

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number 1-10323

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware	74-2099724
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer   
Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 13, 2006, 90,103,298 shares of Class B common stock were outstanding.

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.**

**CONTINENTAL AIRLINES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data) (Unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>	-	<u>Nine Months Ended</u> <u>September 30,</u>	
<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>

Operating Revenue:				
Passenger (excluding fees and taxes of \$361, \$315, \$1,040, and \$884, respectively)	\$3,231	\$2,760	\$9,141	\$7,647
Cargo	117	102	336	298
Other, net	<u>170</u>	<u>139</u>	<u>494</u>	<u>418</u>
	<u>3,518</u>	<u>3,001</u>	<u>9,971</u>	<u>8,363</u>
Operating Expenses:				
Aircraft fuel and related taxes	858	684	2,310	1,729
Wages, salaries and related costs	743	646	2,159	2,009
Regional capacity purchase, net	475	406	1,344	1,140
Aircraft rentals	249	234	742	689
Landing fees and other rentals	195	182	578	535
Distribution costs	157	154	495	445
Maintenance, materials and repairs	140	116	407	334
Depreciation and amortization	99	97	292	293
Passenger services	97	91	268	252
Special charges	1	3	5	46
Other	<u>312</u>	<u>279</u>	<u>923</u>	<u>836</u>
	<u>3,326</u>	<u>2,892</u>	<u>9,523</u>	<u>8,308</u>
Operating Income	<u>192</u>	<u>109</u>	<u>448</u>	<u>55</u>
Nonoperating Income (Expense):				
Interest expense	(99)	(106)	(300)	(304)
Interest capitalized	5	4	14	9
Interest income	37	21	92	47
Income from affiliates	15	27	49	67
Gain on sale of Copa Holdings, S.A. shares	92	-	92	-
Gain on disposition of ExpressJet Holdings shares	-	-	-	98
Other, net	<u>(5)</u>	<u>6</u>	<u>1</u>	<u>3</u>
	<u>45</u>	<u>(48)</u>	<u>(52)</u>	<u>(80)</u>
Income (Loss) before Income Taxes and Cumulative Effect of Change in Accounting Principle	237	61	396	(25)
Income Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) before Cumulative Effect of Change in Accounting Principle	237	61	396	(25)
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>-</u>
Net Income (Loss)	\$ 237	\$ 61	\$ 370	\$ (25)

**CONTINENTAL AIRLINES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data) (Unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Earnings (Loss) per Share:				
Basic:				
Income (Loss) before Cumulative Effect of Change in Accounting Principle	\$ 2.64	\$ 0.91	\$ 4.49	\$(0.37)
Cumulative Effect of Change in Accounting Principle	—	—	(0.30)	—
Net Income (Loss)	<u>\$ 2.64</u>	<u>\$ 0.91</u>	<u>\$ 4.19</u>	<u>\$(0.37)</u>
Diluted:				
Income (Loss) before Cumulative Effect of Change in Accounting Principle	\$ 2.17	\$ 0.80	\$ 3.74	\$(0.38)
Cumulative Effect of Change in Accounting Principle	—	—	(0.24)	—
Net Income (Loss)	<u>\$ 2.17</u>	<u>\$ 0.80</u>	<u>\$ 3.50</u>	<u>\$(0.38)</u>
Shares Used for Computation:				
Basic	89.7	67.0	88.3	66.8
Diluted	111.8	81.9	110.5	66.8

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

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

ASSETS	September 30,	December 31,	September 30,
	<u>2006</u> (Unaudited)	<u>2005</u>	<u>2005</u> (Unaudited)
Current Assets:			
Cash and cash equivalents	\$ 2,217	\$ 1,723	\$ 1,705
Restricted cash	247	241	247
Short-term investments	<u>282</u>	<u>234</u>	<u>218</u>
Total cash, cash equivalents and short-term investments	2,746	2,198	2,170
Accounts receivable, net	666	515	546
Spare parts and supplies, net	218	201	241
Deferred income taxes	166	154	154
Note receivable from ExpressJet Holdings, Inc.	-	18	45
Prepayments and other	<u>449</u>	<u>341</u>	<u>293</u>
Total current assets	<u>4,245</u>	<u>3,427</u>	<u>3,449</u>
Property and Equipment:			
Owned property and equipment:			
Flight equipment	6,951	6,706	6,680
Other	<u>1,403</u>	<u>1,372</u>	<u>1,301</u>
	8,354	8,078	7,981
Less: Accumulated depreciation	<u>2,492</u>	<u>2,328</u>	<u>2,213</u>
	<u>5,862</u>	<u>5,750</u>	<u>5,768</u>
Purchase deposits for flight equipment	<u>166</u>	<u>101</u>	<u>126</u>
Capital leases	336	344	362

