pay any amount to the Liquidity Provider hereunder, the Borrower will not appoint or permit or suffer to be appointed any successor Borrower without the prior written consent of the Liquidity Provider, which consent shall not be unreasonably withheld or delayed.

ARTICLE VI

LIQUIDITY EVENTS OF DEFAULT; LIQUIDITY PROVIDER REIMBURSEMENT DATE

Section 6.01. LIQUIDITY EVENTS OF DEFAULT. If (a) any Liquidity Event of Default has occurred and is continuing and (b) the Securities are Non-Performing, the Liquidity Provider may, in its discretion, deliver to the Borrower a Termination Notice, the effect of which shall be to cause (i) the obligation of the Liquidity Provider to make Advances hereunder to expire on the fifth Business Day after the date on which such Termination Notice is received by the Borrower, (ii) the Borrower to promptly request, and the Liquidity Provider to promptly make, a Final Advance in accordance with Section 2.02(d) hereof and Section 3.5(i) of the Indenture, (iii) all other outstanding Advances to be automatically converted into Final Advances for purposes of determining the Applicable Liquidity Rate for interest payable thereon and (iv) subject to Sections 2.07 and 2.09 hereof, all Advances (including, without limitation, any Provider Advance and Applied Provider Advance), any accrued interest thereon and any other amounts outstanding hereunder to become immediately due and payable to the Liquidity Provider.

Section 6.02. LIQUIDITY PROVIDER REIMBURSEMENT DATE. Upon the occurrence of the Liquidity Provider Reimbursement Date, (i) the obligation of the Liquidity Provider to make Advances hereunder shall automatically expire, (ii) all outstanding Advances shall be automatically converted into Final Advances, and (iii) subject to Sections 2.07 and 2.09 hereof, all Advances (including, without limitation, any Provider Advance and Applied Provider Advance), any accrued interest thereon and any other amounts outstanding hereunder shall become immediately due and payable to the Liquidity Provider. On and after such date, no Advances shall be permitted hereunder.

ARTICLE VII

MISCELLANEOUS

Section 7.01. AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall

in any event be effective unless the same shall be in writing and signed by the Liquidity Provider, and, in the case of an amendment or of a waiver by the Borrower, the Borrower, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7.02. NOTICES, ETC. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telecopier and mailed or delivered or sent by telecopier):

Borrower:	WILMINGTON TRUST COMPANY Rodney Square North 1100 North Market Street Wilmington, DE 19890-1605 Attention: Corporate Capital Market Services Telephone: (302) 636-6296 Telecopy: (302) 636-4140
Liquidity Provider:	MORGAN STANLEY CAPITAL SERVICES, INC. 1585 Broadway New York, New York 10036 Attention: David Rogers Telephone: (212) 761-3336 Telecopy: (212) 761-0350

with a copy of any Notice of Borrowing to:

Morgan Stanley
1585 Broadway
New York, New York 10036
Attention: Patrick Sieb

Telephone: (212) 761-1864
Telecopy: (212) 761-1864

or, as to each of the foregoing, at such other address as shall be designated by such Person in a written notice to the others. All such notices and communications shall be effective (i) if given by telecopier, when transmitted to the telecopier number specified above, (ii) if given by mail, when deposited in the mails addressed as specified above, and (iii) if given by other means, when delivered at the address specified above, except that written notices to the Liquidity Provider pursuant to the provisions of Article II and Article III hereof shall not be effective until received by the Liquidity Provider. A copy of all notices delivered hereunder to either party shall in addition be delivered to each of the parties to the Indenture at their respective addresses set forth therein.

Section 7.03. NO WAIVER; REMEDIES. No failure on the part of the Liquidity Provider to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 7.04. FURTHER ASSURANCES. The Borrower agrees to do such further acts and things and to execute and deliver to the Liquidity Provider such additional assignments, agreements, powers and instruments as the Liquidity Provider may reasonably require or deem advisable to carry into effect the purposes of this Agreement, the other Operative Documents and Support Documents or to better assure and confirm unto the Liquidity Provider its rights, powers and remedies hereunder and under the other Operative Documents and Support Documents.

Section 7.05. INDEMNIFICATION; SURVIVAL OF CERTAIN PROVISIONS. The Liquidity Provider shall be indemnified hereunder to the extent and in the manner described in Article 6 of the Indenture. In addition, the Borrower agrees to indemnify, protect, defend and hold harmless the Liquidity Provider from, against and in respect of, and shall pay on demand, all Expenses of any kind or nature whatsoever (other than any Expenses of the nature described in Section 3.01, 3.02 or 7.07 hereof or in the Fee Letter applicable to this Agreement (regardless of whether indemnified against pursuant to said Sections or in such Fee Letter)), that may be imposed, incurred by or asserted against any Liquidity Indemnitee, in any way relating to, resulting from, or arising out of or in connection with any action, suit or proceeding by any third party against such Liquidity Indemnitee and relating to this Agreement, the Fee Letter applicable to this Agreement or the Indenture; PROVIDED, HOWEVER, that the Borrower shall not be required to indemnify, protect, defend and hold harmless any Liquidity Indemnitee in respect of any Expense of such Liquidity Indemnitee to the extent such Expense is (i) attributable to the gross negligence or willful misconduct of such Liquidity Indemnitee or any other Liquidity Indemnitee, (ii) ordinary and usual operating overhead expense, or (iii) attributable to the failure by such Liquidity Indemnitee or any other Liquidity Indemnitee to perform or observe any agreement, covenant or condition on its part to be performed or observed in this Agreement, the Indenture, the Fee Letter applicable to this Agreement or any other Operative Document or Support Document to which it is a party. The indemnities contained in Article 6 of the Indenture, and the provisions of Sections 3.01, 3.02, 3.03, 3.09, 7.05 and 7.07 hereof, shall survive the termination of this Agreement.

Section 7.06. LIABILITY OF THE LIQUIDITY PROVIDER.

(a) Neither the Liquidity Provider nor any of its officers, employees, directors or Affiliates shall be liable or responsible for: (i) the use which may be made of the Advances or any acts or omissions of the Borrower or any beneficiary or transferee in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (iii) the making of Advances by the Liquidity Provider against delivery of a Notice of Borrowing and other documents which do not comply with the terms hereof; PROVIDED, HOWEVER, that the Borrower shall have a claim against the Liquidity Provider, and the Liquidity Provider shall be liable to the Borrower, to the extent of any damages suffered by the Borrower which were the result of (A) the Liquidity Provider's willful misconduct or negligence

in determining whether documents presented hereunder comply with the terms hereof, or (B) any breach by the Liquidity Provider of any of the terms of this Agreement, including, but not limited to, the Liquidity Provider's failure to make lawful payment hereunder after the delivery to it by the Borrower of a Notice of Borrowing strictly complying with the terms and conditions hereof.

(b) Neither the Liquidity Provider nor any of its officers, employees, directors or Affiliates shall be liable or responsible in any respect for (i) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with this Agreement or any Notice of Borrowing delivered hereunder, or (ii) any action, inaction or omission which may be taken by it in good faith, absent willful misconduct or negligence (in which event the extent of the Liquidity Provider's potential liability to the Borrower shall be limited as set forth in the immediately preceding paragraph), in connection with this Agreement or any Notice of Borrowing.

Section 7.07. COSTS, EXPENSES AND TAXES. The Borrower agrees to pay, or cause to be paid, (A) on the Effective Date and on such later date or dates on which the Liquidity Provider shall make demand, all reasonable out-of-pocket costs and expenses (including, without limitation, the reasonable fees and expenses of outside counsel for the Liquidity Provider) of the Liquidity Provider in connection with the preparation, negotiation, execution, delivery, filing and recording of this Agreement, any other Operative Document or Support Document and any other documents which may be delivered in connection with this Agreement and (B) on demand, all reasonable costs and expenses (including reasonable counsel fees and expenses) of the Liquidity Provider in connection with (i) the enforcement of this Agreement or any other Operative Document or Support Document, (ii) the modification or amendment of, or supplement to, this Agreement or any other Operative Document or Support Document or such other documents which may be delivered in connection herewith or therewith (whether or not the same shall become effective) or (iii) any action or proceeding relating to any order, injunction, or other process or decree restraining or seeking to restrain the Liquidity Provider from paying any amount under this Agreement, the Indenture or any other Operative Document or Support Document or otherwise affecting the application of funds in the Cash Collateral Account. In addition, the Borrower shall pay any and all recording, stamp and other similar taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, any other Operative Document or Support Document and such other documents, and agrees to save the Liquidity Provider harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

Section 7.08. BINDING EFFECT; PARTICIPATIONS.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrower and the Liquidity Provider and their respective successors and assigns, except that neither the Liquidity Provider (except as otherwise provided in this Section 7.08) nor (except as contemplated by Section 3.08) the Borrower shall have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of the other party, subject to the requirements of Section 7.08(b). The Liquidity Provider may grant participations herein or in any of its rights hereunder (including, without limitation, funded participations and participations in rights to receive interest payments hereunder) and under the other Operative Documents and Support

Documents to such Persons (other than the Company and its Affiliates) as the Liquidity Provider may in its sole discretion select, subject to the requirements of Section 7.08(b). No such granting of participations by the Liquidity Provider, however, will relieve the Liquidity Provider of its obligations hereunder. In connection with any participation or any proposed participation, the Liquidity Provider may disclose to the participant or the proposed participant any information that the Borrower is required to deliver or to disclose to the Liquidity Provider pursuant to this Agreement. The Borrower acknowledges and agrees that the Liquidity Provider's source of funds may derive in part from its participants. Accordingly, references in this Agreement and the other Operative Documents and Support Documents to determinations, reserve and capital adequacy requirements, increased costs, reduced receipts, additional amounts due pursuant to Section 3.03 and the like as they pertain to the Liquidity Provider shall be deemed also to include those of each of its participants that are banks (subject, in each case, if any such participant is not a bank that is (i) organized under the laws of the United States or any State thereof and (ii) a member bank of the Federal Reserve System with deposits exceeding $1,000,000,000 (such a bank, a "REFERENCE BANK"), to the maximum amount that would have been directly incurred by any Reference Bank organized under the laws of the United States or any State thereof if such Reference Bank, rather than the participant, had held the interest participated).

(b) If, pursuant to subsection (a) above, the Liquidity Provider sells any participation in this Agreement to any bank or other entity (each, a "TRANSFEREE"), then, concurrently with the effectiveness of such participation, the Transferee shall (i) represent to the Liquidity Provider (for the benefit of the Liquidity Provider and the Borrower) either (A) that it is incorporated under the laws of the United States or a state thereof or (B) that under applicable law and treaties, no taxes will be required to be withheld with respect to any payments to be made to such Transferee in respect of this Agreement, (ii) furnish to the Liquidity Provider and the Borrower either (x) a statement that it is incorporated under the laws of the United States or a state thereof or (y) if it is not so incorporated, two copies of a properly completed United States Internal Revenue Service Form W-8ECI or Form W-8BEN, as appropriate, or other applicable form, certificate or document prescribed by the Internal Revenue Service certifying, in each case, such Transferee's entitlement to a complete exemption from United States federal withholding tax in respect to any and all payments to be made hereunder, and (iii) agree (for the benefit of the Liquidity Provider and the Borrower) to provide the Liquidity Provider and the Borrower a new Form W-8ECI or Form W-8BEN, as appropriate, (A) on or before the date that any such form expires or becomes obsolete or (B) after the occurrence of any event requiring a change in the most recent form previously delivered by it and prior to the immediately following due date of any payment by the Borrower hereunder, certifying in the case of a Form W-8BEN or Form W-8ECI that such Transferee is entitled to a complete exemption from United States federal withholding tax on payments under this Agreement. Unless the Borrower has received forms or other documents reasonably satisfactory to it (and required by applicable law) indicating that payments hereunder are not subject to United States federal withholding tax, the Borrower will withhold taxes as required by law from such payments at the applicable statutory rate.

(c) Notwithstanding the other provisions of this Section 7.08, the Liquidity Provider may assign and pledge all or any portion of the Advances owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve

Bank, provided that any payment in respect of such assigned Advances made by the Borrower to the Liquidity Provider in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect of such assigned Advance to the extent of such payment. No such assignment shall release the Liquidity Provider from its obligations hereunder.

Section 7.09. SEVERABILITY. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 7.10. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 7.11. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL; WAIVER OF IMMUNITY.

(a) Each of the parties hereto hereby irrevocably and unconditionally:

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement, any other Operative Document or Support Document, or for recognition and enforcement of any judgment in respect hereof or thereof, to the nonexclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and the appellate courts from any thereof;

(ii) consents that any such action or proceeding may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to each party hereto at its address set forth in Section 7.02 hereof, or at such other address of which the Liquidity Provider shall have been notified pursuant thereto; and

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction.

(b) THE BORROWER AND THE LIQUIDITY PROVIDER EACH HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT AND THE RELATIONSHIP THAT IS BEING ESTABLISHED, including, without limitation, contract claims, tort claims, breach

of duty claims and all other common law and statutory claims. The Borrower and the Liquidity Provider each warrant and represent that it has reviewed this waiver with its legal counsel, and that it knowingly and voluntarily waives its jury trial rights following consultation with such legal counsel. THIS WAIVER IS IRREVOCABLE, AND CANNOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

Section 7.12. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

Section 7.13. ENTIRETY. This Agreement, the Indenture, the other Operative Documents and Support Documents to which the Liquidity Provider is a party constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior understandings and agreements of such parties.

Section 7.14. HEADINGS. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 7.15. LIQUIDITY PROVIDER'S OBLIGATION TO MAKE ADVANCES. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE OBLIGATIONS OF THE LIQUIDITY PROVIDER TO MAKE ADVANCES HEREUNDER, AND THE BORROWER'S RIGHTS TO DELIVER NOTICES OF BORROWING REQUESTING THE MAKING OF ADVANCES HEREUNDER, SHALL BE UNCONDITIONAL AND IRREVOCABLE, AND SHALL BE PAID OR PERFORMED, IN EACH CASE STRICTLY IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first set forth above.

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Trustee,
as Borrower

By: _____
Name:
Title:

MORGAN STANLEY CAPITAL SERVICES INC.,
as Liquidity Provider

By: _____
Name:
Title:

ANNEX I TO
REVOLVING CREDIT AGREEMENT

INTEREST ADVANCE NOTICE OF BORROWING

The undersigned, a duly authorized signatory of the undersigned borrower (the "BORROWER"), hereby certifies to Morgan Stanley Capital Services Inc. (the "LIQUIDITY PROVIDER"), with reference to the Revolving Credit Agreement dated as of December 6, 2002, between the Borrower and the Liquidity Provider (the "LIQUIDITY AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined or referenced), that:

(1) The Borrower is the Trustee under the Indenture.

(2) The Borrower is delivering this Notice of Borrowing for the making of an Interest Advance by the Liquidity Provider to be used, subject to clause (3) below, for the payment of interest on the Securities which was payable on _____, ____ (the "DISTRIBUTION DATE") in accordance with the terms and provisions of the Indenture and the Securities, which Advance is requested to be made on _____, ____. The Interest Advance should be transferred to [name of bank/wire instructions/ABA number] in favor of account number [ ], reference [ ].

(3) The amount of the Interest Advance requested hereby (i) is $[_____], to be applied in respect of the payment of the interest which was due and payable on the Securities on the Distribution Date, (ii) does not include any amount with respect to the payment of principal of, Break Amount, Premium or other premium on, the Securities or interest on the Securities calculated at a rate in excess of the Capped Interest Rate, (iii) was computed in accordance with the provisions of the Securities, the Liquidity Agreement and the Indenture (a copy of which computation is attached hereto as Schedule I), (iv) does not exceed the Maximum Available Commitment on the date hereof and (v) has not been and is not the subject of a prior or contemporaneous Notice of Borrowing.

(4) Upon receipt by or on behalf of the Borrower of the amount requested hereby, (a) the Borrower will apply the same in accordance with the terms of Section 3.5(b) of the Indenture, (b) no portion of such amount shall be applied by the Borrower for any other purpose and (c) no portion of such amount until so applied shall be commingled with other funds held by the Borrower.

The Borrower hereby acknowledges that, pursuant to the Liquidity Agreement, the making of the Interest Advance as requested by this Notice of Borrowing shall automatically reduce, subject to reinstatement in accordance with the terms of the Liquidity Agreement, the Maximum Available Commitment by an amount equal to the amount of the Interest Advance requested to be made hereby as set forth in clause (i) of paragraph (3) of this Notice of Borrowing and such reduction shall automatically result in corresponding reductions in the amounts available to be borrowed pursuant to a subsequent Advance.

IN WITNESS WHEREOF, the Borrower has executed and delivered this Notice of Borrowing as of the ____ day of _____, ____.

WILMINGTON TRUST COMPANY,
not in its individual capacity but
solely as Trustee, as Borrower

By:

Name:
Title:

SCHEDULE I TO INTEREST ADVANCE NOTICE OF BORROWING

[Insert copy of computations in accordance with Interest Advance Notice of Borrowing]

ANNEX II TO
REVOLVING CREDIT AGREEMENT

NON-EXTENSION ADVANCE NOTICE OF BORROWING

The undersigned, a duly authorized signatory of the undersigned borrower (the "BORROWER"), hereby certifies to Morgan Stanley Capital Services Inc. (the "LIQUIDITY PROVIDER"), with reference to the Revolving Credit Agreement dated as of December 6, 2002, between the Borrower and the Liquidity Provider (the "LIQUIDITY AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined or referenced), that:

(1) The Borrower is the Trustee under the Indenture.

(2) The Borrower is delivering this Notice of Borrowing for the making of the Non-Extension Advance by the Liquidity Provider to be used for the funding of the Cash Collateral Account in accordance with Section 3.5(d) of the Indenture, which Advance is requested to be made on _____, ____. The Non-Extension Advance should be transferred to [name of bank/wire instructions/ABA number] in favor of account number [ ], reference [ ].

(3) The amount of the Non-Extension Advance requested hereby (i) is $_____.__, which equals the Maximum Available Commitment on the date hereof and is to be applied in respect of the funding of the Cash Collateral Account in accordance with Section 3.5(d) of the Indenture, (ii) does not include any amount with respect to the payment of the principal of, Break Amount, Premium or other premium on, the Securities, (iii) was computed in accordance with the provisions of the Securities, the Liquidity Agreement and the Indenture (a copy of which computation is attached hereto as Schedule I), and (iv) has not been and is not the subject of a prior or contemporaneous Notice of Borrowing under the Liquidity Agreement.

(4) Upon receipt by or on behalf of the Borrower of the amount requested hereby, (a) the Borrower will deposit such amount in the Cash Collateral Account and apply the same in accordance with the terms of Section 3.5(d) of the Indenture, (b) no portion of such amount shall be applied by the Borrower for any other purpose and (c) no portion of such amount until so applied shall be commingled with other funds held by the Borrower.

The Borrower hereby acknowledges that, pursuant to the Liquidity Agreement, (A) the making of the Non-Extension Advance as requested by this Notice of Borrowing shall automatically and irrevocably terminate the obligation of the Liquidity Provider to make further Advances under the Liquidity Agreement; and (B) following the making by the Liquidity Provider of the Non-Extension Advance requested by this Notice of Borrowing, the Borrower shall not be entitled to request any further Advances under the Liquidity Agreement.

IN WITNESS WHEREOF, the Borrower has executed and delivered this Notice of Borrowing as of the ____ day of _____, ____.

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Trustee, as Borrower

By:

Name:
Title:

SCHEDULE I TO NON-EXTENSION ADVANCE NOTICE OF BORROWING

[Insert copy of computations in accordance with Non-Extension Advance Notice of Borrowing]

ANNEX III TO
REVOLVING CREDIT AGREEMENT

DOWNGRADE ADVANCE NOTICE OF BORROWING

The undersigned, a duly authorized signatory of the undersigned borrower (the "BORROWER"), hereby certifies to Morgan Stanley Capital Services Inc. (the "LIQUIDITY PROVIDER"), with reference to the Revolving Credit Agreement dated as of December 6, 2002, between the Borrower and the Liquidity Provider (the "LIQUIDITY AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined or referenced), that:

(1) The Borrower is the Trustee under the Indenture.

(2) The Borrower is delivering this Notice of Borrowing for the making of the Downgrade Advance by the Liquidity Provider to be used for the funding of the Cash Collateral Account in accordance with Section 3.5(c) of the Indenture (i) by reason of the downgrading of the short-term unsecured debt rating of the Guarantor issued by Moody's or Standard and Poor's below the Threshold Rating or (ii) because the Guarantee Agreement has ceased to be in full force and effect or has become invalid or unenforceable or the Guarantor has denied its liability thereunder, which Advance is requested to be made on _____, ____. The Downgrade Advance should be transferred to [name of bank/wire instructions/ABA number] in favor of account number [ ], reference [ ].

(3) The amount of the Downgrade Advance requested hereby (i) is $_____.__, which equals the Maximum Available Commitment on the date hereof and is to be applied in respect of the funding of the Cash Collateral Account in accordance with Section 3.5(c) of the Indenture, (ii) does not include any amount with respect to the payment of the principal of, Break Amount, Premium or other premium on, the Securities, (iii) was computed in accordance with the provisions of the Securities, the Liquidity Agreement and the Indenture (a copy of which computation is attached hereto as Schedule I), and (iv) has not been and is not the subject of a prior or contemporaneous Notice of Borrowing under the Liquidity Agreement.

(4) Upon receipt by or on behalf of the Borrower of the amount requested hereby, (a) the Borrower will deposit such amount in the Cash Collateral Account and apply the same in accordance with the terms of Section 3.5(c) of the Indenture, (b) no portion of such amount shall be applied by the Borrower for any other purpose and (c) no portion of such amount until so applied shall be commingled with other funds held by the Borrower.