Less: Accumulated amortization	<u>116</u>	<u>109</u>	<u>122</u>
	<u>220</u>	<u>235</u>	<u>240</u>
Total property and equipment, net	<u>6,248</u>	<u>6,086</u>	<u>6,134</u>
Routes	484	484	486
Airport operating rights, net	123	133	138
Investment in affiliates	75	112	163
Intangible pension asset	60	60	63
Other assets, net	<u>231</u>	<u>227</u>	<u>239</u>
Total Assets	<u>\$11,466</u>	<u>\$10,529</u>	<u>\$10,672</u>

(continued on next page)

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

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	September 30, <u>2006</u> (Unaudited)	December 31, <u>2005</u> (Unaudited)	September 30, <u>2005</u> (Unaudited)
Current Liabilities:			
Current maturities of long-term debt and capital leases	\$ 763	\$ 546	\$ 620
Accounts payable	1,053	846	741
Air traffic and frequent flyer liability	1,817	1,475	1,527
Accrued payroll	232	234	253
Accrued other liabilities	<u>361</u>	<u>298</u>	<u>282</u>
Total current liabilities	<u>4,226</u>	<u>3,399</u>	<u>3,423</u>
Long-Term Debt and Capital Leases	<u>4,735</u>	<u>5,057</u>	<u>5,337</u>
Deferred Income Taxes	<u>166</u>	<u>154</u>	<u>154</u>
Accrued Pension Liability	<u>987</u>	<u>1,078</u>	<u>1,079</u>
Other	<u>648</u>	<u>615</u>	<u>544</u>
Commitments and Contingencies			
Stockholders' Equity:			
Preferred Stock - \$.01 par, 10,000,000 shares authorized; one share of Series B issued and outstanding, stated at par value	-	-	-
Class B common stock - \$.01 par, 400,000,000, 200,000,000 and 200,000,000 shares authorized;	1	1	1
115,390,453, 111,690,943 and 92,539,037 issued			
Additional paid-in capital	1,711	1,635	1,416
Retained earnings	776	406	449
Accumulated other comprehensive loss	(643)	(675)	(590)
Treasury stock - 25,489,506, 25,489,413 and 25,489,291 shares, at cost	<u>(1,141)</u>	<u>(1,141)</u>	<u>(1,141)</u>
Total stockholders' equity	<u>704</u>	<u>226</u>	<u>135</u>
Total Liabilities and Stockholders' Equity	<u>\$ 11,466</u>	<u>\$ 10,529</u>	<u>\$ 10,672</u>

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

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

	Nine Months Ended September 30,	
	<u>2006</u>	<u>2005</u>
Net cash provided by operations	\$ <u>904</u>	\$ <u>453</u>
Cash Flows from Investing Activities:		
Capital expenditures	(235)	(123)
Purchase deposits paid in connection with future aircraft deliveries, net	(65)	(26)
(Purchase) sale of short-term investments, net	(48)	62
Proceeds from sale of Copa Holdings, S.A. shares, net	156	-
Proceeds from dispositions of property and equipment	9	42
Increase in restricted cash	(6)	(36)
Other	<u>1</u>	<u>1</u>
Net cash used in investing activities	<u>(188)</u>	<u>(80)</u>
Cash Flows from Financing Activities:		

Payments on long-term debt and capital lease obligations	(647)	(305)
Proceeds from issuance of long-term debt	372	433
Proceeds from issuance of common stock	53	6
Other	<u>-</u>	<u>20</u>
Net cash (used in) provided by financing activities	<u>(222)</u>	<u>154</u>
Net Increase in Cash and Cash Equivalents	494	527
Cash and Cash Equivalents - Beginning of Period	<u>1,723</u>	<u>1,178</u>
Cash and Cash Equivalents - End of Period	<u>\$2,217</u>	<u>\$1,705</u>
Investing and Financing Activities Not Affecting Cash:		
Contribution of ExpressJet stock to pension plan	\$ -	\$ 130
Property and equipment acquired through the issuance of debt	160	-

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

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

In our opinion, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position, results of operations and cash flows for the periods indicated. Such adjustments, other than nonrecurring adjustments that have been separately disclosed, are of a normal, recurring nature. As discussed in Note 4 below, we adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment" ("SFAS 123R"), effective January 1, 2006.