The Borrower hereby acknowledges that, pursuant to the Liquidity Agreement, (A) the making of the Downgrade Advance as requested by this Notice of Borrowing shall automatically and irrevocably terminate the obligation of the Liquidity Provider to make further Advances under the Liquidity Agreement; and (B) following the making by the Liquidity Provider of the Downgrade Advance

requested by this Notice of Borrowing, the Borrower shall not be entitled to request any further Advances under the Liquidity Agreement.

IN WITNESS WHEREOF, the Borrower has executed and delivered this Notice of Borrowing as of the ____ day of _____, ____.

WILMINGTON TRUST COMPANY,
not in its individual capacity but
solely as Trustee, as Borrower

By:

Name:
Title:

SCHEDULE I TO DOWNGRADE ADVANCE NOTICE OF BORROWING

[Insert copy of computations in accordance with Downgrade Advance Notice of Borrowing]

ANNEX IV TO
REVOLVING CREDIT AGREEMENT

FINAL ADVANCE NOTICE OF BORROWING

The undersigned, a duly authorized signatory of the undersigned borrower (the "BORROWER"), hereby certifies to Morgan Stanley Capital Services Inc. (the "LIQUIDITY PROVIDER"), with reference to the Revolving Credit Agreement dated as of December 6, 2002, between the Borrower and the Liquidity Provider (the "LIQUIDITY AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined or referenced), that:

(1) The Borrower is the Trustee under the Indenture.

(2) The Borrower is delivering this Notice of Borrowing for the making of the Final Advance by the Liquidity Provider to be used for the funding of the Cash Collateral Account in accordance with Section 3.5(i) of the Indenture by reason of the receipt by the Borrower of a Termination Notice from the Liquidity Provider pursuant to Section 6.01 of the Liquidity Agreement, which Advance is requested to be made on _____, ____. The Final Advance should be transferred to [name of bank/wire instructions/ABA number] in favor of account number [ ], reference [ ].

(3) The amount of the Final Advance requested hereby (i) is $_____.__, which equals the Maximum Available Commitment on the date hereof and is to be applied in respect of the funding of the Cash Collateral Account in accordance with Section 3.5(i) of the Indenture, (ii) does not include any amount with respect to the payment of principal of, Break Amount, Premium or other premium on, the Securities, (iii) was computed in accordance with the provisions of the Securities, the Liquidity Agreement and the Indenture (a copy of which computation is attached hereto as Schedule I), and (iv) has not been and is not the subject of a prior or contemporaneous Notice of Borrowing.

(4) Upon receipt by or on behalf of the Borrower of the amount requested hereby, (a) the Borrower will deposit such amount in the Cash Collateral Account and apply the same in accordance with the terms of Section 3.5(i) of the Indenture, (b) no portion of such amount shall be applied by the Borrower for any other purpose and (c) no portion of such amount until so applied shall be commingled with other funds held by the Borrower.

(5) The Borrower hereby requests that the Advance requested hereby be a Base Rate Advance [and that such Base Rate Advance be converted into a LIBOR Advance on the third Business Day following your receipt of this notice.]

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Bracketed language may be included at Borrower's option.

The Borrower hereby acknowledges that, pursuant to the Liquidity Agreement, (A) the making of the Final Advance as requested by this Notice of Borrowing shall automatically and irrevocably terminate the obligation of the Liquidity Provider to make further Advances under the Liquidity Agreement; and (B) following the making by the Liquidity Provider of the Final Advance requested by this Notice of Borrowing, the Borrower shall not be entitled to request any further Advances under the Liquidity Agreement.

IN WITNESS WHEREOF, the Borrower has executed and delivered this Notice of Borrowing as of the _____ day of _____, ____.

WILMINGTON TRUST COMPANY,
not in its individual capacity but
solely as Trustee, as Borrower

By:

Name:
Title:

SCHEDULE I TO FINAL ADVANCE NOTICE OF BORROWING

[Insert copy of computations in accordance with Final Advance Notice of Borrowing]

ANNEX V TO
REVOLVING CREDIT AGREEMENT

NOTICE OF TERMINATION

[Date]

Wilmington Trust Company,
as Trustee, as Borrower
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-0001

Attention: Corporate Trust Administration

Revolving Credit Agreement dated as of December 6, 2002 between Wilmington Trust Company, as Trustee, as Borrower, and Morgan Stanley Capital Services Inc. (the "LIQUIDITY AGREEMENT")

Ladies and Gentlemen:

You are hereby notified that pursuant to Section 6.01 of the Liquidity Agreement, by reason of Securities being Non-Performing and the occurrence and continuance of a Liquidity Event of Default (each as defined therein), we are giving this notice to you in order to cause (i) our obligations to make Advances (as defined therein) under such Liquidity Agreement to terminate on the fifth Business Day after the date on which you receive this notice and (ii) you to request a Final Advance under the Liquidity Agreement pursuant to Section 3.5(i) of the Indenture (as defined in the Liquidity Agreement) as a consequence of your receipt of this notice.

THIS NOTICE IS THE "NOTICE OF TERMINATION" PROVIDED FOR UNDER THE LIQUIDITY AGREEMENT. OUR OBLIGATIONS TO MAKE ADVANCES UNDER THE LIQUIDITY AGREEMENT WILL TERMINATE ON THE FIFTH BUSINESS DAY AFTER THE DATE ON WHICH YOU RECEIVE THIS NOTICE.

Very truly yours,

MORGAN STANLEY CAPITAL SERVICES INC.,
as Liquidity Provider

By:

Name:
Title:

ANNEX VI TO
REVOLVING CREDIT AGREEMENT

NOTICE OF REPLACEMENT TRUSTEE

[Date]
Attention:

Revolving Credit Agreement dated as of December 6, 2002, between Wilmington Trust Company, as Trustee, as Borrower, and Morgan Stanley Capital Services Inc. (the "LIQUIDITY AGREEMENT")

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

[Name of Transferee]

[Address of Transferee]

all rights and obligations of the undersigned as Borrower under the Liquidity Agreement referred to above. The transferee has succeeded the undersigned as Trustee under the Indenture referred to in the first paragraph of the Liquidity Agreement, pursuant to the terms of Section 8.8 of the Indenture.

By this transfer, all rights of the undersigned as Borrower under the Liquidity Agreement are transferred to the transferee and the transferee shall hereafter have the sole rights and obligations as Borrower thereunder. The undersigned shall pay any costs and expenses of such transfer, including, but not limited to, transfer taxes or governmental charges.

We ask that this transfer be effective as of _____, ____.

WILMINGTON TRUST COMPANY,
not in its individual capacity but
solely as Trustee, as Borrower

By:

Name:
Title:

MORGAN STANLEY
1585 BROADWAY
NEW YORK, NY 10036-8293

December 6, 2002

Wilmington Trust Company, as Trustee
under the Indenture (as defined in the Agreement
referenced below) ("Counterparty")
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

Attention: Corporate Trust Administration

Ladies and Gentlemen:

In consideration of that certain Revolving Credit Agreement dated as of December 6, 2002 between Morgan Stanley Capital Services Inc., a Delaware corporation (hereinafter "MSCS") and Counterparty relating to the Continental Airlines Floating Rate Secured Notes due 2007 (hereinafter the "Agreement"), Morgan Stanley, a Delaware corporation (hereinafter "MS"), hereby irrevocably and unconditionally guarantees to Counterparty, with effect from the date of the Agreement, the due and punctual payment of all amounts payable by MSCS under the Agreement when the same shall become due and payable, whether on Scheduled Payment Dates, upon demand, upon declaration of termination or otherwise, in accordance with the terms of the Agreement and giving effect to any applicable grace period. Upon failure of MSCS punctually to pay any such amounts, and upon written demand by Counterparty to MS at its address set forth in the signature block of this Guarantee (or to such other address as MS may specify in writing), MS agrees to pay or cause to be paid such amounts; provided that delay by Counterparty in giving such demand shall in no event affect MS's obligations under this Guarantee.

MS hereby agrees that its obligations hereunder shall be unconditional and will not be discharged except by complete payment of the amounts payable under the Agreement, irrespective of any claim as to the Agreement's validity, regularity or enforceability or the lack of authority of MSCS to execute or deliver the Agreement; or any change in or amendment to the Agreement; or any waiver or consent by Counterparty with respect to any provisions thereof; or the absence of any action to enforce the Agreement or the recovery of any judgment against MSCS or of any action to enforce a judgment against MSCS under the Agreement; or any similar circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor generally. MS hereby waives diligence, presentment, demand on MSCS for payment or otherwise (except as provided hereinabove), filing of claims, requirement of a prior proceeding against MSCS and protest or notice, except as provided for in the Agreement with respect to amounts payable by MSCS. If at any time payment under the Agreement is rescinded or must be otherwise restored or returned by Counterparty upon the insolvency, bankruptcy or reorganization of MSCS or MS or otherwise, MS's obligations hereunder with respect to such payment shall be reinstated upon such restoration or return being made by Counterparty.

MS represents to Counterparty as of the date hereof that:

(1) it is duly organized and validly existing under the laws of the jurisdiction of its incorporation and has full power and legal right to execute and deliver this Guarantee and to perform the provisions of this Guarantee on its part to be performed;

(2) its execution, delivery and performance of this Guarantee have been and remain duly authorized by all necessary corporate action and do not contravene any provision of its certificate of incorporation or by-laws or any law, regulation or contractual restriction binding on it or its assets;

(3) all consents, authorizations, approvals and clearances (including, without limitation, any necessary exchange control approval) and notifications, reports and registrations requisite for its due execution, delivery and performance of this Guarantee have been obtained from or, as the case may be, filed with the relevant governmental authorities having jurisdiction and remain in full force and effect and all conditions thereof have been duly complied with and no other action by, and no notice to or filing with, any governmental authority having jurisdiction is required for such execution, delivery or performance; and

(4) this Guarantee is its legal, valid and binding obligation enforceable against it in accordance with its terms except as enforcement hereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights or by general equity principles.

By accepting this Guarantee and entering into the Agreement, Counterparty agrees that MS shall be subrogated to all rights of Counterparty against MSCS in respect of any amounts paid by MS pursuant to this Guarantee, provided that MS shall be entitled to enforce or to receive any payment arising out of or based upon such right of subrogation only to the extent that it has paid all amounts payable by MSCS under the Agreement.

This Guarantee shall be governed by and construed in accordance with the laws of the State of New York. All capitalized terms not otherwise defined herein shall have the respective meanings assigned to them in the Agreement.

By:

Name:
Title:
Address: 1585 Broadway
          3rd Floor
          New York, NY 10036
Attention: Derivative Products Group
Fax No.: (212) 761-0162

MBIA INSURANCE CORPORATION

FINANCIAL GUARANTY INSURANCE POLICY

December 6, 2002

Policy No. 39753

Re:	$200,000,000 CONTINENTAL AIRLINES FLOATING RATE SECURED NOTES DUE 2007 (THE "NOTES")
Insured Obligation:	PAYMENT OF INTEREST AT THE DEBT RATE FOR THE NOTES AND PRINCIPAL ON THE NOTES AND PAYMENT FOR REIMBURSEMENT TO THE LIQUIDITY PROVIDER PURSUANT TO CLAUSE (VII) OF THE DEFINITION OF DEFICIENCY AMOUNT SET FORTH HEREIN.
Beneficiary:	WILMINGTON TRUST COMPANY, AS TRUSTEE AND AS AGENT FOR THE LIQUIDITY PROVIDER (TOGETHER WITH ANY SUCCESSOR TRUSTEE DULY APPOINTED AND QUALIFIED UNDER THE AGREEMENT (AS DEFINED BELOW), THE "TRUSTEE")

MBIA INSURANCE CORPORATION ("MBIA"), for consideration received, hereby unconditionally, absolutely and irrevocably and without the assertion of any defenses to payment, including fraud in the inducement or fact or any other circumstances (other than payment in full) that would have the effect of discharging a surety in law or in equity guarantees to the Trustee, subject only to the terms of this Policy (the "POLICY"), payment of the Insured Obligation. MBIA agrees to pay to the Trustee, in respect of each Distribution Date, an amount equal to (each a "DEFICIENCY AMOUNT"):

(i) with respect to any Distribution Date (other than the Final Legal Maturity Date, the Non-Performance Payment Date, the Final Scheduled Payment Date or a Distribution Date established pursuant to the succeeding clause (ii), clause (iv) or clause (v) below), any shortfall in amounts available to the Trustee, after giving effect to the subordination provisions of Section 3.2 of the Agreement, any drawing paid under the Liquidity Facility in respect of interest due on the Notes on such Distribution Date and any withdrawal from the Cash Collateral Account in respect of interest due on the Notes on such Distribution Date in accordance with the Agreement, for the payment of accrued and unpaid interest on the Notes at the Debt Rate (without giving effect to any Acceleration and calculated assuming that Continental will not cure the Default in the payment of interest);

(ii) with respect to the Distribution Date (other than the Final Legal Maturity Date, the Non-Performance Payment Date, the Final Scheduled Payment Date or a Distribution Date established pursuant to the succeeding clause (iv) or clause (v) below) established by the Trustee by reason of its receipt of a payment constituting the proceeds from the sale of Pledged Spare Parts comprising all of the Pledged Spare Parts subject to the lien of the Security Agreement at the time of such sale, any shortfall in the amounts available to the Trustee after giving effect to the subordination provisions of Section 3.2 of the Agreement and, if such payment is received prior to a Policy Provider Election, the application of any drawing paid under the Liquidity Facility in respect of interest due on the Notes on such Distribution Date and any withdrawal from the Cash Collateral Account in respect of interest due on the Notes on such Distribution Date in accordance with the Agreement, required to pay in full the then outstanding principal balance of the Notes together with accrued and unpaid interest thereon at the Debt Rate (excluding any accrued and unpaid Premium or Break Amount and calculated assuming that Continental will not cure the Default in the payment of interest) (the "OUTSTANDING AMOUNT");

(iii) with respect to the Distribution Date that is the 25th day (or if such 25th day is not a Business Day, the next Business Day) following (a) the Interest Payment Date on which a Payment Default under the Notes (without giving effect to any Acceleration or any payments by the Liquidity Provider or the Policy Provider) exists and is continuing for eight consecutive Interest Periods (the "NON-PERFORMING PERIOD") (regardless of whether any proceeds from the sale of any Collateral are distributed by the Trustee during such Non-Performing Period) or (b) if applicable, the Relevant Date (the "NON-PERFORMANCE PAYMENT DATE") any shortfall in the amounts available to the Trustee, after giving effect to the subordination provisions of Section 3.2 of the Agreement, the application of any drawing paid under the Liquidity Facility in respect of interest due on the Notes on such Non-Performance Payment Date and any withdrawal from the Cash Collateral Account in respect of interest due on the Notes on such Non-Performance Payment Date in accordance with the Agreement, required to pay in full the Outstanding Amount as of such Non-Performance Payment Date; PROVIDED, HOWEVER, if the Non-Performance Payment Date is scheduled to occur before the Final Scheduled Payment Date and if MBIA shall have duly given a Policy Provider Election (as defined below) at the end of such Non-Performing Period and at least ten (10) days prior to such Non-Performance Payment Date, the Deficiency Amount shall be an amount equal to (A) with respect to such Non-Performance Payment Date, the accrued but unpaid interest on the Notes at the Debt Rate (after giving effect to the application of any drawing paid under the Liquidity Facility and any withdrawal from the Cash Collateral Account, attributable to such interest on the Notes) and (B) thereafter, on each Distribution Date following such Non-Performance Payment Date as to which a Policy Provider Election has been given, and prior to the establishment of an Election Distribution Date or a Distribution Date pursuant to the immediately succeeding clause (iv), an amount equal to the scheduled principal (on the Final Scheduled Payment Date) and interest (without regard to any Acceleration) payable on the Notes on the related payment date;

(iv) following the giving of any Policy Provider Election, with respect to any Business Day elected by MBIA upon twenty (20) days prior notice (which shall be a Distribution Date) and upon request by MBIA to the Trustee to make a drawing under this Policy, an amount equal to the Outstanding Amount as of such Distribution Date;

(v) with respect to any Distribution Date which is an Election Distribution Date, an amount equal to the Outstanding Amount as of such Election Distribution Date;

(vi) with respect to the Final Legal Maturity Date, any shortfalls in amounts available to the Trustee after giving effect to the subordination provisions of the Agreement and to the application of any drawing paid under the Liquidity Facility in respect of interest included in the Outstanding Amount and any withdrawal from the Cash Collateral Account in

respect of interest included in the Outstanding Amount in accordance with the Agreement, for the payment in full of the Outstanding Amount (calculated as of such date) on the Notes; and

(vii) with respect to any Distribution Date elected by the Trustee on behalf of the Liquidity Provider upon twenty (20) days prior notice (which notice can be given in advance of the expiry of such twenty-four-month period) to MBIA that is a Business Day which is no earlier than twenty-four (24) months from the earliest to occur of (1) the date on which an Interest Drawing was made under the Liquidity Facility and remains unreimbursed from payments made by Continental at the end of such twenty-four-month period, (2) the date on which any Downgrade Drawing, Non-Extension Drawing or Final Drawing that was deposited into the Cash Collateral Account has been applied to pay any scheduled payment of interest for the Notes (each amount so applied, an "APPLIED DOWNGRADE ADVANCE", "APPLIED NON-EXTENSION ADVANCE" or "APPLIED FINAL ADVANCE", respectively, and together, an "APPLIED PROVIDER ADVANCE") and is not reimbursed from payments made by Continental at the end of such twenty-four-month period and (3) the date on which all of the Notes have been accelerated and remain unpaid by Continental at the end of such twenty-four-month period (in each case, disregarding any reimbursements from payments by the Policy Provider and from proceeds from the sale of the Spare Parts Collateral distributed by the Trustee during such twenty-four-month period), the amount of all outstanding Drawings PLUS accrued interest thereon (as determined pursuant to the Liquidity Facility).

For the avoidance of doubt, no Deficiency Amount described in clauses (i)-(vii) above or payment to be made in respect of an Avoided Payment described below shall constitute an Accelerated or Acceleration payment.

If any amount paid or required to be paid in respect of the Insured Obligation is voided (a "PREFERENCE EVENT") under any applicable bankruptcy, insolvency, receivership or similar law in an Insolvency Proceeding, and, as a result of such a Preference Event, the Beneficiary, the Liquidity Provider or any Noteholder is required to return such voided payment, or any portion of such voided payment made or to be made in respect of the Notes (including any disgorgement from the Noteholders or the Liquidity Provider resulting from any such Insolvency Proceeding, whether such disgorgement is determined on a theory of preferential conveyance or otherwise) (an "AVOIDED PAYMENT"), MBIA will pay an amount equal to each such Avoided Payment, irrevocably, absolutely and unconditionally and without the assertion of any defenses to payment, including fraud in inducement or fact or any other circumstances that would have the effect of discharging a surety in law or in equity, upon receipt by MBIA from the Beneficiary, the Liquidity Provider or such Noteholder of (x) a certified copy of a final (non-appealable) order of a court exercising jurisdiction in such Insolvency Proceeding to the effect that the Beneficiary, the Liquidity Provider or such Noteholder is required to return any such payment or portion thereof because such payment was voided under applicable law, with respect to which order the appeal period has expired without an appeal having been filed (the "FINAL ORDER"), (y) an assignment, in the form of EXHIBIT D hereto, irrevocably assigning to MBIA all rights and claims of the Beneficiary, the Liquidity Provider or such Noteholder relating to or arising under such Avoided Payment and (z) a Notice of Avoided Payment in the form of EXHIBIT B hereto appropriately completed and executed by the Beneficiary, the Liquidity Provider or such Noteholder. Such payment shall be disbursed to the receiver,

conservator, debtor-in-possession or trustee in bankruptcy named in the Final Order and not to the Beneficiary, the Liquidity Provider or such Noteholder directly unless such Beneficiary, the Liquidity Provider or Noteholder has returned such payment to such receiver, conservator, debtor-in-possession or trustee in bankruptcy, in which case such payment shall be disbursed to such Noteholder, Liquidity Provider or the Beneficiary, as the case may be.

Notwithstanding the foregoing, in no event shall MBIA be obligated to make any payment in respect of any Avoided Payment, which payment represents a payment of the principal amount of the Notes, prior to the time MBIA would have been required to make a payment in respect of such principal pursuant to sub-paragraphs (ii)-(vi) of the definition of Deficiency Amount in this Policy; PROVIDED, FURTHER, that no payment of principal under this Policy on any Distribution Date, other than with respect to an Avoided Payment, shall exceed the Net Principal Policy Amount (as defined below) for such Distribution Date; PROVIDED, FURTHER, that no payment, other than with respect to an Avoided Payment, of a Deficiency Amount (not including any payment of accrued interest on the outstanding Advances of the Liquidity Provider pursuant to sub-paragraph (vii) under this Policy) shall be in excess of the then outstanding principal balance of the Notes and accrued and unpaid interest thereon at the Debt Rate (calculated assuming that Continental will not cure the Default in the payment of interest). This Policy does not cover (i) any premium, break amount, prepayment penalty or other accelerated payment, which at any time may become due on or with respect to any Note, (ii) shortfalls, if any, attributable to the liability of the Trustee, for withholding taxes, if any (including interest and penalties in respect of any such liability) or (iii) any failure of the Trustee to make any payment due to the Noteholders.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Indenture (the "AGREEMENT"), dated as of December 6, 2002, among MBIA, as Policy Provider, Continental, Morgan Stanley Capital Services Inc., as Liquidity Provider, and the Trustee, without regard to any amendment or supplement thereto unless such amendment or supplement has been executed, or otherwise approved in writing, by MBIA.

"BUSINESS DAY" shall mean any day other than a Saturday, a Sunday or other day on which insurance companies in New York, New York or commercial banking institutions in the cities in which the corporate trust office of the Trustee, the Fiscal Agent (as defined herein) or the office of MBIA specified in this Policy are located are authorized or obligated by law or executive order to close.

"CONTINENTAL" means Continental Airlines, Inc.

"ELECTION DISTRIBUTION DATE" shall mean any Distribution Date established by the Trustee upon 20 days' notice to the Policy Provider by reason of the occurrence and continuation of a Policy Provider Default occurring after a Policy Provider Election.

"FINAL LEGAL MATURITY DATE" shall mean December 6, 2009.

"INSOLVENCY PROCEEDING" means the commencement, after the date hereof, of any bankruptcy, insolvency, readjustment of debt, reorganization, marshalling of assets and liabilities or similar proceedings by or against Continental or any Liquidity Provider and the commencement, after the date hereof, of any proceedings by Continental or any Liquidity Provider for the winding up or liquidation of its affairs or the consent, after the date hereof, to the appointment of a trustee, conservator, receiver, or liquidator in any bankruptcy, insolvency, readjustment of debt, reorganization, marshalling of assets and liabilities or similar proceedings of or relating to Continental or any Liquidity Provider.

"INSURANCE AGREEMENT" shall mean the Insurance and Indemnity Agreement (as may be amended, modified or supplemented from time to time), dated as of December 6, 2002 by and among MBIA, Continental and the Trustee.

"INSURED AMOUNTS" shall mean, with respect to any Distribution Date, the Deficiency Amount for such Distribution Date.

"NET PRINCIPAL POLICY AMOUNT" shall mean the aggregate principal balance of the Notes as of the Closing Date MINUS all amounts previously drawn on this Policy with respect to principal.

"NONPAYMENT" shall mean, with respect to any Distribution Date, a Deficiency Amount owing to the Trustee for distribution to the Noteholders or the Liquidity Provider.

"NOTEHOLDER" shall mean any person who is the registered owner or beneficial owner of any of the Notes and who, on the applicable Distribution Date, is entitled under the terms of the Notes to payment thereunder.

"NOTICE OF AVOIDED PAYMENT" shall mean the notice, substantially in the form of EXHIBIT B hereto, delivered pursuant to this Policy and sent to the contact person at the address and/or fax number set forth in this Policy, and specifying the Avoided Payment which shall be due and owing on the applicable Distribution Date.

"NOTICE OF NONPAYMENT" shall mean the notice, substantially in the form of EXHIBIT A hereto, delivered pursuant to this Policy and sent to the contact person at the address and/or fax numbers set forth in this Policy specifying the Insured Amount which shall be due and owing to the Trustee for distribution to the Noteholders or, in the case of a Deficiency Amount under clause (vii) of the definition of "Deficiency Amount", the Liquidity Provider on the applicable Distribution Date.

"POLICY PROVIDER ELECTION" shall mean a notice given by MBIA when no Policy Provider Default shall have occurred and be continuing, stating that MBIA elects to make payments of Deficiency Amounts as defined under the proviso to clause (iii) of the definition of Deficiency Amount in lieu of applying clause (iii) (without the proviso) of the definition of Deficiency Amount, which notice shall be given to the Trustee not less than ten (10) days prior to the Distribution Date established for payment of a Deficiency Amount under clause (iii) of the definition thereof.

Payment of amounts hereunder shall be made in immediately available funds (x) with respect to Deficiency Amounts no later than 3:00 p.m., New York City time, on the later of (a) the relevant Distribution Date and (b) the Business Day of presentation to Wilmington Trust Company, as fiscal agent for MBIA or any successor fiscal agent appointed by MBIA (the "FISCAL AGENT"), of a Notice of Nonpayment, appropriately completed and executed by the Beneficiary (if such Notice of Nonpayment is received by 1:00 p.m. on such day), and (y) with respect to Avoided Payments, prior to 3:00 p.m. New York City time (i) in the case of any Noteholder, on the third Business Day following MBIA's receipt of the documents required under clauses (x) through (z) of the third paragraph of this Policy and (ii) in the case of the Liquidity Provider, on the Distribution Date determined as provided above and PROVIDED that MBIA has received such documents as referred to in (i) above at least three Business Days prior to such Distribution Date. Any such documents received by MBIA after 1:00 p.m. New York City time on any Business Day or on any day that is not a Business Day shall be deemed to have been received by MBIA prior to 1:00 p.m. on the next succeeding Business Day. All payments made by MBIA hereunder in respect of Avoided Payments will be made with MBIA's own funds. A Notice of Nonpayment or Notice of Avoided Payment under this Policy may be presented to the Fiscal Agent on any Business Day by (a) delivery of the original Notice of Nonpayment or Notice of Avoided Payment to the Fiscal Agent at its address set forth below, or (b) facsimile transmission of the original Notice of Nonpayment or Notice of Avoided Payment to the Fiscal Agent at its facsimile number set forth below. If presentation is made by facsimile transmission, the Beneficiary shall (i) simultaneously confirm transmission by telephone to the Fiscal Agent at its telephone number set forth below, and (ii) as soon as reasonably practicable, deliver the original Notice of Nonpayment or Notice of Avoided Payment to the Fiscal Agent at its address set forth below. Each Notice of Nonpayment or Notice of Avoided Payment shall be delivered by facsimile and mail to MBIA simultaneously with its delivery to the Fiscal Agent.

If any Notice of Nonpayment or Notice of Avoided Payment received by the Fiscal Agent is not in proper form or is otherwise insufficient for the purpose of making a claim hereunder, it shall be deemed not to have been received by the Fiscal Agent, and MBIA or the Fiscal Agent, as the case may be, shall promptly so advise the Beneficiary, and the Beneficiary may submit an amended Notice of Nonpayment or Notice of Avoided Payment, as the case may be.

Payments due hereunder unless otherwise stated herein will be disbursed by the Fiscal Agent to the Trustee for the benefit of the Noteholders or the Liquidity Provider by wire transfer of immediately available funds in the amount of such payment. Other than amounts payable in respect of Avoided Payments, MBIA's obligations under this Policy shall be discharged to the extent funds to be applied to pay the Insured Obligations under and in accordance with the Indenture are received by the Trustee (including funds disbursed by MBIA as provided in this Policy and received by the Trustee) whether or not such funds are properly applied by the Trustee. MBIA's obligations to make payments in respect of any Avoided Payments shall be discharged to the extent such payments are made by MBIA hereunder and are received by the Trustee, the applicable Noteholder, the Liquidity Provider or the receiver, conservator, debtor-in-possession or trustee in bankruptcy as applicable, whether or not such payments are properly applied by the Trustee.

The Fiscal Agent is the agent of MBIA only, and the Fiscal Agent shall in no event be liable to Noteholders for any acts of the Fiscal Agent or any failure of MBIA to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

Any notice hereunder delivered to the Fiscal Agent or MBIA may be made at the address listed below for the Fiscal Agent or MBIA or such other address as MBIA shall specify in writing to the Trustee.

The notice address of the Fiscal Agent is Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration, Facsimile: (302) 636-4140, Telephone: (302) 651-1000.

All notices, presentations, transmissions, deliveries and communications made by the Beneficiary to MBIA with respect to this Policy shall specifically refer to the number of this Policy and shall be made to MBIA at:

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Insured Portfolio Management,
Structured Finance
Telephone: (914) 273-4949
Facsimile: (914) 765-3163

or such other address, telephone number or facsimile number as MBIA may designate to the Beneficiary in writing from time to time. Each such notice, presentation, transmission, delivery and communication shall be effective only upon actual receipt by MBIA.

To the extent and in the manner specified in the Indenture, MBIA shall be subrogated to the rights of each Noteholder and the Liquidity Provider, as the case may be, to receive payments under the Notes to the extent of any payment made by it hereunder.

This Policy is neither transferable nor assignable, in whole or in part, except to a successor Trustee duly appointed and qualified under the Agreement. Such transfer and assignment shall be effective upon receipt by MBIA of a copy of the instrument effecting such transfer and assignment signed by the transferor and by the transferee, and a certificate, properly completed and signed by the transferor and the transferee, in the form of EXHIBIT C hereto (which shall be conclusive evidence of such transfer and assignment), and, in such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Policy in the transferor's place, PROVIDED THAT, in such case, the Notice of Nonpayment presented hereunder shall be a certificate of the transferee and shall be signed by one who states therein that he is a duly authorized officer of the transferee.

There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of MBIA, in accordance with the definition of Deficiency Amount in this Policy.

This Policy shall terminate and the obligations of MBIA hereunder shall be discharged on the day (the "TERMINATION DATE") which is one year and one day following the Distribution Date upon which the Outstanding Amount of the Notes is paid in full. The foregoing notwithstanding, if an Insolvency Proceeding is existing during the one year and one day period set forth above, then this Policy and MBIA's obligations hereunder shall terminate on the later of (i) the date of the conclusion or dismissal of such Insolvency Proceeding without continuing jurisdiction by the court in such Insolvency Proceeding, and (ii) the date on which MBIA has made all payments required to be made under the terms of this Policy in respect of Avoided Payments.

This Policy is not covered by the property/casualty insurance fund specified in Article Seventy-Six of the New York State insurance law.

This Policy sets forth in full the undertaking of MBIA, and, except as expressly provided in the Insurance Agreement and the Agreement, shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment to any other agreement or instrument, or by the merger, consolidation or dissolution of Continental or any other Person and may not be canceled or revoked by MBIA prior to the time it is terminated in accordance with the express terms hereof. The Premium on this Policy is not refundable for any reason.

This Policy shall be returned to MBIA upon termination.

THIS POLICY SHALL BE CONSTRUED, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES OR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

IN WITNESS WHEREOF, MBIA has caused this Policy to be duly executed on the date first written above.

MBIA INSURANCE CORPORATION

President

Assistant Secretary

EXHIBIT A TO POLICY NUMBER 39753

NOTICE OF NONPAYMENT AND DEMAND
FOR PAYMENT OF INSURED AMOUNTS

Date: [_____]

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management,
Structured Finance
Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration

Reference is made to Policy No. 39753, dated December 6, 2002 (the "POLICY"), issued by MBIA Insurance Corporation ("MBIA") with respect to the $200,000,000 Continental Airlines Floating Rate Secured Notes due 2007. Terms capitalized herein and not otherwise defined shall have the meanings ascribed to such terms in or pursuant to the Policy unless the context otherwise requires.

The Trustee hereby certifies as follows:

1. The Trustee is the trustee under the Agreement.

2. The relevant Distribution Date is [_____]. Such Distribution Date is a [Scheduled Payment Date, a Non-Performance Payment Date, an Election Distribution Date or the Final Legal Maturity Date].

[3. Payment of accrued and unpaid interest on the Notes at the Debt Rate on the outstanding principal balance of the Notes accrued to such Distribution Date which is a Scheduled Payment Date as determined pursuant to paragraph (i) of the definition of "Deficiency Amount" in the Policy is an amount equal to $_____.]

[3. The amount determined for payment to the Noteholders pursuant to paragraph (ii) of the definition of "Deficiency Amount" in the Policy on such Distribution Date in respect of the outstanding principal balance of such Notes and accrued and unpaid interest at the Debt Rate for the Notes is $_____.]

[3. The Trustee has not received a timely Policy Provider Election pursuant to the Policy and the amount determined for payment to the Noteholders pursuant to paragraph (iii) of the definition of "Deficiency Amount" in the Policy on the Distribution Date which is a Non-Performance Payment Date in respect of the outstanding principal balance of the Notes and accrued and unpaid interest accrued thereon at the Debt Rate for the Notes is $_____.]

[3. The Trustee has received a timely Policy Provider Election pursuant to the Policy and the amount determined for payment to the Noteholders pursuant to the provision in paragraph (iii)(A) of the definition of "Deficiency Amount" in the Policy on the Distribution Date which is a Non-Performance Payment Date in respect of accrued interest at the Debt Rate for the Notes payable but not paid on the Notes is $_____.]

[3. The Trustee has received a timely Policy Provider Election pursuant to the Policy, no Election Distribution Date has been established pursuant to the Policy, no Distribution Date has been established pursuant to clause (iv) of the definition of "Deficiency Amount" and the amount determined for payment to the Noteholders pursuant to paragraph (iii)(B) of the definition of "Deficiency Amount" in the Policy on the Distribution Date which is a Scheduled Payment Date in respect of scheduled interest (without regard to any Acceleration thereof) payable at the Debt Rate for the Notes due on such Distribution Date on the Notes is $_____] [and on the Distribution Date which is the Final Scheduled Payment Date in respect of scheduled principal payable on the Notes on such Distribution Date is $_____].]

[3. The Trustee has received a timely Policy Provider Election pursuant to the Policy, the Distribution Date related hereto is a Business Day elected by MBIA upon 20 days prior notice and the amount determined for payment to the Noteholders pursuant to paragraph (iv) of the definition of "Deficiency Amount" in the Policy in respect of outstanding principal on the Notes and accrued and unpaid interest thereon at the Debt Rate is $_____.]

[3. The amount determined for payment to the Noteholders pursuant to paragraph (v) of the definition of "Deficiency Amount" in the Policy on the Distribution Date which is an Election Distribution Date in respect of the outstanding principal balance of the Notes and accrued and unpaid interest thereon at the Debt Rate for the Notes as of such Election Distribution Date is $_____.]

[3. The amount determined for payment to the Noteholders pursuant to paragraph (vi) of the definition of "Deficiency Amount" in the Policy on the Distribution Date which is the Final Legal Maturity Date in respect of payment in full of the Outstanding Amount of the Notes is $_____.]

[3. The amount determined for payment to the Liquidity Provider pursuant to paragraph (vii) of the definition of "Deficiency Amount" in the Policy on the Distribution Date elected by the Trustee on behalf of the Liquidity Provider upon twenty (20) days prior notice to MBIA is $_____.]

4. The sum of $_____ is the Insured Amount that is due.

5. The Trustee has not heretofore made a demand for the Insured Amount in respect of such Distribution Date.

6. The Trustee hereby requests payment of such Insured Amount that is due for payment be made by MBIA under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy to:

[_____]
ABA #: [_____]
Acct #: [_____]
FBO: [_____]
[Policy Account number]

7. The Trustee hereby agrees that, following receipt of the Insured Amount from MBIA, it shall (a) cause such funds to be deposited in the Policy Account and not permit such funds to be held in any other account, (b) cause such funds paid by MBIA pursuant to paragraphs (i) through (vi) of the Policy to be paid to the Trustee for distribution to the Noteholders in payment of interest on, or principal of, the Notes (as applicable) and not apply such funds for any other purpose, (c) cause such funds paid by MBIA pursuant to paragraph (vii) of the Policy to be paid to the Liquidity Provider for reimbursement of payments made by the Liquidity Provider with respect to the Notes and (d) maintain an accurate record of such payments with respect to the Notes and the corresponding claim on the Policy and proceeds thereof.

WILMINGTON TRUST COMPANY,
as Trustee

By: ----------
Name: ----------
Title: ----------

EXHIBIT B TO POLICY NUMBER 39753

NOTICE OF AVOIDED PAYMENT AND DEMAND
FOR PAYMENT OF AVOIDED PAYMENTS

Date: [_____]

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management,
Structured Finance

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration

Reference is made to Policy No. 39753, dated December 6, 2002 (the "POLICY"), issued by MBIA Insurance Corporation ("MBIA") with respect to the $200,000,000 Continental Airlines Floating Rate Secured Notes due 2007. Terms capitalized herein and not otherwise defined shall have the meanings ascribed to such terms in or pursuant to the Policy unless the context otherwise requires.

The [Noteholder/Trustee/Liquidity Provider] hereby certifies as follows:

1. The Trustee is the trustee under the Agreement.

[2. The Trustee has established _____ as a Distribution Date pursuant to the Agreement for amounts claimed hereunder.]

3. A Final Order providing for the recovery of an Avoided Payment of $_____ has been issued.

4. $_____ of the amount set forth in item No. 3 above has been paid by the [Noteholder/Trustee/Liquidity Provider] and $_____ is required to be paid to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in the Final Order.

5. The [Noteholder/Trustee/Liquidity Provider] has not heretofore made a demand for such Avoided Payment.

6. The [Noteholder/Trustee/Liquidity Provider] has delivered to MBIA or has attached hereto all documents required by the Policy to be delivered in connection with such Avoided Payment.

[7. The [Noteholder/Trustee] hereby requests that payment of $_____ of such Avoided Payment be made to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in the Final Order and $_____ of such Avoided Payment be paid to the [Noteholder] [Trustee for distribution to the Noteholder], in each case, by MBIA under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy to:

For the portion to be paid to the receiver, conservator, debtor-in-possession or trustee, to _____:

ABA #: [_____]
Acct #: [_____]
FBO: [_____]

[relevant account number]

For the portion to be paid to the [Noteholder/Trustee]:

ABA #: [_____]
Acct #: [_____]
FBO: [_____]

[Policy Account Number]]

[7. The Liquidity Provider hereby requests that payment of $_____ of such Avoided Payment be made to the Liquidity Provider by MBIA under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy to:

[_____]:

ABA # [ ]
Acct # [ ]
FBO: [ ]

[relevant account number]]

[Name of Trustee]

By:

Name:
Title: (Officer)

EXHIBIT C TO POLICY NUMBER 39753

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management, Structured Finance

Dear Sirs:

Reference is made to that certain Policy, Number 39753, dated December 6, 2002 (the "POLICY"), which has been issued by MBIA Insurance Corporation in favor of the Trustee with respect to the $200,000,000 Continental Airlines Floating Rate Secured Notes due 2007.

The undersigned [Name of Transferor] has transferred and assigned (and hereby confirms to you said transfer and assignment) all of its rights in and under said Policy to [Name of Transferee] and confirms that [Name of Transferor] no longer has any rights under or interest in said Policy.

Transferor and Transferee have indicated on the face of said Policy that it has been transferred and assigned to Transferee.

Transferee hereby certifies that it is a duly authorized transferee under the terms of said Policy and is accordingly entitled, upon presentation of the document(s) called for therein, to receive payment thereunder.

[Name of Transferor]

By:

[Name and Title of Authorized Officer of Transferor]

EXHIBIT D TO POLICY NUMBER 39753

FORM OF ASSIGNMENT

Reference is made to that certain Policy No. 39753, dated December 6, 2002 (the "POLICY"), issued by MBIA Insurance Corporation ("MBIA") relating to the $200,000,000 Continental Airlines Floating Rate Secured Notes due 2007. Unless otherwise defined herein, capitalized terms used in this Assignment shall have the meanings assigned thereto in the Policy as incorporated by reference therein. In connection with the Avoided Payment of [$_____] paid by the undersigned (the "[NOTEHOLDER/BENEFICIARY/Liquidity Provider]") on [_____] and the payment by MBIA in respect of such Avoided Payment pursuant to the Policy, the [Noteholder/Beneficiary/Liquidity Provider] hereby irrevocably and unconditionally, without recourse, representation or warranty (except as provided below), sells, assigns, transfers, conveys and delivers to MBIA all of such [Noteholder's/Beneficiary's/Liquidity Provider's] rights, title and interest in and to any rights or claims, whether accrued, contingent or otherwise, which the [Noteholder/Beneficiary/Liquidity Provider] now has or may hereafter acquire, against any person relating to, arising out of or in connection with such Avoided Payment. The [Noteholder/Beneficiary/Liquidity Provider] represents and warrants that such claims and rights are free and clear of any lien or encumbrance created or incurred by such [Noteholder/Beneficiary/Liquidity Provider].

[Noteholder/Beneficiary/Liquidity Provider]
WILMINGTON TRUST COMPANY,
as Trustee

By:

Name:
Title:

- --------

In the event that the terms of this form of assignment are reasonably determined to be insufficient solely as a result of a change of law or applicable rules after the date of the Policy to fully vest all of the [Noteholder's/Beneficiary's/Liquidity Provider's] right, title and interest in such rights and claims, the [Noteholder/Beneficiary/Liquidity Provider] and MBIA shall agree on such other form as is reasonably necessary to effect such assignment, which assignment shall be without recourse, representation or warranty except as provided above.

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Exchange and Registration Rights Agreement

Dated as of December 6, 2002

between

Continental Airlines, Inc.

and

Morgan Stanley & Co. Incorporated.

Continental Airlines
Floating Rate Secured Notes due 2007

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EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

THIS EXCHANGE AND REGISTRATION RIGHTS AGREEMENT (the "AGREEMENT") is made and entered into as of December 6, 2002, between Continental Airlines, Inc., a Delaware corporation (the "COMPANY") and Morgan Stanley & Co. Incorporated (the "INITIAL PURCHASER").

This Agreement is made pursuant to the Purchase Agreement dated December 2, 2002 between the Company and the Initial Purchaser (the "PURCHASE AGREEMENT"), which provides that the Company will issue and sell an aggregate of $200,000,000 principal amount of Floating Rate Secured Notes due 2007 (the "INITIAL SECURITIES"). In order to induce the Initial Purchaser to enter into the Purchase Agreement, the Company has agreed to provide to the Initial Purchaser and its successors, assigns and direct and indirect transferees the exchange and registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. DEFINITIONS. The definitions set forth in this Agreement shall apply equally to both singular and plural forms of the terms defined. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"1933 ACT" shall mean the Securities Act of 1933, as amended from time to time.

"1934 ACT" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"AGREEMENT" shall have the meaning set forth in the preamble of this Agreement.

"BUSINESS DAY" shall mean any day on which the New York Stock Exchange, Inc. is open for trading and banks in The City of New York are open for business; references to "day" shall mean a calendar day.

"CLOSING DATE" shall mean the Closing Date as defined in the Purchase Agreement.

"COMPANY" shall have the meaning set forth in the preamble of this Agreement and shall include the Company's successors.

"DTC" shall mean the Depository Trust Company or any other depositary appointed by the Company; PROVIDED, HOWEVER, that any such depositary must have an address in the Borough of Manhattan, in The City of New York.

"EXCHANGE OFFER" shall mean the exchange offer by the Company of Exchange Securities for Registrable Securities pursuant to Section 2(a)

hereof.