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2005 (the "2005 Form 10-K"). Due to seasonal fluctuations common to the airline industry, our results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year. As used in these Notes to Consolidated Financial Statements, the terms "Continental," "we," "us," "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

Certain reclassifications have been made to prior period amounts to conform with the current period's presentation.

**NOTE 1 - EARNINGS (LOSS) PER SHARE**

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

	Three Months Ended		Nine Months Ended	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Numerator (a):				
Numerator for basic earnings (loss) per share - net income (loss)	\$ 237	\$ 61	\$ 370	\$(25)
Effect of dilutive securities - interest expense on:				
5% Convertible Notes	1	2	4	-
4.5% Convertible Notes	2	2	5	-
6% Convertible Junior Subordinated Debentures Held by Subsidiary Trust	2	-	8	-
Reduction in our proportionate equity in ExpressJet Holdings, Inc. ("Holdings") resulting from the assumed conversion of Holdings' convertible securities	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Numerator for diluted earnings (loss) per share - net income (loss) after assumed conversions and effect of dilutive securities of equity investee	\$ <u>242</u>	\$ <u>65</u>	\$ <u>386</u>	\$(26)

Denominator:

Denominator for basic earnings (loss) per share - weighted average shares	89.7	67.0	88.3	66.8
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Effect of dilutive securities:

5% Convertible Notes	8.8	8.8	8.8	-
4.5% Convertible Notes	5.0	5.0	5.0	-
6% Convertible Junior Subordinated Debentures Held by Subsidiary Trust	4.1	-	4.1	-
Employee stock options	<u>4.2</u>	<u>1.1</u>	<u>4.3</u>	<u>-</u>
Dilutive potential common shares	<u>22.1</u>	<u>14.9</u>	<u>22.2</u>	<u>-</u>
Denominator for diluted earnings (loss) per share - adjusted weighted-average and assumed conversion	<u>111.8</u>	<u>81.9</u>	<u>110.5</u>	<u>66.8</u>

a. The adjustments to net income to determine the numerator for diluted earnings per share for the three and nine months ended September 30, 2006 are net of the related effect on employee profit sharing, as discussed in Note 6.

Approximately 4.1 and 17.9 million potential shares of common stock related to convertible debt securities were excluded from the computation of diluted loss per share in the three and nine months ended September 30, 2005, respectively, because they were antidilutive. In addition, approximately 0.8 million, 5.0 million, 1.0 million and 5.4 million of weighted average options to purchase shares of our common stock were excluded from the computation of diluted earnings (loss) per share for the three months ended September 30, 2006 and 2005 and the nine months ended September 30, 2006 and 2005, respectively, because the effect of including the options would have been antidilutive or the options' exercise prices were greater than the average market price of our common stock.

## NOTE 2 - FLEET INFORMATION

As shown in the following table, our operating aircraft fleet consisted of 364 mainline jets and 274 regional jets at September 30, 2006. The regional jets are leased by ExpressJet Airlines, Inc. ("ExpressJet") from us and are operated for us by ExpressJet as Continental Express.

Aircraft Type	Total Aircraft	Owned	Leased
777-200ER	18	6	12
767-400ER	16	14	2
767-200ER	10	9	1
757-300	17	9	8
757-200	41	13	28
737-900	12	8	4
737-800	103	30	73
737-700	36	12	24
737-500	63	15	48
737-300	<u>48</u>	<u>22</u>	<u>26</u>
Mainline jets	<u>364</u>	<u>138</u>	<u>226</u>
ERJ-145XR	104	-	104
ERJ-145	140	18	122
ERJ-135	<u>30</u>	<u>-</u>	<u>30</u>
Regional jets	<u>274</u>	<u>18</u>	<u>256</u>
Total	<u>638</u>	<u>156</u>	<u>482</u>

During the third quarter of 2006, we placed into service four new 737-800 aircraft. During the first six months of 2006, we placed into service four used 757-300 aircraft and ExpressJet took delivery of eight ERJ-145XR aircraft. The table above excludes one 737-800 aircraft delivered in September 2006 but not placed into service until October 2006.