"EXCHANGE OFFER REGISTRATION" shall mean a registration under the 1933 Act effected pursuant to Section 2(a) hereof.

"EXCHANGE OFFER REGISTRATION STATEMENT" shall mean a Registration Statement on Form S-4 (or, if applicable, on another appropriate form) filed with the SEC pursuant to Section 2(a) hereof, and all amendments and supplements to such Registration Statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"EXCHANGE SECURITIES" shall mean the securities issued under the Indenture and otherwise containing terms identical in all material respects to the Initial Securities (except that, with respect to the Exchange Securities, (i) interest thereon shall accrue as set forth in Section 2(a) hereof, (ii) the transfer restrictions thereon shall be eliminated, (iii) certain provisions relating to an increase in the stated rate of interest thereon shall be eliminated and (iv) such Exchange Securities shall initially be available only in book-entry form) to be offered to Holders of Initial Securities in exchange for Initial Securities pursuant to the Exchange Offer.

"HOLDER INFORMATION" shall have the meaning set forth in Section 5(a) of this Agreement.

"HOLDERS" shall mean the Initial Purchaser, for so long as it owns any Registrable Securities, and its successors, assigns and direct and indirect transferees who become registered owners of Registrable Securities under the Indenture; PROVIDED that for purposes of Section 5 hereof, the term "Holder" shall include Participating Broker-Dealers.

"INDENTURE" shall mean the Indenture entered into as of December 6, 2002, among (i) the Company, (ii) the Trustee, (iii) the Liquidity Provider and (iv) the Policy Provider under which the Initial Securities are issued, as amended from time to time in accordance with the provisions thereof.

"INITIAL PURCHASER" shall have the meaning set forth in the preamble of this Agreement.

"INITIAL SECURITIES" shall have the meaning set forth in the preamble of this Agreement.

"LIQUIDITY PROVIDER" shall have the meaning set forth in the Indenture.

"MAJORITY HOLDERS" shall mean the Holders of a majority of the aggregate principal amount of outstanding Registrable Securities; PROVIDED that whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or any of its "affiliates" (as such term is defined in Rule 405 under the 1933 Act) (other than the Initial Purchaser or

subsequent holders of Registrable Securities if such subsequent holders are deemed to be affiliates solely by reason of their holding of such Registrable Securities) shall be disregarded in determining whether such consent or approval was given by the Holders of such required percentage or amount.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"PARTICIPATING BROKER-DEALER" shall have the meaning set forth in Section 3(f) hereof.

"PERSON" shall mean an individual, partnership, limited liability company, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"POLICY PROVIDER" shall have the meaning set forth in the Indenture.

"POLICY PROVIDER INFORMATION" shall have the meaning set forth in the Indemnification Agreement.

"PROSPECTUS" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"PURCHASE AGREEMENT" shall have the meaning set forth in the preamble of this Agreement.

"REGISTRABLE SECURITIES" shall mean the Initial Securities; PROVIDED, HOWEVER, that the Initial Securities shall cease to be Registrable Securities when (i) a Shelf Registration Statement with respect to such Initial Securities shall have been declared effective under the 1933 Act and such Initial Securities shall have been disposed of pursuant to such Shelf Registration Statement, (ii) such Initial Securities shall have been sold to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the 1933 Act or may then be sold to the public pursuant to paragraph (k) of said Rule 144 (or any similar provision then in force) by Holders other than "affiliates" or former "affiliates" (as such term is defined in paragraph (a) of Rule 144) of the Company, (iii) such Initial Securities shall have ceased to be outstanding or (iv) such Initial Securities have been exchanged for Exchange Securities upon consummation of the Exchange Offer.

"REGISTRATION DEFAULT" shall have the meaning set forth in Section 2(b) hereof.

"REGISTRATION EVENT" shall mean the declaration of the effectiveness by the SEC of an Exchange Offer Registration Statement or a Shelf Registration Statement.

"REGISTRATION EXPENSES" shall mean any and all expenses incident to performance of or compliance by the Company with this Agreement, including without limitation: (i) all SEC, stock exchange or NASD registration and filing fees, (ii) all fees and expenses incurred in connection with compliance with state or other securities or blue sky laws and compliance with the rules of the NASD (including reasonable fees and disbursements of counsel for any underwriters or Holders in connection with state or other securities or blue sky qualification of any of the Exchange Securities or Registrable Securities), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, (iv) all rating agency fees, (v) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Securities on any securities exchange or exchanges, (vi) all fees and disbursements relating to the qualification of the Indenture under applicable securities laws, (vii) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, (viii) the fees and expenses of the Trustee, including its counsel, and any custodian, and (ix) any reasonable fees and disbursements of the underwriters, if any, and the reasonable fees and expenses of any special experts retained by the Company in connection with any Registration Statement, in each case as are customarily required to be paid by issuers or sellers of securities, but excluding fees of counsel to the underwriters or the Holders and underwriting discounts and commissions and transfer taxes, if any relating to the sale or disposition of Registrable Securities by a Holder.

"REGISTRATION STATEMENT" shall mean any registration statement of the Company which covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"SEC" shall mean the Securities and Exchange Commission, as from time to time constituted or created under the 1934 Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties on such date.

"SHELF REGISTRATION" shall mean a registration under the 1933 Act effected pursuant to Section 2(b) hereof.

"SHELF REGISTRATION STATEMENT" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2(b) hereof

which covers some or all of the Registrable Securities on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"STAFF" shall mean the Staff of the Division of Corporation Finance of the SEC.

"TIA" shall have the meaning set forth in Section 3(l) hereof.

"TRUSTEE" shall mean the trustee under the Indenture.

"UPDATED POLICY PROVIDER INFORMATION" shall mean the Policy Provider Information as updated by the Company in accordance with the Policy Provider's instructions, if any.

2. REGISTRATION UNDER THE 1933 ACT. (a) EXCHANGE OFFER REGISTRATION. To the extent not prohibited by any applicable law or applicable interpretation of the Staff, the Company shall use its best efforts (A) to file with the SEC within 120 days after the Closing Date an Exchange Offer Registration Statement covering the offer by the Company to the Holders to exchange all of the Registrable Securities for Exchange Securities, (B) to cause such Exchange Offer Registration Statement to be declared effective by the SEC within 180 days after the Closing Date, (C) to cause such Registration Statement to remain effective until the closing of the Exchange Offer and (D) to consummate the Exchange Offer within 210 days after the Closing Date. Upon the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Holder (other than Participating Broker-Dealers) eligible and electing to exchange Registrable Securities for Exchange Securities (assuming that such Holder is not an affiliate of the Company within the meaning of Rule 405 under the 1933 Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements or understandings with any person to participate in the Exchange Offer for the purpose of distributing the Exchange Securities) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the 1933 Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

In connection with the Exchange Offer, the Company shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Exchange Offer open for not less than 30 days after the date notice thereof is mailed to the Holders (or longer if required by applicable law);

(iii) use the services of DTC for the Exchange Offer with respect to Initial Securities evidenced by global certificates;

(iv) permit Holders to withdraw tendered Registrable Securities at any time prior to the close of business, New York City time, on the last Business Day on which the Exchange Offer shall remain open, by sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable Securities delivered for exchange, and a statement that such Holder is withdrawing its election to have such Registrable Securities exchanged;

(v) use its best efforts to ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that in no such case shall the Company be responsible for the Updated Policy Provider Information or Holder Information included in the Exchange Offer Registration Statement, any Prospectus forming a part thereof, or any amendment or supplement thereto, as the case may be; and

(vi) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

As soon as practicable after the close of the Exchange Offer, the . Company shall:

(i) accept for exchange Registrable Securities duly tendered and not validly withdrawn pursuant to the Exchange Offer in accordance with the terms of the Exchange Offer Registration Statement and the letter of transmittal which is an exhibit thereto;

(ii) cancel or cause to be canceled all Registrable Securities so accepted for exchange by the Company; and

(iii) promptly cause to be authenticated and delivered Exchange Securities to each Holder of Registrable Securities equal in amount to the Registrable Securities of such Holder so accepted for exchange.

Interest on each Exchange Security will accrue from the last date on which interest was paid on the Registrable Securities surrendered in exchange therefor or, if no interest has been paid on the Registrable Securities, from the Closing Date. The Exchange Offer shall not be subject to any conditions,

other than that the Exchange Offer, or the making of any exchange by a Holder, does not violate applicable law or any applicable interpretation of the Staff. Each Holder of Registrable Securities (other than Participating Broker-Dealers) who wishes to exchange such Registrable Securities for Exchange Securities in the Exchange Offer shall represent that (i) it is not an "affiliate" of the Company within the meaning of Rule 405 under the 1933 Act, (ii) any Exchange Securities to be received by it were acquired in the ordinary course of business and (iii) it has no arrangement with any Person to participate in the distribution (within the meaning of the 1933 Act) of the Exchange Securities.

(b) SHELF REGISTRATION. (i) If, because of any change in law or applicable interpretations thereof by the Staff, the Company is not permitted to effect the Exchange Offer as contemplated by Section 2(a) hereof, or (ii) if for any other reason the Exchange Offer Registration Statement is not declared effective within 180 days after the Closing Date or the Exchange Offer is not consummated within 210 days after the Closing Date (a "REGISTRATION DEFAULT"), or (iii) if any Holder (other than the Initial Purchaser) is not eligible to participate in the Exchange Offer or (iv) upon the request of the Initial Purchaser (with respect to any Registrable Securities which it acquired directly from the Company) following the consummation of the Exchange Offer if the Initial Purchaser shall hold Registrable Securities which it acquired directly from the Company and if the Initial Purchaser is not permitted, in the opinion of counsel to the Initial Purchaser, pursuant to applicable law or applicable interpretation of the Staff to participate in the Exchange Offer, the Company shall, at its cost:

(A) as promptly as practicable, file with the SEC a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by the Majority Holders of such Registrable Securities and set forth in such Shelf Registration Statement, and use its best efforts to cause such Shelf Registration Statement to be declared effective by the SEC by the 180th day after the Closing Date (or promptly in the event of a request by any Holder pursuant to clause (iii) above or the Initial Purchaser pursuant to clause (iv) above). In the event that the Company is required to file a Shelf Registration Statement upon the request of any Holder (other than the Initial Purchaser) not eligible to participate in the Exchange Offer pursuant to clause (iii) above or upon the request of the Initial Purchaser pursuant to clause (iv) above, the Company shall file and have declared effective by the SEC both an Exchange Offer Registration Statement pursuant to Section 2(a) hereof with respect to all Registrable Securities and a Shelf Registration Statement (which may be a combined Registration Statement with the Exchange Offer Registration Statement) with respect to offers and sales of Registrable Securities held by such Holder or the Initial Purchaser after completion of the Exchange Offer. If the Company files a Shelf Registration Statement pursuant to Section 2(b)(i) or (ii) hereof, the Company will no longer be required to effect the Exchange Offer;

(B) use its best efforts to keep the Shelf Registration Statement continuously effective, in order to permit the Prospectus forming part thereof to be usable by Holders, until the end of the period referred to in Rule 144(k) (or one year from the Closing Date if such Shelf Registration Statement is filed upon the request of the Initial Purchaser pursuant to clause (iv) above) or such shorter period as shall end when all of the

Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement; and

(C) notwithstanding any other provisions hereof, use its best efforts to ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that in no such case shall the Company be responsible for the Updated Policy Provider Information or Holder Information included in the Shelf Offer Registration Statement, any Prospectus forming a part thereof, or any amendment or supplement thereto, as the case may be.

The Company further agrees, if necessary, to supplement or amend the Shelf Registration Statement if reasonably requested by the Majority Holders with respect to information relating to the Holders and otherwise as required by Section 3(b) hereof, to use all reasonable efforts to cause any such amendment to become effective and such Shelf Registration Statement to become usable as soon as practicable thereafter and to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC.

The Company shall be allowed a period of five days, beginning on the first day a Registration Default occurs, to cure such Registration Default before the Company will be required to comply with the requirements of Section 2(b) hereof.

(c) EXPENSES. The Company shall pay all Registration Expenses in connection with the registration pursuant to Section 2(a) or 2(b) hereof and, in the case of any Shelf Registration Statement, will reimburse the Holders or the Initial Purchaser for the reasonable fees and disbursements of one firm or counsel designated in writing by the Majority Holders to act as counsel for the Holders of the Registrable Securities in connection therewith. Each Holder shall pay all expenses of its counsel, other than as set forth in the preceding sentence, underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.

(d) EFFECTIVE REGISTRATION STATEMENT. (i) The Company will be deemed not to have used its best efforts to cause the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, to become, or to remain, effective during the requisite period if the Company voluntarily

takes any action that would result in any such Registration Statement not being declared effective or in the Holders of Registrable Securities covered thereby not being able to exchange or offer and sell such Registrable Securities during that period unless (A) such action is required by applicable law or (B) such action is taken by the Company in good faith and for valid business reasons (not including avoidance of the Company's obligations hereunder), including, without limitation, the acquisition or divestiture of assets, so long as the Company promptly complies with the requirements of Section 3(j) hereof, if applicable.

(ii) An Exchange Offer Registration Statement pursuant to Section 2(a) hereof or a Shelf Registration Statement pursuant to Section 2(b) hereof will not be deemed to have become effective unless it has been declared effective by the SEC; PROVIDED, HOWEVER, that if, after it has been declared effective, the offering of Registrable Securities pursuant to a Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume.

(e) INCREASE IN INTEREST RATE. In the event that no Registration Event has occurred on or prior to the 210th day after the Closing Date, the interest rate per annum payable in respect of the Initial Securities shall be increased by 0.50%, effective 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 there cease to be any Registrable Securities. In the event that the Shelf Registration Statement (if it is filed), after it is declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) hereof for more than 60 days, whether or not consecutive, during any 12-month period, the interest rate payable in respect of the Initial Securities shall be increased by 0.50% per annum 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 the period specified by Section 2(b)(B) hereof).

3. REGISTRATION PROCEDURES. In connection with the obligations of the Company with respect to the Registration Statements pursuant to Sections 2(a) and 2(b) hereof, the Company shall:

(a) prepare and file with the SEC a Registration Statement, within the time period specified in Section 2 hereof, on the appropriate form under the 1933 Act, which form (i) shall be selected by the Company, (ii) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the selling Holders thereof and (iii) shall comply as to form in all material respects with the requirements of the applicable form;

(b) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period; cause each Prospectus to be supplemented by any required

prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the 1933 Act;

(c) in the case of a Shelf Registration, (i) notify each Holder of Registrable Securities when a Shelf Registration Statement with respect to the Registrable Securities has been filed and advise such Holders that the distribution of Registrable Securities will be made in accordance with the method elected by the Majority Holders; (ii) furnish to each Holder of Registrable Securities included within the coverage of the Shelf Registration Statement at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all reports, other documents and exhibits (including those incorporated by reference) at the expense of the Company; (iii) furnish to each Holder of Registrable Securities included within the coverage of the Shelf Registration Statement, to counsel for the Holders and to each underwriter of an underwritten offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto as such Holder or underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities; and (iv) subject to the last paragraph of Section 3 hereof, consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Registrable Securities included in the Shelf Registration Statement in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto;

(d) use its best efforts to register or qualify the Registrable Securities or cooperate with the Holders of Registrable Securities and their counsel in the registration or qualification of such Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder of Registrable Securities covered by a Registration Statement and each underwriter of an underwritten offering of Registrable Securities shall reasonably request in writing to cooperate with the Holders in connection with any filings required to be made with the NASD, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holders to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holders; PROVIDED, HOWEVER, that in no event shall the Company be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d) or (ii) take any action which would subject it to general service of process or taxation in any such jurisdiction if it is not then so subject;

(e) in the case of a Shelf Registration, notify each Holder of Registrable Securities promptly and, if requested by such Holder or its counsel, confirm such advice in writing promptly (i) when a Shelf Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for post-effective amendments and supplements to a Shelf Registration Statement and Prospectus or for additional information after the Shelf Registration Statement has become effective, (iii) of the issuance by the SEC or any state securities

authority of any stop order suspending the effectiveness of a Shelf Registration Statement or the initiation of any proceedings for that purpose, (iv) at the closing of any sale of Registrable Securities if, between the effective date of a Shelf Registration Statement and such closing, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to such offering cease to be true and correct in all material respects, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (vi) of the happening of any material event or the discovery of any material facts during the period a Shelf Registration Statement is effective which makes any statement made in such Registration Statement or the related Prospectus untrue or which requires the making of any changes in such Registration Statement or Prospectus in order to make the statements therein (in the case of the Prospectus in the light of the circumstances under which they were made) not misleading and (vii) of any determination by the Company that a post-effective amendment to a Registration Statement would be appropriate;

(f) (A) in the case of the Exchange Offer, (i) include in the Exchange Offer Registration Statement a "Plan of Distribution" section covering the use of the Prospectus included in the Exchange Offer Registration Statement by broker-dealers who have exchanged their Registrable Securities for Exchange Securities for the resale of such Exchange Securities, (ii) furnish to each broker-dealer who desires to participate in the Exchange Offer, without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such broker-dealer may reasonably request, (iii) include in the Exchange Offer Registration Statement a statement that any broker-dealer who holds Registrable Securities acquired for its own account as a result of market-making activities or other trading activities (a "PARTICIPATING BROKER-DEALER"), and who receives Exchange Securities for Registrable Securities pursuant to the Exchange Offer, may be a statutory underwriter and must deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities, (iv) subject to the last paragraph of Section 3 hereof, hereby consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto, by any broker-dealer in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto, and (v) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) the following provision:

> "If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Registrable Securities, it represents that the Registrable Securities to be exchanged for Exchange Securities were acquired by it as a result of market-making activities or other

trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities pursuant to the Exchange Offer; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the 1933 Act"; and

(y) a statement to the effect that a broker-dealer making the acknowledgment described in subclause (x) and by delivering a Prospectus in connection with the exchange of Registrable Certificates, the broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the 1933 Act;

(B) to the extent any Participating Broker-Dealer participates in the Exchange Offer, use its best efforts to cause to be delivered at the request of an entity representing the Participating Broker-Dealers (which entity shall be the Initial Purchaser, unless it elects not to act as such representative) only one, if any, "cold comfort" letter with respect to the Prospectus in the form existing on the last date for which exchanges are accepted pursuant to the Exchange Offer and with respect to each subsequent amendment or supplement, if any, effected during the period specified in clause (C) below;

(C) to the extent any Participating Broker-Dealer participates in the Exchange Offer, use its best efforts to maintain the effectiveness of the Exchange Offer Registration Statement for the 180-day period specified in clause (D) below; and

(D) not be required to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement as would otherwise be contemplated by Section 3(b) hereof, or take any other action as a result of this Section 3(f), for a period exceeding 180 days after the last date for which exchanges are accepted pursuant to the Exchange Offer (as such period may be extended by the Company) and Participating Broker-Dealers shall not be authorized by the Company to, and shall not, deliver such Prospectus after such period in connection with resales contemplated by this Section 3;

(g) (A) in the case of an Exchange Offer, furnish counsel for the Initial Purchaser and (B) in the case of a Shelf Registration, furnish counsel for the Holders of Registrable Securities copies of any request by the SEC or any state securities authority for amendments or supplements to a Registration Statement and Prospectus or for additional information;

(h) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement as soon as practicable and provide immediate notice to each Holder of the withdrawal of any such order;

(i) unless any Registrable Securities are in book entry form only, in the case of a Shelf Registration, cooperate with the selling Holders of

Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold free from any restrictive legends; and cause such Registrable Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriters, if any, may reasonably request at least one Business Day prior to the closing of any sale of Registrable Securities;

(j) in the case of a Shelf Registration, upon the occurrence of any event or the discovery of any facts, each as contemplated by Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, use its best efforts to prepare a post-effective amendment to a Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, such Prospectus will not contain at the time of such delivery any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company agrees to notify each Holder to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event, and each Holder hereby agrees to suspend use of the Prospectus as promptly as practicable upon receipt of such notice until the Company has amended or supplemented the Prospectus to correct such misstatement or omission, PROVIDED that the Company shall cause such suspension not to last more than 30 days per occurrence or more than 60 days in aggregate in a calendar year. At such time as such public disclosure is otherwise made or the Company determines that such disclosure is not necessary, in each case to correct any misstatement of a material fact or to include any omitted material fact, the Company agrees promptly to notify each Holder of such determination and to furnish each Holder such numbers of copies of the Prospectus, as amended or supplemented, as such Holder may reasonably request;

(k) obtain a CUSIP number for all Exchange Securities, or Registrable Securities, as the case may be, not later than the effective date of an Exchange Offer Registration Statement or Shelf Registration Statement, as the case may be, and provide the Trustee with printed certificates evidencing the Exchange Securities or the Registrable Securities, as the case may be, held in book entry form, in a form eligible for deposit with DTC;

(l) (i) cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (the "TIA"), in connection with the registration of the Exchange Securities, or Registrable Securities, as the case may be, (ii) cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and (iii) execute, and use its best efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(m) in the case of a Shelf Registration, enter into such customary agreements (including underwriting agreements in customary form) and take

all other customary and appropriate actions (including those reasonably requested by the Holders of a majority in principal amount of Registrable Securities being sold) in order to expedite or facilitate the disposition of such Registrable Securities and in such connection whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration:

(i) make such representations and warranties to the Holders of such Registrable Securities and the underwriters, if any, in form, substance and scope as are customarily made by the Company to underwriters in similar underwritten offerings as may be reasonably requested by them;

(ii) obtain opinions of counsel to the Company (who may be the general counsel of the Company) and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, or if there are no such managing underwriters, to the Holders of a majority in principal amount of the Registrable Securities being sold) addressed to each selling Holder and the underwriters, if any, covering the matters customarily covered in opinions requested in sales of securities or underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters;

(iii) obtain a "cold comfort" letter and updates thereof from the Company's independent certified public accountants addressed to the underwriters, if any, and use its best efforts to have such letter addressed to the selling Holders of Registrable Securities, such letter to be in customary form and covering such matters of the type customarily covered in "cold comfort" letters in connection with similar underwritten offerings as the Holders of a majority in principal amount of the Registrable Securities being sold shall request;

(iv) enter into a securities sales agreement with the Holders and an agent of the Holders providing for, among other things, the appointment of such agent for the selling Holders for the purpose of soliciting purchases of Registrable Securities, which agreement shall be in form, substance and scope customary for similar offerings;

(v) if an underwriting agreement is entered into, cause the same to set forth indemnification provisions and procedures substantially equivalent to the indemnification provisions and procedures set forth in Section 5 hereof with respect to all parties to be indemnified pursuant to said Section; and

(vi) deliver such other documents and certificates as may be reasonably requested by Holders of a majority in principal amount of Registrable Securities being sold and as are customarily delivered in similar offerings.

The above shall be done at (i) the effectiveness of such Registration Statement (and, if appropriate, each post-effective amendment thereto) if appropriate in connection with any particular disposition of Registrable Securities and (ii) each closing under any underwriting or similar agreement as and to the extent required thereunder. In the case of any underwritten offering, the Company shall provide written notice to the Holders of all Registrable Securities of such underwritten offering at least 30 days prior to the filing of a prospectus supplement for such underwritten offering. Such notice shall (x) offer each such Holder the right to participate in such underwritten offering, (y) specify a date, which shall be no earlier than 10 days following the date of such notice, by which such Holder must inform the Company of its intent to participate in such underwritten offering and (z) include the instructions such Holder must follow in order to participate in such underwritten offering;

(n) in the case of a Shelf Registration, make available for inspection by representatives of the Holders of the Registrable Securities and any underwriters participating in any disposition pursuant to a Shelf Registration Statement and any counsel or accountant retained by such Holders or underwriters, all financial and other records, pertinent corporate documents and properties of the Company reasonably requested by it, and cause the respective officers, directors, employees, and any other agents of the Company to make reasonably available all relevant information reasonably requested by any such representative, underwriter, counsel or accountant in connection with a Registration Statement, in each case as is customary for similar due diligence examinations; PROVIDED, HOWEVER, that any information that is designated in writing by the Company, in good faith, as confidential at the time of delivery of such information shall be kept confidential by such representatives, underwriters, counsel or accountant, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality; and PROVIDED FURTHER that the foregoing inspection and information gathering shall, to the extent reasonably possible, be coordinated on behalf of the Holders and the other parties entitled thereto by one counsel designated by and on behalf of such Holders and other parties;

(o) (i) a reasonable time prior to the filing of any Exchange Offer Registration Statement, any Prospectus forming a part thereof, any amendment to an Exchange Offer Registration Statement or amendment or supplement to a Prospectus, provide copies of such document to the Initial Purchaser, and use its best efforts to reflect in any such document when filed such comments as the Initial Purchaser or its counsel may reasonably request; (ii) in the case of a Shelf Registration, a reasonable time prior to filing any Shelf Registration Statement, any Prospectus forming a part thereof, any amendment to such Shelf Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Holders of Registrable Securities, to the Initial Purchaser, to counsel on behalf of the Holders and to the underwriter or underwriters of an underwritten offering of Registrable Securities, if any, and use its best efforts to reflect such comments in any such document when filed as the Holders of Registrable Securities, their counsel and any

underwriter may reasonably request; and (iii) cause the representatives of the Company to be available for discussion of such document as shall be reasonably requested by the Holders of Registrable Securities, the Initial Purchaser on behalf of such Holders or any underwriter and shall not at any time make any filing of any such document of which such Holders, the Initial Purchaser on behalf of such Holders, their counsel or any underwriter shall not have previously been advised and furnished a copy or to which such Holders, the Initial Purchaser on behalf of such Holders, their counsel or any underwriter shall reasonably object;

(p) in the case of a Shelf Registration, use its best efforts to cause the Registrable Securities to be rated with the appropriate rating agency at the time of effectiveness of such Shelf Registration Statement, unless the Registrable Securities are already so rated; and

(q) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC and make generally available to its security holders, as soon as reasonably practicable after the effective date of a Registration Statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder.

In the case of a Shelf Registration Statement, the Company may (as a condition to such Holder's participation in the Shelf Registration) require each Holder of Registrable Securities to furnish to the Company such information regarding such Holder and the proposed distribution by such Holder of such Registrable Securities as the Company may from time to time reasonably request and the Company may exclude from such registration the Registrable Securities of any Holder that fails to furnish such information within a reasonable time after receiving such request.

In the case of a Shelf Registration Statement, each Holder agrees that, upon receipt of any notice from the Company of the happening of any event or the discovery of any facts, each of the kind described in Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, such Holder will forthwith discontinue disposition of Registrable Securities pursuant to such Shelf Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(j) hereof, and, if so directed by the Company, such Holder will deliver to the Company (at the Company's expense) all copies in its possession other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. If the Company shall give any such notice to suspend the disposition of Registrable Securities pursuant to a Shelf Registration Statement as a result of the happening of any event or the discovery of any facts, each of the kind described in Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, the Company shall be deemed to have used its best efforts to keep the Shelf Registration Statement effective during such period of suspension provided that the Company shall use its best efforts to file and have declared effective (if an amendment) as soon as practicable an amendment or supplement to the Shelf Registration Statement and shall extend the period during which the Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to

and including the date when the Holders shall have received copies of the supplemented or amended Prospectus necessary to resume such dispositions.

4. UNDERWRITTEN OFFERING. The Holders of Registrable Securities covered by a Shelf Registration Statement who desire to do so may sell such Registrable Securities in an underwritten offering. In any such underwritten offering, the investment banker or bankers and manager or managers that will administer the offering will be selected by, and the underwriting arrangements with respect thereto will be approved by, the Holders of a majority of the Registrable Securities to be included in such offering; PROVIDED, HOWEVER, that (i) such investment bankers and managers and underwriting arrangements must be reasonably satisfactory to the Company and (ii) the Company shall not be obligated to arrange for more than one underwritten offering during the period such Shelf Registration Statement is required to be effective pursuant to Section 2(b)(B) hereof. No Holder may participate in any underwritten offering contemplated hereby unless such Holder (a) agrees to sell such Holder's Registrable Securities in accordance with any approved underwriting arrangements, (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such approved underwriting arrangements and (c) at least 20% of the outstanding Registrable Securities are included in such underwritten offering. The Holders participating in any underwritten offering shall be responsible for any expenses customarily borne by selling securityholders, including underwriting discounts and commissions and fees and expenses of counsel to the selling securityholders.

5. INDEMNIFICATION AND CONTRIBUTION. (a) The Company agrees to indemnify and hold harmless each Holder and each Person, if any, who controls any such Holder within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, from and against all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any Holder or any such controlling Person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which Exchange Securities or Registrable Securities were registered under the 1933 Act, including all documents incorporated therein by reference, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or caused by any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (as amended or supplemented if the Company shall have furnished or filed with the Commission any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon Updated Policy Provider Information or information relating to any Holder furnished to the Company in writing by any selling Holder expressly for use therein ("HOLDER INFORMATION"); PROVIDED, HOWEVER, that the foregoing indemnity agreement with respect to any preliminary Prospectus shall not inure to the benefit of any Person from whom the Person asserting any such losses, claims, damages or liabilities purchased Registrable Securities, or any Person controlling such

seller, if a copy of the final Prospectus (as then amended or supplemented if the Company shall have furnished or filed with the Commission any amendments or supplements thereto) was not sent or given by or on behalf of such seller to such purchaser with or prior to the written confirmation of the sale of the Registrable Securities to such Person, and if the final Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities. In connection with any underwritten offering permitted by Section 4 hereof, the Company will also indemnify the underwriters participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the 1933 Act and the 1934 Act) to the same extent as provided above with respect to the indemnification of the Holders, if requested in connection with any Registration Statement.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company and the other selling Holders, and each of their respective directors, officers who sign the Registration Statement and each Person, if any, who controls the Company and any other selling Holder within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act to the same extent as the foregoing indemnity from the Company to the Holders, but only with reference to information relating to such Holder furnished to the Company in writing by such Holder expressly for use in any Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto).

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to either paragraph (a) or paragraph (b) above, such Person (the "INDEMNIFIED PARTY") shall promptly notify the Person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, or (iii) the indemnifying party shall have failed to retain counsel as required by the prior sentence to represent the indemnified party within a reasonable amount of time. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by (x) Morgan Stanley & Co. Incorporated, if Morgan Stanley & Co. Incorporated is a Holder at such time, or (y) otherwise, the Majority Holders in the case of parties indemnified pursuant to paragraph (a) above. Such firm shall be designated by the Company in the case of parties indemnified pursuant to paragraph (b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but, if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to

indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested in writing an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this Section 5(c), the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 90 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party for such fees and expenses of counsel in accordance with such request prior to the date of such settlement, unless such fees and expenses are being disputed in good faith. The indemnifying party at any time may, subject to the last sentence of this Section 5(c), settle or compromise any proceeding described in this Section 5(c) at the expense of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which such indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (i) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) To the extent the indemnification provided for in paragraph (a) or paragraph (b) of this Section 5 is required to be made but is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities, then the applicable indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company and the Holders shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Holders' respective obligations to contribute pursuant to this Section 5(d) are several in proportion to the respective aggregate principal amount of Registrable Securities of such Holder that were registered pursuant to a Registration Statement, and not joint.

(e) The Company and each Holder agree that it would not be just or equitable if contribution pursuant to this Section 5 were determined by PRO RATA allocation or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this

Section 5, no Holder shall be required to indemnify or contribute any amount in excess of the amount by which the total price at which Registrable Securities were sold by such Holder exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The indemnity and contribution provisions contained in this Section 5 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder or any Person controlling such Holder or by or on behalf of the Company, its officers or directors or any Person controlling the Company, (iii) acceptance of and payment for any of the Exchange Securities and (iv) any sale of Registrable Certificates pursuant to a Shelf Registration Statement. The remedies provided for in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

6. MISCELLANEOUS. (a) RULE 144 AND RULE 144A. The Company covenants that (A) for so long as the Company is subject to the reporting requirements of Section 13 or 15 of the 1934 Act, it will file the reports required to be filed by it under Section 13(a) or 15(d) of the 1934 Act and the rules and regulations adopted by the SEC thereunder, and (B) if it ceases to be so required to file such reports, it will upon the request of any Holder of Registrable Securities (i) make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the 1933 Act, (ii) deliver such information to a prospective purchaser as is necessary to permit sales pursuant to Rule 144A under the 1933 Act and it will take such further action as any Holder of Registrable Securities may reasonably request, and (iii) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by (x) Rule 144 under the 1933 Act, as such Rule may be amended from time to time, (y) Rule 144A under the 1933 Act, as such Rule may be amended from time to time, or (z) any similar rules or regulations hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

(b) OTHER REGISTRATION RIGHTS. The Company may grant registration rights that would permit any Person the right to piggyback on any Shelf Registration Statement, PROVIDED that if the managing underwriter, if any, of an offering pursuant to such Shelf Registration Statement delivers an opinion of the selling Holders that the total amount of securities which they and the holders of such piggyback rights intend to include in any Shelf Registration Statement materially adversely affects the success of such offering (including the price at which such securities can be sold), then the amount, number or kind of securities to be offered for the account of holders of such piggyback rights will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount, number or kind recommended by such managing underwriter; and PROVIDED FURTHER that such piggyback registration rights shall in no event materially adversely affect the interests of any Holder.

(c) NO INCONSISTENT AGREEMENTS. The Company has not entered into nor will the Company on or after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof.

(d) AMENDMENTS AND WAIVERS. Except as otherwise expressly permitted in the Indenture, the provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or consent to a departure; PROVIDED, HOWEVER, that no amendment, modification, supplement or waiver or consent to any departure from the provisions of Section 5 hereof shall be effective as against any Holder of Registrable Securities unless consented to in writing by such Holder.

(e) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (i) if to a Holder, at the most current address given by such Holder to the Company by means of a notice given in accordance with the provisions of this Section 6(e), which address initially is, with respect to the Initial Purchaser, the address set forth in the Purchase Agreement; and (ii) if to the Company, initially at the Company's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 6(e).

All such notices and communications shall be deemed to have been duly given; at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next Business Day if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the Person giving the same to the Trustee, at the address specified in the Indenture.

(f) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; PROVIDED that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement

and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) THIRD PARTY BENEFICIARIES. The Holders shall be third party beneficiaries to the agreements made hereunder and to the obligations of the Company hereunder and shall have the right to enforce such agreements and obligations directly to the extent any such Holder deems such enforcement necessary or advisable to protect its rights hereunder.

(h) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(i) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(k) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) TERMINATION. This Agreement shall terminate and be of no further force or effect when there shall not be any Registrable Securities outstanding, except that the provisions of Sections 2(c), 2(e), 5, 6(g) and 6(j) hereof shall survive any such termination.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CONTINENTAL AIRLINES, INC.

BY:

Name: Gerald Laderman
Title: Senior Vice President - Finance

Confirmed and accepted as of the date first above written:

MORGAN STANLEY & CO. INCORPORATED

BY:

Name: Cecilia Park
Title: Vice President

CONTINENTAL AIRLINES, INC.

$200,000,000

Floating Rate Secured Notes due 2007

PURCHASE AGREEMENT

December 2, 2002

MORGAN STANLEY & CO. INCORPORATED
1585 Broadway
New York, New York 10036

Ladies and Gentlemen:

Continental Airlines, Inc., a Delaware corporation (the "COMPANY"), proposes to issue and sell to Morgan Stanley & Co. Incorporated (the "INITIAL PURCHASER") $200,000,000 principal amount of its Floating Rate Secured Notes due 2007 bearing interest at the rate of USD 3-Month LIBOR + 0.90% (the "OFFERED SECURITIES") to be issued pursuant to the provisions of an Indenture to be dated as of the Closing Date (as defined below) (the "INDENTURE") among the Company, Wilmington Trust Company, as trustee (the "TRUSTEE"), Morgan Stanley Capital Services Inc., as Liquidity Provider (the "LIQUIDITY PROVIDER"), and MBIA Insurance Corporation, as Policy Provider (the "POLICY PROVIDER").

The holders of the Offered Securities will be entitled to the benefits of an Exchange and Registration Rights Agreement, in a form reasonably satisfactory to the Initial Purchaser to be dated as of the Closing Date (the "REGISTRATION RIGHTS AGREEMENT") between the Company and the Initial Purchaser, pursuant to which the Company will file a registration statement with the Securities and Exchange Commission (the "COMMISSION") registering the Exchange Securities referred to in such Registration Rights Agreement (the "EXCHANGE SECURITIES") or the Offered Securities under the Securities Act of 1933, as amended (the "SECURITIES ACT").

The Offered Securities will only be offered (A) in the case of offers inside the United States, to persons reasonably believed by the Initial Purchaser to be (1) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act or (2) institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) ("INSTITUTIONAL ACCREDITED INVESTORS") that deliver a letter in the form annexed as Annex III to the Final Memorandum (as defined below) and (B) in the case of offers outside the United States, to persons other than U.S. persons (including dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust)) in accordance with Regulation S under the Securities Act ("REGULATION S").

In connection with the sale of the Offered Securities, the Company has prepared a preliminary offering memorandum dated November 26, 2002 (the "PRELIMINARY MEMORANDUM") and a final offering memorandum dated the date of this Agreement (the "FINAL MEMORANDUM" and, with the Preliminary Memorandum, each a "MEMORANDUM") including or incorporating by reference a description of the terms of the Offered Securities, the terms of the offering and a description of the Company. As used herein, the terms "Preliminary Memorandum", "Final Memorandum" and "Memorandum" shall include, in each case, the documents incorporated by reference therein. The terms "SUPPLEMENT", "AMENDMENT" and "AMEND" as used herein with respect to a Memorandum shall include all documents deemed to be incorporated by reference in such Memorandum that are filed subsequent to the date of such Memorandum with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT").

The Offered Securities and the Exchange Securities will be secured by a lien on the Collateral (as defined in the Indenture), which includes certain aircraft spare parts and related assets owned by the Company. The Offered Securities and the Exchange Securities will rank equally in right of payment with all of the Company's other unsubordinated obligations, except to the extent of the assets subject to such lien, as to which the Offered Securities and the Exchange Securities will effectively rank senior.

Certain amounts of interest payable on the Offered Securities and the Exchange Securities will be entitled to the benefits of a liquidity facility. The Liquidity Provider and the Trustee will enter into a revolving credit agreement to be dated as of the Closing Date (the "LIQUIDITY FACILITY") for the benefit of the holders of the Offered Securities and the Exchange Securities.

Payments of interest on the Offered Securities and the Exchange Securities will be supported by a financial guaranty insurance policy (the "POLICY") issued by the Policy Provider to the extent the Liquidity Facility and any funds contained in the Cash Collateral Account (as defined in the Indenture) are insufficient or unavailable for that purpose. The Policy will also support the payment of the principal of the Offered Securities and the Exchange Securities on the Final Legal Maturity Date (as defined in the Indenture) as well as the payment of principal of the Offered Securities and the Exchange Securities prior to the Final Legal Maturity Date under certain circumstances described in the Indenture and the Policy. The Policy will be issued pursuant to an Insurance and Indemnity Agreement to be dated as of the Closing Date (the

"POLICY PROVIDER AGREEMENT") among the Policy Provider, the Company and the Trustee. Under the Indenture and the Policy Provider Agreement, the Policy Provider will be entitled to reimbursement for amounts paid pursuant to claims made under the Policy, subject to certain limitations.

The Company understands that the Initial Purchaser proposes to make an offering of the Offered Securities on the terms, subject to the conditions and in the manner set forth in the Final Memorandum and Section 5 hereof, as soon as the Initial Purchaser deems advisable after this Agreement (as defined below) has been executed and delivered.

Capitalized terms used but not defined in this Purchase Agreement (the "AGREEMENT") shall have the meanings specified therefor in the Indenture. As used in this Agreement, the term "OPERATIVE AGREEMENTS" shall mean the Indenture, the Security Agreement, the Collateral Maintenance Agreement, the Reference Agency Agreement, the Registration Rights Agreement, the Liquidity Facility, the Policy, the Policy Provider Agreement and the Indemnification Agreement dated the date hereof (the "INDEMNIFICATION AGREEMENT") among the Policy Provider, the Company and the Initial Purchaser.

1. REPRESENTATIONS AND WARRANTIES. (a) The Company represents and warrants to, and agrees with, the Initial Purchaser that:

(i) In connection with the sale of the Offered Securities, the Company has prepared the Preliminary Memorandum and the Final Memorandum. The Company hereby confirms that it has authorized the use of the Preliminary Memorandum in connection with the offer of the Offered Securities by the Initial Purchaser on and prior to the date of this Agreement and the Final Memorandum in connection with the offer and resale of the Offered Securities by the Initial Purchaser after the date of this Agreement. On the date of this Agreement, the Final Memorandum does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Final Memorandum based upon (A) information furnished in writing by the Initial Purchaser to the Company expressly for use therein ("INITIAL PURCHASER INFORMATION") or (B) information under the caption "Description of the Policy Provider" in the Final Memorandum or documents incorporated by reference under such caption (collectively, the "POLICY PROVIDER INFORMATION").

(ii) The documents incorporated by reference in the Final Memorandum (excluding the Policy Provider Information), at the time they were or hereafter, during the period mentioned in Section 4(a) hereof, are filed with the Commission, complied or will comply, as the case may be, in all material respects with the requirements of the Exchange Act.

(iii) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own, lease and operate its property and to conduct its business as described in the Final Memorandum; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the condition (financial or otherwise), business, properties or results of

operations of the Company and its consolidated subsidiaries taken as a whole (a "CONTINENTAL MATERIAL ADVERSE EFFECT").

(iv) Each of Continental Micronesia, Inc., Air Micronesia, Inc. and ExpressJet Airlines, Inc. (together, the "SUBSIDIARIES") has been duly incorporated and is an existing corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Final Memorandum; and each Subsidiary is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not have a Continental Material Adverse Effect; all of the issued and outstanding capital stock of each Subsidiary has been duly authorized and validly issued and is fully paid and nonassessable; and, except as described in the Final Memorandum, each Subsidiary's capital stock owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects.

(v) Except as described in the Final Memorandum, the Company is not in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which it is a party or by which it may be bound or to which any of its properties may be subject, except for such defaults that would not have a Continental Material Adverse Effect. The execution, delivery and performance of this Agreement, the Offered Securities, the Exchange Securities and the Operative Agreements to which the Company is or will be a party, the consummation of the transactions contemplated herein and therein, the issuance and sale of the Offered Securities and the issuance and exchange of the Exchange Securities have been duly authorized by all necessary corporate action of the Company and will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance (other than any lien, charge or encumbrance created under any Operative Agreement) upon any property or assets of the Company pursuant to, any indenture, loan agreement, contract, mortgage, note, lease or other instrument to which the Company is a party or by which the Company may be bound or to which any of the property or assets of the Company is subject, which breach, default, lien, charge or encumbrance, individually or in the aggregate, would have a Continental Material Adverse Effect, nor will any such execution, delivery or performance result in any violation of the provisions of the charter or by-laws of the Company or any statute, rule, regulation or order of any governmental agency or body or any court having jurisdiction over the Company.

(vi) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required for the valid authorization, execution and delivery by the Company of this Agreement, the Offered Securities, the Exchange Securities and the Operative Agreements to which it is or will be a party and for the consummation of the transactions contemplated herein and therein, except (x) such as may be required under the Securities Act, the Trust Indenture Act of 1939, as amended (the "TRUST

INDENTURE ACT"), the securities or "blue sky" or similar laws of the various states and of foreign jurisdictions or rules and regulations of the National Association of Securities Dealers, Inc. ("NASD") in connection with the registration of the Offered Securities under the Securities Act pursuant to the Registration Rights Agreement, (y) filings or recordings with the Federal Aviation Administration (the "FAA") and under the UCC or other laws in effect in any applicable jurisdiction governing the perfection of security interests in the Collateral, which filings or recordings referred to in this clause (y) shall have been made, or duly presented for filing or recordation, or shall be in the process of being duly filed or filed for recordation, on or prior to the Closing Date and (z) the order of the Commission declaring the Exchange Offer Registration Statement or the Shelf Registration Statement effective.