Substantially all of the aircraft and engines we own are subject to mortgages. A significant portion of our spare parts inventory is also encumbered.

**Firm Order and Option Aircraft.** On June 6, 2006, we announced that we had ordered ten additional Boeing 787 aircraft and 24 additional Next-Generation 737 aircraft. We now have firm orders for 20 Boeing 787 aircraft and options for 20 additional 787 aircraft. As of September 30, 2006, we had total firm commitments for 83 new aircraft from Boeing (61 737s, two 777s and 20 787s), with an estimated aggregate cost of \$4.3 billion including related spare engines. We are scheduled to take delivery of one 737-800 aircraft during the remainder of 2006 (in addition to the aircraft delivered in September 2006 but not placed into service until October 2006), with delivery of the remaining 82 Boeing aircraft scheduled to occur between 2007 and 2012. In addition to our firm order aircraft, we have options to purchase a total of 67 additional Boeing aircraft.

We have entered into agreements to finance the six 737-800 aircraft delivered or scheduled to be delivered in the second half of 2006 and two 777-200ER aircraft scheduled to be delivered in 2007. By virtue of these agreements, we have financing available for all Boeing aircraft scheduled to be delivered through 2007. In addition, we have backstop financing for 24 of the remaining 60 Next-Generation 737 aircraft scheduled to be delivered in 2008 and 2009. However, we do not have backstop financing or any other financing currently in place for the remaining aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures, or for our capital expenditures in general.

**Capacity Purchase Agreements.** As further discussed in Note 9, 69 of the regional jets operated by ExpressJet (consisting of 44 ERJ-145XR and 25 ERJ-145 aircraft) will be withdrawn from our capacity purchase agreement with ExpressJet during the period beginning in December 2006 and ending in June 2007. ExpressJet has notified us that it will retain these 69 aircraft. Following the withdrawal of these aircraft, they will no longer be operated for us by ExpressJet under the capacity purchase agreement. We selected Chautauqua Airlines, Inc., a subsidiary of Republic Airways Holdings Inc., to provide and operate up to 44 of its regional jet aircraft on our behalf beginning in 2007, under a new capacity purchase agreement. We do not intend to replace the remaining 25 of the 69 50-seat regional jets retained by ExpressJet.

## NOTE 3 - LONG-TERM DEBT

**Notes Secured by Spare Parts Inventory.** In June 2006, we refinanced our \$195 million Floating Rate Secured Notes due December 2007 and \$97 million Floating Rate Secured Subordinated Notes due December 2007 by redeeming these notes with proceeds that we received from issuing two new series of equipment notes. The new notes total \$320 million principal amount and mature in June 2013. Similar to the refinanced notes, the new notes are secured by the majority of our spare parts inventory. A portion of the spare parts inventory that serves as collateral for the new equipment notes is classified as property and equipment and the remainder is classified as spare parts and supplies, net.

The new series of senior equipment notes, which totaled \$190 million principal amount, bears interest at the three-month London Interbank Offered Rate, or LIBOR, plus 0.35% for an initial coupon of 5.63%. The new series of junior equipment notes, which totaled \$130 million principal amount, bears interest at the three-month LIBOR plus 3.125% for an initial coupon of 8.41%. The effect of the issuance of the new equipment notes and the redemption of the previously issued notes was to lower the interest rate that we pay on the indebtedness by approximately 55 basis points in the case of the senior notes and 438 basis points in the case of the junior notes, to increase the cash raised and principal amount by \$28 million and to extend the maturity date of the indebtedness by five and a half years.

In connection with these equipment notes, we entered into a collateral maintenance agreement requiring us, among other things, to maintain a loan-to-collateral value ratio of not greater than 45% with respect to the senior series of equipment notes and a loan-to-collateral value ratio of not greater than 75% with respect to both series of notes combined. We must also maintain a certain level of rotatable components within the spare parts collateral pool. These ratios are calculated semi-annually based on an independent appraisal of the spare parts collateral pool. If any of the collateral ratio requirements are not met, we must take action to meet all ratio requirements by adding additional eligible spare parts to the collateral pool, redeeming a portion of the outstanding notes, providing other collateral acceptable to the bond insurance policy provider for the senior series of equipment notes or any combination of the above actions. We are currently in compliance with these covenants.