(vii) This Agreement has been duly executed and delivered by the Company, and the Operative Agreements to which the Company will be a party and the Offered Securities will be duly executed and delivered by the Company on or prior to the Closing Date, as the case may be, and the Exchange Securities will be duly executed and delivered by the Company on the date of their delivery as described in the Registration Rights Agreement.

(viii) The Operative Agreements to which the Company is or will be a party, when duly executed and delivered by the Company, assuming that such Operative Agreements have been duly authorized, executed and delivered by, and constitute the legal, valid and binding obligations of, each other party thereto, will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except (w) as enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, (x) as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and (y) with respect to indemnification and contribution provisions, as enforcement thereof may be limited by applicable law. The Operative Agreements to which the Company is or will be a party will, upon execution and delivery thereof, conform in all material respects to the descriptions thereof in the Final Memorandum.

(ix) The consolidated financial statements of the Company incorporated by reference in the Final Memorandum, together with the related notes thereto, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the consolidated results of operations and cash flows of the Company and its consolidated subsidiaries for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as otherwise stated therein and except that unaudited financial statements do not have all required footnotes. The financial statement schedules of the Company, if any, incorporated by reference in the Final Memorandum present the information required to be stated therein.

(x) The Company is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, as amended, and holds an air carrier operating certificate issued pursuant to Chapter 447 of Title 49 of the United States Code, as amended, for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo. All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable.

(xi) When duly executed, authenticated, issued and delivered in the manner provided for in the Indenture and sold and paid for as provided in this Agreement, the Offered Securities will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except (w) as enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, (x) as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and (y) with respect to indemnification provisions, as enforcement thereof may be limited by applicable law, and the holders thereof will be entitled to the benefits of the Indenture. The Offered Securities will conform in all material respects to the description thereof in the Final Memorandum.

(xii) When duly executed, authenticated, issued and delivered in the manner provided for in the Indenture and the Registration Rights Agreement, the Exchange Securities will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except (w) as enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, (x) as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and (y) with respect to indemnification provisions, as enforcement thereof may be limited by applicable law, and the holders thereof will be entitled to the benefits of the Indenture. The Exchange Securities will conform in all material respects to the description thereof in the Final Memorandum.

(xiii) The security interest created by the Security Agreement will be for the benefit of the Holders and the Indemnitees and will constitute, on and at all times after the Closing Date until the termination of the Security Agreement, valid and perfected Liens on the Collateral purported to be covered thereby, subject to no equal or prior Lien, except Permitted Liens.

(xiv) Except as disclosed in the Final Memorandum, the Company and the Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances and defects except where the failure to have such title would not have a Continental Material Adverse Effect; and except as disclosed in the Final Memorandum, the Company and the Subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions that would have a Continental Material Adverse Effect.

(xv) Except as disclosed in the Final Memorandum, there is no action, suit or proceeding before or by any governmental agency or body or court, domestic or foreign, now pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries or any of their respective properties that individually (or in the aggregate in the case of any class of related lawsuits), could reasonably be expected to result in a Continental Material Adverse Effect or that could reasonably be expected to materially and adversely affect the consummation of the transactions contemplated by this Agreement, the Offered Securities, the Exchange Securities or the Operative Agreements.

(xvi) Except as disclosed in the Final Memorandum, no labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent that could reasonably be expected to have a Continental Material Adverse Effect.

(xvii) Each of the Company and the Subsidiaries has all necessary consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, all self-regulatory organizations and all courts and other tribunals, to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Final Memorandum, except to the extent that the failure to so obtain, declare or file would not have a Continental Material Adverse Effect.

(xviii) Except as disclosed in the Final Memorandum, (x) neither the Company nor any of the Subsidiaries is in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances (collectively, "ENVIRONMENTAL LAWS"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim individually or in the aggregate is reasonably expected to have a Continental Material Adverse Effect, and (y) the Company is not aware of any pending investigation which might lead to such a claim that is reasonably expected to have a Continental Material Adverse Effect.

(xix) The accountants that examined and issued an auditors' report with respect to the consolidated financial statements of the Company and the financial statement schedules of the Company, if any, included or incorporated by reference in the Final Memorandum are independent public accountants within the meaning of the Securities Act.

(xx) The Company is not (based on applicable law as in effect on the date hereof) an "investment company", or an entity "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended (the "INVESTMENT COMPANY ACT"), required to register under the Investment Company Act.

(xxi) The Offered Securities satisfy the eligibility requirements of Rule 144A(d)(3) under the Securities Act.

(xxii) Assuming the accuracy of the representations and warranties and compliance with the agreements made by the Initial Purchaser in this Agreement, the offer and sale of the Offered Securities to the Initial Purchaser in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof and Regulation S thereunder and, except as required under the Registration Rights Agreement, it is not necessary to qualify the Indenture under the Trust Indenture Act in respect of any such offer or sale.

(xxiii) Neither the Company nor any of its affiliates, nor any person acting on their behalf, (i) has, within the six-month period prior to the date hereof, offered or sold in the United States or to any U.S. person (as such terms are defined in Regulation S under the Securities Act) the Offered Securities or any security of the same class or series as the Offered Securities or (ii) has offered or will solicit any offer to buy, or will offer or sell the Offered Securities (x) in the United States by any form of "general solicitation" or "general advertising" within the meaning of Rule 502(c) under the Securities Act or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act or (y) with respect to any securities sold in reliance on Rule 903 of Regulation S under the Securities Act, by means of any "directed selling efforts" within the meaning of Rule 902(c) of Regulation S. The Company has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except for this Agreement. The Company and its affiliates and any person acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S.

(xxiv) Simat, Helliesen & Eichner, Inc. ("SH&E") is not an affiliate of the Company and, to the knowledge of the Company, does not have a substantial interest, direct or indirect, in the Company. To the knowledge of the Company, none of the officers and directors of SH&E is connected with the Company or any of its affiliates as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

(b) The parties agree that any certificate signed by a duly authorized officer of the Company and delivered to the Initial Purchaser, or to counsel for the Initial Purchaser, on the Closing Date and in connection with this Agreement or the offering of the Offered Securities, shall be deemed a representation and warranty by (and only by) the Company to the Initial Purchaser as to the matters covered thereby.

2. PURCHASE, SALE AND DELIVERY OF OFFERED SECURITIES. (a) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and the conditions herein set forth, the Company agrees to sell to the Initial Purchaser, and the Initial Purchaser agrees to purchase from the Company, the aggregate principal amount of Offered Securities at a purchase price of 98.875% of the principal amount thereof plus accrued interest, if any, from the date of issuance.

(b) The Company shall issue and deliver against payment of the purchase price the Offered Securities purchased by the Initial Purchaser hereunder and to be offered and sold by the Initial Purchaser in reliance on Regulation S under the Securities Act (the "REGULATION S SECURITIES") in the form of one or more global securities in definitive, fully registered form without interest coupons (the "REGULATION S GLOBAL SECURITIES") which shall be deposited with the Trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC, for the respective accounts of the DTC participants for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("EUROCLEAR"), and Clearstream Banking, societe anonyme ("CLEARSTREAM"). On or prior to the 40th day after the later of the day on which the Offered Securities are first offered to persons other than distributors (as defined in Regulation S under the Securities Act) and the Closing Date, beneficial interests in the Regulation S Global Securities may be held only through Euroclear and Clearstream. Regulation S Securities shall be available only in book-entry form, except in the limited circumstances described in the Final Memorandum.

(c) The Company shall issue and deliver against payment of the purchase price the Offered Securities to be purchased by the Initial Purchaser hereunder and to be offered and sold by the Initial Purchaser to QIBs in reliance on Rule 144A under the Securities Act (the "144A SECURITIES") in the form of one or more permanent global securities in definitive, fully registered form without interest coupons (the "RESTRICTED GLOBAL SECURITIES" and, together with the Regulation S Global Securities, the "GLOBAL SECURITIES") which shall be deposited with the related Trustee as custodian for DTC and registered in the name of a nominee of DTC for credit to the account of the Initial Purchaser. Each Restricted Global Security shall include the legend regarding restrictions on transfer set forth under "Transfer Restrictions" in the Final Memorandum. The Regulation S Securities and the 144A Securities shall be assigned separate CUSIP numbers.

(d) Payment for the Offered Securities shall be made by the Initial Purchaser in federal (same day) funds by official check or checks or wire transfer to an account previously designated to the Initial Purchaser by the Company at 10:00 a.m. (New York time), on December 6, 2002, or at such other date and time as may be agreed upon by the Company and the Initial Purchaser (such date and time of delivery and payment for the Offered Securities being herein referred to as the "CLOSING DATE"), against delivery to the Trustee as custodian for DTC at the offices of Hughes Hubbard & Reed LLP at One Battery Park Plaza, New York, New York 10004 (or at such other location as may be agreed to by the Initial Purchaser and the Company) of (i) the Regulation S Global Securities representing all of the Regulation S Securities for the respective accounts of the DTC participants for Euroclear and Clearstream and (ii) the Restricted Global Securities representing all of the 144A Securities. The Regulation S Global Securities and the Restricted Global Securities shall be made available for checking at the office of Hughes Hubbard & Reed LLP (or at such other location as may be agreed to by the Initial Purchaser and the Company) not later than 1:00 p.m. on the business day prior to the Closing Date.

(e) Notwithstanding the foregoing, any Offered Securities sold by the Initial Purchaser pursuant to Section 5(a) hereof to Institutional Accredited

Investors who are not QIBs and are not purchasers of interests in the Regulation S Global Securities shall be issued in definitive, fully registered form without interest coupons ("DEFINITIVE SECURITIES") and shall bear the legend relating thereto set forth under "Transfer Restrictions" in the Final Memorandum, but shall be paid for in the manner set forth in Section 2(d) hereof. Upon transfer of Definitive Securities to a QIB or in accordance with Regulation S under the Securities Act, such Definitive Securities shall be exchanged for an interest in the appropriate Global Security. Definitive Securities shall be registered in such names and in such authorized denominations as the Initial Purchaser may request not less than two full business days in advance of the Closing Date.

3. CONDITIONS OF THE OBLIGATIONS OF THE INITIAL PURCHASER. The Initial Purchaser's obligations to purchase and pay for the Offered Securities pursuant to this Agreement are subject to the following conditions:

(a) On the Closing Date, the Initial Purchaser shall have received an opinion of Hughes Hubbard & Reed LLP, counsel for the Company, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(b) On the Closing Date, the Initial Purchaser shall have received an opinion of the General Counsel of the Company, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(c) On the Closing Date, the Initial Purchaser shall have received an opinion of Richards, Layton & Finger, P.A., counsel for Wilmington Trust Company, individually and as Trustee, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(d) On the Closing Date, the Initial Purchaser shall have received an opinion of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel for the Liquidity Provider and the Liquidity Provider Guarantor, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(e) On the Closing Date, the Initial Purchaser shall have received an opinion of in-house counsel for the Liquidity Provider and the Liquidity Provider Guarantor, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(f) On the Closing Date, the Initial Purchaser shall have received an opinion of Latham & Watkins, special New York counsel for the Policy Provider, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(g) On the Closing Date, the Initial Purchaser shall have received an opinion of in-house counsel for the Policy Provider, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(h) On the Closing Date, the Initial Purchaser shall have received an opinion of Lytle, Soule & Curlee, special counsel in Oklahoma City, Oklahoma, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(i) On the Closing Date, the Initial Purchaser shall have received an opinion of Milbank, Tweed, Hadley & McCloy LLP, counsel for the Initial Purchaser, dated the Closing Date, with respect to the validity of the Offered Securities, the Final Memorandum, the exemption from registration for the offer and sale of the Offered Securities to the Initial Purchaser as contemplated hereby and other related matters as the Initial Purchaser may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(j) Subsequent to the execution and delivery of this Agreement, there shall not have occurred any change, or any development involving a prospective change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries considered as one enterprise that, in the Initial Purchaser's judgment, is material and adverse and that makes it, in the Initial Purchaser's judgment, impracticable to market the Offered Securities on the terms and in the manner contemplated by the Final Memorandum.

(k) Subsequent to the execution and delivery of this Agreement, there shall not have occurred any change, or any development involving a prospective change, in the condition (financial or other), business, properties or results of operations of the Policy Provider and its subsidiaries considered as one enterprise that, in the Initial Purchaser's judgment, is material and adverse and that makes it, in the Initial Purchaser's judgment, impracticable to market the Offered Securities on the terms and in the manner contemplated by the Final Memorandum.

(l) The Initial Purchaser shall have received on the Closing Date a certificate, dated the Closing Date and signed by the President or any Vice President of the Company, to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date as if made on the Closing Date (except to the extent that they relate solely to an earlier date, in which case they shall be true and accurate as of such earlier date), that the Company has performed all its obligations to be performed hereunder on or prior to the Closing Date and that, subsequent to the execution and delivery of this Agreement, there shall not have occurred any material adverse change, or any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries considered as one enterprise, except as set forth in or contemplated by the Final Memorandum.

(m) As of the Closing Date, the representations and warranties of the Policy Provider contained in the Indemnification Agreement shall be true and correct in all material respects as of the Closing Date (except to the extent that they relate solely to an earlier or later date, in which case they shall be true and correct as of such earlier or later date) and the Initial Purchaser shall have received a certificate of the President or a Vice President of the Policy Provider, dated the Closing Date, to such effect.

(n) The Initial Purchaser shall have received from Ernst & Young LLP a letter, dated the date hereof, in form and substance satisfactory to the Initial Purchaser.

(o) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have been any downgrading in the rating accorded any of the Company's securities (except for any pass through certificates) by any "nationally recognized statistical rating organization", as such term is defined for purposes of Rule 436(g)(2) under the Securities Act, or any public announcement that any such organization has under surveillance or review, in each case for possible change, its ratings of any such securities other than pass through certificates (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating).

(p) SH&E shall have furnished to the Initial Purchaser a letter, addressed to the Company and dated the Closing Date, confirming that SH&E and each of its directors and officers (i) is not an affiliate of the Company or any of its affiliates, (ii) does not have any substantial interest, direct or indirect, in the Company or any of its affiliates and (iii) is not connected with the Company or any of its affiliates as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

(q) At the Closing Date, each of the Operative Agreements shall have been duly executed and delivered by each of the parties thereto; and the representations and warranties of the Company contained in each of such executed Operative Agreements shall be true and correct as of the Closing Date (except to the extent that they relate solely to an earlier date, in which case they shall be true and correct as of such earlier date) and the Initial Purchaser shall have received a certificate of the President or a Vice President of the Company, dated as of the Closing Date, to such effect.

(r) On the Closing Date, the Offered Securities shall be rated "Aaa" by Moody's Investors Service, Inc.

(s) The Initial Purchaser shall have received from Ernst & Young LLP a letter, dated the Closing Date, which meets the requirements of subsection (n) of this Section 3, except that the specified date referred to in such subsection will be a date not more than three business days prior to the Closing Date for the purposes of this subsection.

(t) On the Closing Date (a) the Security Agreement shall have been duly filed for recordation with the FAA in accordance with the Federal Aviation Act and (b) each Financing Statement shall have been duly filed in the appropriate jurisdiction.

The Company will furnish the Initial Purchaser with such conformed copies of such opinions, certificates, letters and documents as the Initial Purchaser reasonably requests.

4. CERTAIN AGREEMENTS OF THE COMPANY. The Company agrees with the Initial Purchaser that:

(a) During the period described in the following sentence of this Section 4(a), the Company shall advise the Initial Purchaser promptly of any proposal to amend or supplement the Final Memorandum (except by documents filed under the Exchange Act) and will not effect such amendment or supplement (except by documents filed under the Exchange Act) without the Initial Purchaser's

consent, which consent will not be unreasonably withheld. If, at any time prior to the completion of the resale of the Offered Securities by the Initial Purchaser, any event shall occur as a result of which it is necessary to amend or supplement the Final Memorandum in order to make the statements therein, in the light of the circumstances when the Final Memorandum is delivered to a purchaser, not misleading in any material respect, the Company shall prepare and furnish to the Initial Purchaser, at the Company's own expense, either amendments or supplements to the Final Memorandum so that the statements in the Final Memorandum as so amended or supplemented will not, in the light of the circumstances when the Final Memorandum is delivered to a purchaser, be misleading in any material respect. Neither the Initial Purchaser's consent to, nor the Initial Purchaser's delivery to offerees or investors of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 3 hereof.

(b) Notwithstanding any provision of Section 4(a) hereof to the contrary, the Company's obligations under Section 4(a) hereof shall terminate on the earlier to occur of (i) the effective date of the Exchange Offer Registration Statement or Shelf Registration Statement and (ii) the date upon which the Initial Purchaser and the Initial Purchaser's affiliates cease to hold Offered Securities acquired as part of the Initial Purchaser's initial distributions.

(c) The Company will furnish to the Initial Purchaser copies of the Preliminary Memorandum, the Final Memorandum and all amendments and supplements to such documents (excluding all documents incorporated by reference therein), in each case as soon as available and in such quantities as the Initial Purchaser reasonably requests. So long as any of the Offered Securities are Registrable Securities (as defined in the Registration Rights Agreement), at any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will provide to any holder of such Registrable Securities, or to any prospective purchaser of such Registrable Securities designated by a holder, upon the request of such holder or prospective purchaser, any information required to be delivered to holders and prospective purchasers of the Offered Securities pursuant to Rule 144A(d)(4) under the Securities Act. This covenant is intended to be for the benefit of the holders, and prospective purchasers designated by such holders from time to time, of such Registrable Securities.

(d) If requested by the Initial Purchaser, the Company shall use its reasonable efforts to permit the Offered Securities to be designated PORTAL securities in accordance with the rules and regulations adopted by the NASD relating to trading in the PORTAL Market.

(e) The Company shall, in cooperation with the Initial Purchaser, endeavor to arrange for the qualification of the Offered Securities for offer and sale under the applicable securities or "blue sky" laws of such jurisdictions in the United States as the Initial Purchaser reasonably designates and will endeavor to maintain such qualifications in effect so long as required for the resale of the Offered Securities by the Initial Purchaser; PROVIDED that the Company shall not be required to (i) qualify as a foreign corporation or as a dealer in securities, (ii) file a general consent to service of process or (iii) subject itself to taxation in any such jurisdiction.

(f) During the period of ten years after the Closing Date, the Company will promptly furnish to the Initial Purchaser, upon request, copies of all Annual Reports on Form 10-K and any definitive proxy statement of the Company filed with the Commission; PROVIDED that providing a website address at which such Annual Reports and any such definitive proxy statements may be accessed will satisfy this clause (f).

(g) Between the date of this Agreement and the Closing Date, the Company shall not, without the prior written consent of the Initial Purchaser, offer, sell, or enter into any agreement to sell (as public debt securities registered under the Securities Act or as debt securities which may be resold in a transaction exempt from the registration requirements of the Securities Act in reliance on Rule 144A thereunder (other than the Offered Securities) and which are marketed through the use of a disclosure document containing substantially the same information as a prospectus for similar debt securities registered under the Securities Act), any notes of the Company secured by Spare Parts or Appliances (or rights relating thereto).

(h) During the period of two years after the Closing Date, the Company will, upon request, furnish to the Initial Purchaser and any holder of Offered Securities or Exchange Securities, as the case may be, a copy of the restrictions on transfer applicable to such Offered Securities or Exchange Securities.

(i) During the period of two years after the Closing Date, the Company will not, and will not permit any of its affiliates (as defined in Rule 144 under the Securities Act) to, resell any of the Offered Securities or Exchange Securities that have been reacquired by any of them.

(j) During the period of two years after the Closing Date (or, if shorter, the period beginning on the Closing Date and ending on the date on which there ceases to be any Registrable Securities), the Company will not be or become an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act, or a closed-end investment company required to be registered, but not registered, under the Investment Company Act.

(k) Neither the Company nor any affiliate of the Company will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which would be integrated with the sale of the Offered Securities in a manner which would require the registration under the Securities Act of the Offered Securities sold to the Initial Purchaser pursuant to this Agreement.

(l) The Company shall not take any action prohibited by Regulation M under the Exchange Act in connection with the distribution of the Offered Securities contemplated hereby.

5. OFFERING OF SECURITIES; RESTRICTIONS ON TRANSFER.

(a) The Initial Purchaser represents and warrants that it is an "accredited investor" within the meaning of Regulation D under the Securities

Act. The Initial Purchaser represents, warrants and agrees with the Company that (i) it has not solicited and will not solicit offers for, or offer or sell, the Offered Securities by any form of "general solicitation" or "general advertising" (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act and (ii) it has solicited and will solicit offers for the Offered Securities only from, and has offered and will offer and sell the Offered Securities only to (A) in the case of offers and sales inside the United States, persons that it reasonably believes to be (1) QIBs in compliance with Rule 144A under the Securities Act or (2) Institutional Accredited Investors that, prior to their purchase of the Offered Securities, execute and deliver to the Initial Purchaser a letter in the form annexed as Annex III to the Final Memorandum and (B) in the case of offers and sales outside the United States, persons other than U.S. persons (including dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust)) in accordance with Regulation S under the Securities Act; provided, in the case of each of clauses (A) and (B) that, in purchasing such Offered Securities, such persons are deemed to have represented and agreed as provided in the Final Memorandum under the caption "Transfer Restrictions".

(b) The Initial Purchaser represents, warrants and agrees with respect to offers and sales outside the United States that:

(i) it understands that no action has been or will be taken in any jurisdiction by the Company that would permit a public offering of the Offered Securities, or possession or distribution of either the Preliminary Memorandum or the Final Memorandum or any other offering or publicity material relating to the Offered Securities, in any country or jurisdiction where action for that purpose is required;

(ii) it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Offered Securities or has in its possession or distributes either the Preliminary Memorandum or the Final Memorandum or any other offering or publicity material relating to the Offered Securities, in all cases at its own expense;

(iii) the Offered Securities have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act;

(iv) it has offered the Offered Securities and will offer and sell the Offered Securities (A) as part of its distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S or as otherwise permitted in Section 5(a) hereof; neither the Initial Purchaser, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any "directed selling efforts" (within the meaning of Regulation S) with respect to the Offered Securities, and the Initial Purchaser, its affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S;

(v) it (A) has not offered or sold and, prior to the date six months after the Closing Date, will not offer or sell any Offered Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (B) has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Offered Securities in, from or otherwise involving the United Kingdom; and (C) will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Offered Securities in circumstances in which section 21(1) of the FSMA does not apply to the Company;

(vi) it agrees that, at or prior to confirmation of sales of the Offered Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Offered Securities from it during the restricted period a confirmation or notice to substantially the following effect:

"The Offered Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Terms used in this Section 5 have the meanings given to them by Regulation S.

6. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless the Initial Purchaser, and each Person, if any, who controls the Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by the Initial Purchaser or any such controlling person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Memorandum or the Final Memorandum (in each case, as supplemented or amended) or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon Initial Purchaser Information or Policy Provider Information; PROVIDED, HOWEVER, that the foregoing indemnity agreement with respect to the Preliminary Memorandum shall not inure to the benefit of the Initial Purchaser, or to the benefit of

any person controlling the Initial Purchaser, with respect to any such losses, claims, damages or liabilities asserted by a person who purchased Offered Securities from the Initial Purchaser, if a copy of the Final Memorandum (as then amended or supplemented if the Company shall have furnished or filed with the Commission any amendments or supplements thereto) was not sent or given by or on behalf of the Initial Purchaser to such person at or prior to the written confirmation of the sale of such Offered Securities to such person, and if the Final Memorandum (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities unless such failure to deliver the Final Memorandum was a result of noncompliance by the Company with its delivery requirements set forth in Section 4(a) hereof.

(b) The Initial Purchaser agrees to indemnify and hold harmless the Company, its directors, its officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to the Initial Purchaser, but only with reference to the Initial Purchaser Information.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either Section 6(a) or Section 6(b) hereof, such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing. The indemnifying party, upon request of the indemnified party, shall, and the indemnifying party may elect to, retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and the indemnifying party shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, or (iii) the indemnifying party shall have failed to retain counsel as required by the prior sentence to represent the indemnified party within a reasonable amount of time. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Initial Purchaser in the case of parties indemnified pursuant to Section 6(a) hereof and by the Company in the case of parties indemnified pursuant to Section 6(b) hereof. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested in writing an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this Section 6(c), the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such

settlement is entered into more than 90 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement, unless such fees and expenses are being disputed in good faith. The indemnifying party at any time may, subject to the last sentence of this Section 6(c), settle or compromise any proceeding described in this Section 6(c) at the expense of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (i) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) To the extent the indemnification provided for in Section 6(a) or Section 6(b) hereof is required to be made but is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities, then the applicable indemnifying party under such Section, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Initial Purchaser, on the other hand, from the offering of the Offered Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Initial Purchaser on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Initial Purchaser on the other hand in connection with the offering of the Offered Securities shall be deemed to be in the same respective proportions as the proceeds from the offering of the Offered Securities received by the Company (before deducting expenses) and the total underwriting discounts received by the Initial Purchaser, bear to the aggregate offering price of the Offered Securities. The relative fault of the Company on the one hand and of the Initial Purchaser on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or information supplied by the Initial Purchaser, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Company and the Initial Purchaser agree that it would not be just or equitable if contribution pursuant to this Section 6 were determined by PRO RATA allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 6(d) hereof. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 6(d) hereof shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, the Initial Purchaser shall not be required to

contribute any amount in excess of the amount by which the total price at which the Offered Securities resold by it in the initial placement of such Offered Securities were offered to investors exceeds the amount of any damages that the Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The indemnity and contribution provisions contained in this Section 6 and the representations and warranties of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Initial Purchaser or any person controlling the Initial Purchaser or by or on behalf of the Company, its officers or directors or any person controlling the Company, and (iii) acceptance of and payment for any of the Offered Securities. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

7. SURVIVAL OF CERTAIN REPRESENTATIONS AND OBLIGATIONS. The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the Initial Purchaser set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any termination of this Agreement, any investigation, or statement as to the results thereof, made by or on behalf of the Initial Purchaser, the Company or any of their respective representatives, officers or directors or any controlling person and will survive delivery of and payment for the Offered Securities. If for any reason the purchase of the Offered Securities by the Initial Purchaser is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 9 hereof and the respective obligations of the Company and the Initial Purchaser pursuant to Section 6 hereof shall remain in effect. If the purchase of the Offered Securities by the Initial Purchaser is not consummated for any reason other than solely because of the occurrence of the termination of the Agreement pursuant to Section 8 hereof, the Company will reimburse the Initial Purchaser for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) reasonably incurred by the Initial Purchaser in connection with the offering of such Offered Securities and will comply with its obligations under Sections 6 and 9 hereof.

8. TERMINATION. This Agreement shall be subject to termination by notice given by the Initial Purchaser to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been materially suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange or the NASD, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a major disruption of settlements of securities or clearance services in the United States that would materially impair settlement and clearance with respect to the Offered Securities, (iv) any general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (v) there shall have occurred any attack on, outbreak or escalation of hostilities or act of terrorism involving, the United States, or any change in financial markets or any calamity or crisis that, in each case, in the judgment of the Initial Purchaser, is material and adverse and (b) in the case of any of the events specified in clauses (a)(i) through (v), such event singly or together with any other such event makes it, in the judgment of the

Initial Purchaser, impracticable to market the Offered Securities on the terms and in the manner contemplated in the Final Memorandum.

9. PAYMENT OF EXPENSES. (a) As between the Company and the Initial Purchaser, the Company shall pay all expenses incidental to the performance of the Company's obligations under this Agreement, including the following:

(i) expenses incurred in connection with (A) qualifying the Offered Securities or the Exchange Securities for offer and sale under the applicable securities or "blue sky" laws of such jurisdictions in the United States as the Initial Purchaser reasonably designates (including filing fees and fees and disbursements of counsel for the Initial Purchaser in connection therewith), (B) endeavoring to maintain such qualifications in effect so long as required for the distribution of such Offered Securities, (C) the review (if any) of the offering of the Offered Securities or the Exchange Securities by the NASD, (D) the determination of the eligibility of the Offered Securities or the Exchange Securities for investment under the laws of such jurisdictions as the Initial Purchaser may designate, (E) the preparation and distribution of any blue sky or legal investment memorandum by counsel for the Initial Purchaser and (F) qualifying the Offered Securities for trading in The PortalSM Market of the Nasdaq Stock Market and any expenses incidental thereto;

(ii) expenses incurred in connection with the preparation and distribution to the Initial Purchaser and the dealers (whose names and addresses the Initial Purchaser will furnish to the Company) to which Offered Securities or Exchange Securities may have been sold by the Initial Purchaser on its behalf and to any other dealers upon request, of amendments or supplements to the Final Memorandum (excluding Policy Provider Information) in order to make the statements therein, in the light of the circumstances when the Final Memorandum is delivered to a purchaser, not materially misleading;

(iii) expenses incurred in connection with the preparation, printing and distribution of the Preliminary Memorandum, the Final Memorandum and any amendments thereof or supplements thereto (excluding Policy Provider Information);

(iv) expenses incurred in connection with the preparation, printing and distribution of this Agreement, the Offered Securities, the Exchange Securities and the Operative Agreements;

(v) expenses incurred in connection with the delivery of the Offered Securities to the Initial Purchaser;

(vi) reasonable fees and disbursements of the counsel and accountants for the Company;

(vii) to the extent the Company is so required under any Operative Agreement to which it is a party, the fees and expenses of the Trustee, the Liquidity Provider and the Policy Provider and the reasonable fees and disbursements of their respective counsel;

(viii) fees charged by rating agencies for rating the Offered Securities or the Exchange Securities at the Company's request (including annual surveillance fees related to the Offered Securities or the Exchange Securities as long as they are outstanding);

(ix) reasonable fees and disbursements of counsel for the Initial Purchaser in an amount to be agreed between the Initial Purchaser and the Company;

(x) all fees and expenses relating to appraisals of the Pledged Spare Parts; and

(xi) all other reasonable out-of-pocket expenses incurred by the Initial Purchaser in connection with the transactions contemplated by this Agreement.

(b) In connection with the offering, until the Initial Purchaser shall have notified the Company of the completion of the resale of the Offered Securities, neither the Company nor any of its affiliates has bid for or purchased or will bid for or purchase, either alone or with one or more other persons, for any account in which it or any of its affiliates has a beneficial interest any Offered Securities; and neither it nor any of its affiliates will make bids or purchases for the purpose of creating actual, or apparent, active trading in, or of raising the price of, the Offered Securities.

10. NOTICES. All communications hereunder will be in writing and, if sent to the Initial Purchaser, will be mailed, delivered or sent by facsimile transmission and confirmed to Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, NY 10036, Attention: Equipment Finance Group, facsimile number (212) 761-0786 and, if sent to the Company, will be mailed, delivered or sent by facsimile transmission and confirmed to it at 1600 Smith Street, HQSEO, Houston, TX 77002, Attention: Treasurer and General Counsel, facsimile number (713) 324-2447.

11. SUCCESSORS. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons referred to in Section 6 hereof, and no other person will have any right or obligation hereunder.

12. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

13. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. JURISDICTION. Each of the parties hereto agrees that any legal suit, action or proceeding arising out of or relating to this Agreement or the

transactions contemplated hereby may be instituted in any U.S. federal or New York State court in the Borough of Manhattan in The City of New York and each of the parties hereto hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the jurisdiction of such courts, with respect to actions brought against it as defendant, in any suit, action or proceeding. Each of the parties to this Agreement agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law in accordance with applicable law.

15. LIBOR FOR INITIAL INTEREST PERIOD. The interest rate applicable for the initial Interest Period under the Indenture shall be LIBOR, determined by the Initial Purchaser as the rate for deposits in U.S. dollars for a period of three months which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on December 4, 2002.

If the foregoing is in accordance with the Initial Purchaser's understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement between the Initial Purchaser and the Company in accordance with its terms.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By:

Name: Gerald Laderman
Title: Senior Vice President-Finance

The foregoing Purchase Agreement
is hereby confirmed and accepted
as of the date first above written:

MORGAN STANLEY & CO. INCORPORATED

By:

Name:
Title:

Hughes Hubbard & Reed LLP
One Battery Park Plaza
New York, New York 10004

April 21, 2003

Continental Airlines, Inc.
1600 Smith Street, Dept. HQSEO
Houston, Texas 77002

Re: Continental Airlines, Inc. - Registration Statement on Form S-4

Ladies and Gentlemen:

We have acted as your counsel in connection with the above-referenced Registration Statement on Form S-4 (the "Registration Statement") to be filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Act"), in respect of the registration under the Act of the Floating Rate Secured Notes due 2007 (the "New Notes"), to be offered in exchange for all outstanding Floating Rate Secured Notes due 2007 (the "Old Notes"), issued pursuant to an indenture (the "Indenture") among Continental Airlines, Inc. (the "Company"), Wilmington Trust Company, as trustee (the "Trustee"), Morgan Stanley Capital Services Inc., as liquidity provider, and MBIA Insurance Corporation, as policy provider.

In connection with this opinion letter, we have examined: the Registration Statement, including the Prospectus which forms a part of the Registration Statement, the Indenture, the forms of Old Note and New Note and originals, or copies certified or otherwise identified to our satisfaction, of such other documents, records, instruments and certificates of public officials as we have deemed necessary or appropriate to enable us to render this opinion. In addition, we have assumed: (i) that all signatures are genuine, (ii) that all documents submitted to us as originals are genuine, (iii) that all copies submitted to us conform to the originals, (iv) that the Indenture has been duly authorized, executed and delivered by all parties thereto (other than the Company) and is the legal, valid, binding and enforceable agreement of all parties thereto (other than the Company) and (v) that the Old Notes were duly and validly authenticated and delivered by the Trustee pursuant to the terms of the Indenture.

We are members of the bar of the State of New York, and the opinion set forth below is restricted to matters controlled by federal laws, the laws of the State of New York and the General Corporation Law of the State of Delaware.

Based on the foregoing, it is our opinion that, when (i) the applicable provisions of the Act and such "Blue Sky" or other state securities laws as may be applicable shall have been complied with and (ii) the New Notes, in the form included in the Indenture, have been duly executed and authenticated in accordance with the Indenture, and duly issued and delivered by the Company in exchange for an equal principal amount of Old Notes pursuant to the terms of the Exchange Offer described in the Registration Statement, the New Notes will be legal, valid, binding and enforceable obligations of the Company, subject to (i) limitations imposed by bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance, fraudulent transfer, preferential transfer and other laws of general application relating to or affecting the enforceability of creditors' rights and to general principles of equity, including, without limitation, reasonableness, good faith and fair dealing, and considerations of impracticability or impossibility or performance and defenses based upon unconscionability (regardless of whether such enforceability is considered or applied in a proceeding in equity or at law) and (b) the qualifications that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the heading "Legal Matters" in the Prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are "experts" within the meaning of the Act or the rules and regulations of the Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement, including this exhibit.

Very truly yours,

/s/ Hughes Hubbard & Reed LLP

CONTINENTAL AIRLINES, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(IN MILLIONS)

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	2003	2002	2002	2001	2000	1999	1998
Earnings:							
Earnings (Loss) Before Income Taxes and Minority Interest	(310)	(254)	(615)	(114)	562	798	642
Plus:							
Interest Expense	95	82	356	295	251	233	178
Capitalized Interest	(7)	(11)	(36)	(57)	(57)	(55)	(55)
Amortization of Capitalized Interest	10	8	35	28	21	16	6
Portion of Rent Expense Representative of Interest Expense	207	218	852	834	778	714	461
	(5)	43	592	986	1,555	1,706	1,232
Fixed Charges:							
Interest Expense	95	82	356	295	251	233	178
Portion of Rent Expense Representative of Interest Expense	207	218	852	834	778	714	461
Total Fixed Charges	302	300	1,208	1,129	1,029	947	639
Coverage Adequacy (Deficiency)	(307)	(257)	(616)	(143)	526	759	593
Coverage Ratio	NA	NA	NA	NA	1.51	1.80	1.93

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of Continental Airlines, Inc. (the "Company") for the registration of $200,000,000 of Floating Rate Secured Notes Due 2007 and to the incorporation by reference therein of our reports dated January 15, 2003, with respect to the consolidated financial statements and schedule of the Company included in its Annual Report (Form 10-K), as amended, for the year ended December 31, 2002, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Houston, Texas
April 21, 2003

CONSENT OF INDENDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus Supplement of Continental Airlines, Inc., relating to Floating Rate Secured Notes due 2007, of our reports, dated January 31, 2003, each of which is included or incorporated by reference in MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002, relating to our audits of: the consolidated financial statements of MBIA Inc. and Subsidiaries as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002, the consolidated financial statement schedules of MBIA Inc. and Subsidiaries as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002; and, the consolidated financial statements of MBIA Insurance Corporation and Subsidiaries as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002. We also consent to the reference to our firm under the caption "Experts."

/s/ PRICEWATERHOUSECOOPERS LLP

April 22, 2003

SIMAT, HELLIESEN & EICHNER, INC.
90 Park Avenue
New York, NY 10016

April 21, 2003

CONTINENTAL AIRLINES, INC.
1600 Smith Street
Houston, TX 77002

Re: Registration Statement on Form S-4 of Continental Airlines, Inc. relating to Floating Rate Secured Notes Due 2007

Ladies and Gentlemen:

We consent to the use of the reports, dated as of October 31, 2002 and January 24, 2003, prepared by us with respect to the spare parts referred to therein, to the summary of such reports in the text under the headings "Prospectus Summary--Collateral", "Risk Factors--Risk Factors Relating to the Notes and the Exchange Offer--Appraisal and Realizable Value of Collateral" and "Description of the Appraisal" in the above-captioned Registration Statement and to the references to our name under the headings "Prospectus Summary--Collateral", "Risk Factors--Risk Factors Relating to the Notes and the Exchange Offer--Appraisal and Realizable Value of Collateral", "Description of the Notes--Collateral--Appraisals and Maintenance of Ratios", "Description of the Appraisal" and "Experts" in such Registration Statement.

Sincerely,

SIMAT, HELLIESEN & EICHNER, INC.

/S/ CLIVE G. MEDLAND

Name: Clive G. Medland
Title: Senior Vice President

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ THOMAS J. BARRACK

(Signature)

Name: Thomas J. Barrack

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ GORDON M. BETHUNE

(Signature)

Name: Gordon M. Bethune

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ DAVID BONDERMAN

(Signature)

Name: David Bonderman

Dated and effective as of January 28, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ KIRBYJON H. CALDWELL

(Signature)

Name: Kirbyjon H. Caldwell

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ PATRICK FOLEY

(Signature)

Name: Patrick Foley

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ KAREN HASTIE WILLIAMS

(Signature)

Name: Karen Hastie Williams

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ LAWRENCE W. KELLNER

(Signature)

Name: Lawrence W. Kellner

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ DOUGLAS H. MCCORKINDALE

(Signature)

Name: Douglas H. McCorkindale

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ GEORGE G.C. PARKER

(Signature)

Name: George G.C. Parker

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ RICHARD W. POGUE

(Signature)

Name: Richard W. Pogue

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ WILLIAM S. PRICE

(Signature)

Name: William S. Price

Dated and effective as of January 27, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys-in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to an exchange offer for the Company's Floating Rate Secured Notes due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/S/ CHARLES A. YAMARONE

(Signature)

Name: Charles A. Yamarone

Dated and effective as of January 27, 2003

LETTER OF TRANSMITTAL

CONTINENTAL AIRLINES, INC.

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

Pursuant to the Prospectus, dated _____, 2003.
THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON
_____, 2003, UNLESS EXTENDED (THE "EXPIRATION DATE").
TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME,
ON THE EXPIRATION DATE.

BY MAIL:	BY OVERNIGHT DELIVERY OR HAND:
Wilmington Trust Company	Wilmington Trust Company
DC-1615 Reorg Services	Corporate Trust Reorg Services
PO Box 8861	1100 North Market Street
Wilmington, Delaware 19899-8861	Wilmington, Delaware 19890-1615

FACSIMILE TRANSMISSION:
(302) 636-4145

CONFIRM BY TELEPHONE:
(302) 636-6472

Delivery of this instrument to an address other than as set forth above, or transmission of instructions via facsimile other than as set forth above, will not constitute a valid delivery.

The undersigned acknowledges receipt of the Prospectus, dated [_____], 2003 (the "Prospectus"), of Continental Airlines, Inc., a Delaware corporation (the "Company"), and this Letter of Transmittal (this "Letter"), which together constitute the offer (the "Exchange Offer") to exchange an aggregate principal amount of up to $200,000,000 of the Company's Floating Rate Secured Notes due 2007, which have been registered under the Securities Act of 1933, as amended (the "New Notes"), for an equal principal amount of the Company's outstanding Floating Rate Secured Notes due 2007 (the "Old Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Exchange and Registration Rights Agreement, dated as of December 6, 2002, between the Company and the Initial Purchaser named therein (the "Registration Rights Agreement").

For each Old Note accepted for exchange, the holder of such Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. New Notes will accrue interest at the variable rate per annum set forth on the cover page of the Prospectus (plus, if applicable, 0.50% during the period specified in the Registration Rights Agreement), subject to a maximum rate of 12% applicable only for periods as to which the Company has failed to pay accrued interest when due and failed to cure such nonpayment, from the most recent date to which interest has been paid on the Old Notes or, if no interest has been paid, from the date on which the Old Notes surrendered in exchange therefor were originally issued (the "Issuance Date"). Interest on the New Notes is payable on March 6, June 6, September 6 and December 6 of each year, commencing on March 6, 2003. In the event that neither the consummation of the Exchange Offer nor the declaration by the Securities and Exchange Commission of a shelf registration statement relating to the sale of the Old Notes to be effective (each, a "Registration Event") occurs on or prior to the 210th calendar day following the Issuance Date, the interest rate borne by the 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 Notes otherwise become transferable by Noteholders (other than affiliates or former affiliates of Continental) without further registration under the Securities Act. In the event that such 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 borne by the 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 such shelf registration statement again becomes effective (or, if earlier, the end of such period specified by the Registration Rights Agreement). The Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term "Expiration Date" shall mean the latest time and date to which the Exchange Offer is extended. The Company shall notify the holders of the Old Notes of any extension by means of a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

This Letter is to be completed by a holder of Old Notes if Old Notes are to be forwarded herewith or if a tender of Old Notes, if available, is to be made by book-entry transfer to the account maintained by Wilmington Trust Company (the "Exchange Agent") at The Depository Trust Company ("DTC") pursuant to the procedure set forth in "The Exchange Offer" section of the Prospectus and an Agent's Message (as defined below) is not delivered. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter. The term "Agent's Message" means a message, transmitted by DTC and received by the Exchange Agent and forming a part of a Book-Entry Confirmation (as defined below), that states that DTC has received an express acknowledgment from a participant tendering Old Notes that are the subject of such Book-Entry

Confirmation that such participant has received and agrees to be bound by this Letter, and that the Company may enforce this Letter against such participant. Holders of Old Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Old Notes into the Exchange Agent's account at DTC (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Old Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer -- Guaranteed Delivery Procedures" section of the Prospectus. See Instruction 1. Delivery of documents to DTC does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Old Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Old Notes should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OLD NOTES

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S)	CERTIFICATE NUMBER(S)	AGGREGATE PRINCIPAL AMOUNT OF OLD NOTE(S)	PRINCIPAL AMOUNT TENDERED

Need to be completed by Holders of Notes being tendered by book-entry transfer (see below).

Unless otherwise indicated in this column, it will be assumed that all Notes represented by certificates delivered to the Exchange Agent are being tendered. See Instruction 1.

☐ CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution:

Account Number: Transaction Code Number:

By crediting the Old Notes to the Exchange Agent's account at DTC's Automated Tender Offer Program ("ATOP") and by complying with applicable ATOP procedures with respect to the Exchange Offer, including transmitting to the Exchange Agent a computer-generated Agent's Message in which the holder of the Old Notes acknowledges and agrees to be bound by the terms of, and makes the representations and warranties contained in, this Letter, the participant in DTC confirms on behalf of itself and the beneficial owners of such Old Notes all provisions of this Letter (including all representations and warranties) applicable to it and such beneficial owner as fully as if it had completed the information required herein and executed and transmitted this Letter to the Exchange Agent.

☐ CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s):

Window Ticket Number (if any):

Date of Execution of Notice of Guaranteed Delivery:

Name of Institution which Guaranteed Delivery:

If Delivered by Book-Entry Transfer, Complete the Following:

Account Number: Transaction Code Number:

☐ CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name:

Address:

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Notes as are being tendered hereby.

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as Trustee under the Indenture (each as defined in the Prospectus)) with respect to the tendered Old Notes with full power of substitution to (i) deliver certificates for such Old Notes to the Company, or transfer ownership of such Old Notes on the account books maintained by DTC, together, in either such case, with all accompanying evidences of transfer and authenticity to, or upon the order of, the Company and (ii) present such Old Notes for transfer on the books of the registrar and receive all benefits and otherwise exercise all rights of beneficial ownership of such Old Notes, all in accordance with the terms of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that any New Notes acquired in exchange for Old Notes tendered hereby will have been acquired in the ordinary course of

business of the person receiving such New Notes, whether or not such person is the undersigned, that neither the holder of such Old Notes nor any such other person is engaged in, or intends to engage in a distribution of such New Notes, or has an arrangement or understanding with any person to participate in the distribution of such New Notes, and that neither the holder of such Old Notes nor any such other person is an "affiliate", as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Company.

The undersigned also acknowledges that this Exchange Offer is being made based upon the Company's understanding of an interpretation by the staff of the Securities and Exchange Commission (the "Commission"), as set forth in no-action letters issued to third parties, that the New Notes issued in exchange for the Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than a broker-dealer who acquires such New Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such New Notes and have no arrangement with any person to participate in the distribution of such New Notes. If a holder of Old Notes is engaged in or intends to engage in a distribution of the New Notes or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such holder could 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 resale transaction. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Old Notes, it represents that the Old Notes to be exchanged for the New Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Old Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer -- Withdrawal of Tenders" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please deliver the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the account indicated above maintained at DTC. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Old Notes".

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH BOX ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Old Note not exchanged and/or New Notes are to be issued in the name of and sent to someone other than the person(s) whose signature(s) appear(s) on this Letter below, or if Old Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at DTC other than the account indicated above.

Issue New Notes and/or Old Notes to:

Name(s):

_____
(Please Type or Print)

_____
(Please Type or Print)

Address:

_____

_____
(Including Zip Code)

_____
Social Security or Employer
Identification Number

Credit unexchanged Old Notes delivered by book-entry transfer to DTC account set forth below.

_____
(DTC Account Number,
if applicable)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be sent to someone other than the person(s) whose signature(s) appear(s) on this letter below, or to the undersigned at an address other than shown in the box entitled "Description of Old Notes" on this Letter above. indicated above.

Mail New Notes and/or Old Notes to:

Name(s):

_____
(Please Type or Print)

_____
(Please Type or Print)

Address:

_____

_____
(Including Zip Code)

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU THEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS LETTER OF TRANSMITTAL CAREFULLY
BEFORE COMPLETING ANY BOX ABOVE.

- ----------

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(COMPLETE ACCOMPANYING SUBSTITUTE FORM W-9)

Dated: , 2003

- ----------x

- ----------x
(Signature(s) of Owner) (Date)

Area Code and Telephone Number:

If a holder is tendering any Old Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Old Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s):

(Please Type or Print)

Capacity:

Address:

- ----------
(Including Zip Code)

SIGNATURE GUARANTEE
(IF REQUIRED BY INSTRUCTION 3)

Signature(s) Guaranteed by an Eligible Institution:

(Authorized Signature)

- ----------
(Title)

- ----------
(Name and Firm)

Dated: , 2003

- ----------

INSTRUCTIONS

Forming part of the Terms and Conditions of
the Offer to Exchange
Floating Rate Secured Notes due 2007,
which have been registered under the Securities Act of 1933,
for any and all outstanding Floating Rate Secured Notes due 2007.

1. DELIVERY OF THIS LETTER AND OLD NOTES; GUARANTEED DELIVERY PROCEDURES.

This Letter is to be completed by holders of Old Notes if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer--Book-Entry Transfer" section of the Prospectus and an Agent's Message is not delivered. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter. Certificates for all physically tendered Old Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Old Notes tendered hereby must be in integral multiples of $1,000.

Holders of Old Notes whose certificates for Old Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution (as defined below), (ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter (or facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes and the amount of Old 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 Old Notes, or a Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) and all other documents required by this Letter, 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.

The method of delivery of this Letter, the Old Notes and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Old Notes are sent by mail, it is suggested that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

See "The Exchange Offer" section of the Prospectus.

2. PARTIAL TENDERS (NOT APPLICABLE TO HOLDERS OF OLD NOTES WHO TENDER BY BOOK-ENTRY TRANSFER).

If less than all of the Old Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount of Old Notes to be tendered in the box above entitled "Description of Old Notes--Principal Amount Tendered". A reissued certificate representing the balance of nontendered Old Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the

Expiration Date. All of the Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. SIGNATURES ON THIS LETTER, BOND POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES.

If this Letter is signed by the registered holder of the Old Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter.

If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder of the Old Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the New Notes are to be issued, or any untendered Old Notes are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificates must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder of any certificates specified herein, such certificates must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name of the registered holder appears on the certificates and the signatures on such certificates must be guaranteed by an Eligible Institution.

If this Letter or any certificates 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 the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

Endorsements on certificates for Old Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., by a commercial bank or trust company having an office or correspondent in the United States or by an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934 (an "Eligible Institution").

Signatures on this Letter need not be guaranteed by an Eligible Institution, provided the Old Notes are tendered: (i) by a registered holder of Old Notes (which term, for purposes of the Exchange Offer, includes any participant in the DTC system whose name appears on a security position listing as the holder of such Old Notes) who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter, or (ii) for the account of an Eligible Institution.

4. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS.

Tendering holders of Old Notes should indicate in the applicable box the name and address to which New Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. A holder of Old Notes tendering Old Notes by book-entry transfer may request that Old Notes not exchanged be credited to such account maintained at DTC as such holder of Old Notes may designate hereon. If no such instructions are given, such Old Notes not exchanged will be returned to the name or address of the person signing this Letter.

5. TAXPAYER IDENTIFICATION NUMBER.

Federal income tax law generally requires that a tendering holder whose Old Notes are accepted for exchange must provide the Exchange Agent with such Holders correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below, which, in the case of a tendering holder who is an individual, is his or her social security number. If a tendering holder does not provide the Exchange Agent with its current TIN or an adequate basis for an exemption, such tendering holder may be subject to backup withholding in an amount currently equal to 30% of all reportable payments made after the exchange. If withholding results in an overpayment of taxes, a refund may be obtained.

Exempt holders of Old Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines of Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions.

To prevent backup withholding, each tendering holder of Old Notes must provide its correct TIN by completing the "Substitute Form W-9" set forth below, certifying that the TIN provided is correct (or that such holder is awaiting a TIN) and that (i) the holder is exempt from backup withholding, (ii) the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of a failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the tendering holder of Old Notes is a nonresident alien or foreign entity not subject to backup withholding, such holder must give the Exchange Agent a completed Form W-8 BEN, Certificate of Foreign Status. These forms may be obtained from the Exchange Agent. If the Old Notes are in more than one name or are not in the name of the actual owner, such holder should consult the W-9 Guidelines for information on which TIN to report. If such holder does not have a TIN, such holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 1 of the Substitute Form W-9 and write "applied for" in lieu of its TIN. Note: checking this box and writing "applied for" on the form means that such holder has already applied for a TIN or that such holder intends to apply for one in the near future. If such holder does not provide its TIN to the Exchange Agent within 60 days, backup withholding will begin and continue until such holder furnishes its TIN to the Exchange Agent.

6. TRANSFER TAXES.

The Company will pay all transfer taxes, if any, applicable to the transfer of Old Notes to it or its order pursuant to the Exchange Offer. If, however, New Notes and/or substitute Old Notes not exchanged 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 Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Old Notes to the Company or its order pursuant to the Exchange Offer, 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 herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 6, it is not necessary for transfer tax stamps to be affixed to the Old Notes specified in this Letter.

7. WAIVER OF CONDITIONS.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

8. NO CONDITIONAL TENDERS.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Old Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Old Notes for exchange.

Neither the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Old Notes nor shall any of them incur any liability for failure to give any such notice.

9. MUTILATED, LOST, STOLEN OR DESTROYED OLD NOTES.

Any holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter, may be directed to the Exchange Agent, at the address and telephone number indicated above.

TO BE COMPLETED BY ALL TENDERING HOLDERS
(SEE INSTRUCTION 5)

SUBSTITUTE FORM
W-9

Requestfor Taxpayer Identification Number (TIN) and Certification

Give form to the requester. Do not send to the IRS.

NAME

BUSINESS NAME, IF DIFFERENT FROM ABOVE

CHECK APPROPRIATE BOX:

☐ Individual/Sole proprietor ☐ Corporation ☐ Partnership

☐ Other

ADDRESS:

ADDRESS (LINE 2):

CHECK THE BOX IF YOU ARE EXEMPT FROM WITHHOLDING ☐

PART 1 - PLEASE PROVIDE YOUR TIN IN THE BOX BELOW AND CERTIFY BY SIGNING AND DATING BELOW. For individuals, your TIN is your social security number. However, for a resident alien, sole proprietor, or disregarded entity, see the W-9 Guidelines. For other entities, it is your employer identification number (EIN). If you do not have a number, see HOW TO GET A TIN in the W-9 Guidelines.

Tax Identification Number (SSN or EIN)

NOTE: If the account is in more than one name, see the chart in the W-9 Guidelines on whose number to enter.

PART 2 - CERTIFICATION

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), AND

2. I am not subject to backup withholding because: (A) I am exempt from backup withholding, or (B) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (C) the IRS has notified me that I am no longer subject to backup withholding, AND

3. I am a U.S. person (including a U.S. resident alien).

CERTIFICATION INSTRUCTIONS. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return.

Signature Date

NOTE: FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 30% OF ANY REPORTABLE PAYMENT MADE TO YOU. PLEASE REVIEW THE W-9 GUIDELINES FOR ADDITIONAL DETAILS.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER--Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer Identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the Payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF --
1. Individual	The individual.
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor
4. a.The usual revocable savings trust grantor is also trustee)	The grantor-trustee
b.So-called trust account that is not a legal or valid trust under state law	The actual owner
5. Sole proprietorship or single-owner LLC	The owner

FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF-- NUMBER OF--
6. Sole proprietorship or single-owner LLC	The owner
7. A valid trust, trust, estate, or pension trust	The legal entity
8. Corporate or LLC electing corporate status of Form 8832	The corporation
9. Association, club, religious, charitable, educational or other tax-exempt organization	The organization
10. Partnership	The partnership
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as State or local government, school district, or prison) that receives agricultural program payments	The public entity

List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

Circle the minor's name and furnish the minor's social security number.

YOU MUST SHOW YOUR INDIVIDUAL NAME, but you may also enter your business or "DBA" name. You may use either your SSN or EIN (if you have one).

List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE:If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Section references are to the Internal Revenue Code.

HOW TO GET A TIN

If you don't have a taxpayer If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form on-line at WWW.SSA.GOV/ONLINE/SS5.HTML. You may also get this form by calling 1-800-772-1213. Use Form W-7 to apply for an ITIN (for resident aliens not eligible for an SSN), or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can get Forms SS-4 and W-7 from the IRS by calling 1-800-TAX-FORM or from the IRS website at WWW.IRS.GOV.

NONRESIDENT ALIEN WHO BECOMES A RESIDENT ALIEN

Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the recipient has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Backup withholding is not required on any payments made to the following payees:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2);
2. The United States or any of its agencies or instrumentalities;
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities;
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities; or
5. An international organization or any of its agencies or instrumentalities.

Payments made to the following payees MAY BE EXEMPT from backup withholding:

6. A corporation;
7. A foreign central bank of issue;
8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States;
9. A futures commission merchant registered with the Commodity Futures Trading commission;
10. A real estate investment trust;
11. An entity registered at all times during the tax year under the Investment Company Act of 1940;
12. A common trust fund operated by a bank under section 584(a);
13. A financial institution;
14. A middleman known in the investment community as a nominee or custodian; or
15. A trust exempt from tax under section 664 or described in section 4947.

INTEREST AND DIVIDEND PAYMENTS. All of the payees listed above, except for that listed in item 9, are exempt from backup withholding for interest and dividend payments.

BROKER TRANSACTIONS. All of the payees listed in items 1 through 13 are exempt if the payment is for broker transactions. A person registered under the Investment Advisors Act of 1940 who regularly acts as a broker is also exempt.

PAYMENTS REPORTABLE UNDER SECTIONS 6041 AND 6041A. These payments are generally exempt from backup withholding only if made to payees listed in items 1 through 7.

BARTER EXCHANGE TRANSACTIONS AND PATRONAGE DIVIDENDS. Only payees listed in items 1 through 5 are exempt from backup withholding on these payments.

Exempt Payees described above should file a Substitute Form W-9 to avoid possible erroneous backup withholding. EXEMPT PAYEES SHOULD FURNISH THE APPROPRIATE TIN, CHECK THE BOX FOR TAXPAYERS EXEMPT FROM BACKUP WITHHOLDING, AND SIGN AND RETURN THE FORM TO THE PAYER.

PRIVACY ACT NOTICE

Section 6109 requires a payee to give his or her correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to the payee, mortgage interest paid by the payee, the acquisition or abandonment of secured property, cancellation of debt, or contributions made to an IRA or Archer MSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of tax returns. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia to carry out their tax laws. The IRS may also disclose this information to other countries under a Tax Treaty or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism.

Payees must provide taxpayer identification numbers whether or not they are required to file a tax return. Payers must generally withhold 30.5% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) FAILURE TO FURNISH TIN. If a payee fails to furnish the correct TIN to a payer, he or she is subject to a penalty of $50 for each such failure unless the failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING A payee who makes false statements with no reasonable basis that results in no backup withholding is subject to a $500 penalty.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION Willfully falsifying certifications or affirmations may subject a payee to criminal penalties including fines and/or imprisonment.

(4) MISUSE OF TINS. If the payer discloses or uses TINs in violation of Federal law, the payer may be subject to civil and criminal penalties.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

NOTICE OF GUARANTEED DELIVERY
FOR
CONTINENTAL AIRLINES, INC.
FLOATING RATE SECURED NOTES DUE 2007

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of Continental Airlines, Inc. (the "Company") made pursuant to the Prospectus, dated [_____], 2003 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") if certificates for Old Notes are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach Wilmington Trust Company (the "Exchange Agent") prior to 5:00 p.m., New York City time, on the Expiration Date of the Exchange Offer. Such form may be delivered or transmitted by facsimile transmission, mail or hand delivery to the Exchange Agent as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Old Notes pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) must also be received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. Capitalized terms not defined herein are defined in the Prospectus.

DELIVERY TO: Wilmington Trust Company, Exchange Agent

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

FACSIMILE TRANSMISSION:
(302) 636-4145

CONFIRM BY TELEPHONE:
(302) 636-6472

Delivery of this instrument to an address other than as set forth above, or transmission of instructions via facsimile other than as set forth above, will not constitute a valid delivery.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Company the principal amount of Old Notes set forth below, pursuant to the guaranteed delivery procedure described in "The Exchange Offer--Guaranteed Delivery Procedures" section of the Prospectus.

Principal Amount of Old Notes Tendered:

$ ----------

Certificate Nos. (if available):

- ----------

- ----------

If Old Notes will be delivered by book-entry transfer to the Depositary Trust Company, provide account number.

Account Number ----------

Name(s) of Record Holder(s):

Address(es):

Area Code and Telephone Number(s):

Signature(s):

Dated: ----------

THE ACCOMPANYING GUARANTEE MUST BE COMPLETED.

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm that is a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or any "eligible guarantor institution" within the meaning of Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended, hereby guarantees to deliver to the Exchange Agent, at one of its addresses set forth above, the certificates representing all tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees, and any other documents required by the Letter of Transmittal within three New York Stock Exchange trading days after the date of execution ofhis Notice of Guaranteed Delivery.

Name of Firm:

(Authorized Signature)

Address:

- ---

Area Code and
Telephone
Number:

Title:

Name:

Date:

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE

FLOATING RATE SECURED NOTES DUE 2007,

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

To: Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Upon and subject to the terms and conditions set forth in the Prospectus, dated [_____], 2003 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), an offer to exchange (the "Exchange Offer") the registered Floating Rate Secured Notes due 2007 (the "New Notes") for any and all outstanding Floating Rate Secured Notes due 2007 (the "Old Notes") (CUSIP Nos. 210795PE4, U21105AD0 and 210795PF1) is being made pursuant to such Prospectus. The Exchange Offer is being made in order to satisfy certain obligations of Continental Airlines, Inc. (the "Company") contained in the Exchange and Registration Rights Agreement dated as of December 6, 2002, between the Company and the initial purchaser referred to therein.

We are requesting that you contact your clients for whom you hold Old Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Old Notes registered in your name or in the name of your nominee, or who hold Old Notes registered in their own names, we are enclosing the following documents:

1. Prospectus dated [_____], 2003;

2. The Letter of Transmittal for your use and for the information of your clients;

3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Old Notes are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis; and

4. A form of letter which may be sent to your clients for whose account you hold Old Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer.

Your prompt action is requested. The Exchange Offer will expire at 5:00 p.m., New York City time, on [_____], 2003 (the "Expiration Date") (30 calendar days following the commencement of the Exchange Offer), unless extended by the Company. The Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before 5:00 p.m., New York City time, on the Expiration Date.

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and any other required documents, should be sent to the Exchange Agent and certificates representing the Old Notes should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If holders of Old Notes wish to tender, but it is impracticable for them to forward their certificates for Old Notes prior to the expiration of the Exchange Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under "The Exchange Offer--Guaranteed Delivery Procedures".

Additional copies of the enclosed materials may be obtained from Wilmington Trust Company, the Exchange Agent, at Wilmington Trust Company, Corporate Trust Reorg Services, 1100 North Market Street, Wilmington, Delaware 19890-0001, phone (302) 636-6472 and facsimile (302) 636-4145.

CONTINENTAL AIRLINES, INC.

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE

FLOATING RATE SECURED NOTES DUE 2007,

WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933,
FOR ANY AND ALL OUTSTANDING

FLOATING RATE SECURED NOTES DUE 2007

To Our Clients:

Enclosed for your consideration is a Prospectus of Continental Airlines, Inc., a Delaware corporation (the "Company"), dated [_____], 2003 (the "Prospectus"), and the related Letter of Transmittal (the "Letter of Transmittal") relating to the offer to exchange (the "Exchange Offer") the registered Floating Rate Secured Notes due 2007 (the "New Notes") for any and all outstanding Floating Rate Secured Notes due 2007 (the "Old Notes ") (CUSIP Nos. 210795PE4, U21105AD0 and 21079PF1), upon the terms and subject to the conditions described in the Prospectus and the Letter of Transmittal. The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Exchange and Registration Rights Agreement dated as of December 6, 2002, between the Company and the initial purchaser referred to therein.

This material is being forwarded to you as the beneficial owner of the Old Notes carried by us in your account but not registered in your name. A tender of such Old Notes may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Old Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Old Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on [_____], 2003 (the "Expiration Date") (30 calendar days following the commencement of the Exchange Offer), unless extended by the Company. Any Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before 5:00 p.m., New York City time, on the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Old Notes.

2. The Exchange Offer is subject to certain conditions set forth in the Prospectus in the section captioned "The Exchange Offer--Conditions".

3. Any transfer taxes incident to the transfer of Old Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.

4. The Exchange Offer expires at 5:00 p.m., New York City time, on the Expiration Date, unless extended by the Company.

If you wish to have us tender your Old Notes, please so instruct us by completing, executing and returning to us the instruction form set forth below. The Letter of Transmittal is furnished to you for information only and may not be used directly by you to tender Old Notes.

Instructions with Respect to the Exchange Offer

The undersigned acknowledge(s) receipt of your letter enclosing the Prospectus, dated [_____], 2003, of Continental Airlines, Inc., a Delaware corporation, and the related specimen Letter of Transmittal.

- ---

This will instruct you to tender the number of Old Notes indicated below held by you for the account of the undersigned, pursuant to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal. (Check one).

The undersigned expressly agrees to be bound by the enclosed Letter of Transmittal and that such Letter of Transmittal may be enforced against the undersigned.

Box 1 |_| Please tender my Old Notes held by you for my account. If I do not wish to tender all of the Old Notes held by you for my account, I have identified on a signed schedule attached hereto the number of Old Notes that I do not wish tendered.

Box 2 |_| Please do not tender any Old Notes held by you for my account.

- ---

Date , 2003

Signature(s)

Please print name(s) here

Area Code and Telephone No.

Unless a specific contrary instruction is given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all Old Notes.