**Secured Term Loan Facility.** We and our wholly-owned subsidiary Continental Micronesia, Inc. ("CMI") have loans under a \$350 million secured term loan facility. The loans are secured by certain of our U.S.-Asia routes and related assets, all of the outstanding common stock of our wholly-owned subsidiary Air Micronesia, Inc. ("AMI") and CMI and substantially all of the other assets of AMI and CMI, including route authorities and related assets. The facility was amended in August 2006 to lower the coupon 200 basis points to LIBOR plus 3.375%. The loans are due in June 2011. The amended facility requires us to maintain a minimum balance of unrestricted cash and short-term investments of \$1.0 billion at the end of each month. The loans may become due and payable immediately if we fail to maintain the monthly minimum cash balance and upon the occurrence of other customary events of default under the loan documents. If we fail to maintain a minimum balance of unrestricted cash and short-term investments of \$1.125 billion, we and CMI will be required to make a mandatory aggregate \$50 million prepayment of the loans.

In addition, the amended facility provides that if the ratio of the outstanding loan balance to the value of the collateral securing the loans, as determined by the most recently delivered periodic appraisal, is greater than 52.5%, we and CMI will be required to post additional collateral or prepay the loans to reestablish a loan-to-collateral value ratio of not greater than 52.5%. We are currently in compliance with the covenants in the amended facility.

**Aircraft Financings.** During the third quarter of 2006, we incurred \$196 million of floating rate indebtedness. This debt is secured by the five 737-800 aircraft that were delivered and three 737-500 aircraft that were refinanced in the third quarter of 2006.

**Convertible Debt Securities.** On July 1, 2006, our 5% Convertible Notes due 2023 with a principal amount of \$175 million became convertible into shares of our common stock at a conversion price of \$20 per share following the satisfaction of one of the conditions to convertibility. This condition, which was satisfied on June 30, 2006, provided that the notes would become convertible once the closing price of our common stock exceeded \$24 per share (120% of the \$20 per share conversion price) for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of a fiscal quarter. If a holder of the notes exercises the conversion right, in lieu of delivering shares of our common stock, we may elect to pay cash or a combination of cash and shares of our common stock for the notes surrendered. All or a portion of the notes are also redeemable for cash at our option on or after June 18, 2010 at par plus accrued and unpaid interest, if any. Holders of the notes may require us to repurchase all or a portion of their notes at par plus any accrued and unpaid interest on June 15 of 2010, 2013 or 2018. We may at our option choose to pay the repurchase price on those dates in cash, shares of our common stock or any combination thereof. Holders of the notes may also require us to repurchase all or a portion of their notes for cash at par plus any accrued and unpaid interest if certain changes in control of Continental occur.

**Maturities.** Maturities of long term debt due before December 31, 2006 and for the next four years are as follows (principal amounts, in millions):

October 1, 2006 through December 31, 2006	\$288
Year ending December 31,	
2007	563
2008	650
2009	479
2010	621

#### NOTE 4 - STOCK PLANS AND AWARDS

**Adoption of SFAS 123R.** We adopted SFAS 123R effective January 1, 2006. This pronouncement requires companies to measure the cost of employee services received in exchange for an award of equity instruments (typically stock options) based on the grant-date fair value of the award. The fair value is estimated using option-pricing models. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. Prior to the adoption of SFAS 123R, this accounting treatment was optional with pro forma disclosures required. We adopted SFAS 123R using the modified prospective transition method, which is explained below.

The adoption of SFAS 123R changes the accounting for our stock options and awards of restricted stock units ("RSUs") under our Long-Term Incentive and RSU Program, including RSUs with performance targets based on the achievement of specified stock price targets ("Stock Price Based RSU Awards"), as discussed below. Additionally, it changes the accounting for our employee stock purchase plan, which does not have a material impact on our statement of operations.

**Stock Options.** SFAS 123R is effective for all stock options we grant beginning January 1, 2006. Stock options granted prior to January 1, 2006, but for which the vesting period is not complete, have been accounted for using the modified prospective transition method provided by SFAS 123R. Under this method, we account for such options on a prospective basis, with expense being recognized in our statement of operations beginning in the quarter of adoption, the first quarter of 2006, using the grant-date fair values previously calculated for our pro forma disclosures. We will recognize the related compensation cost not previously recognized in the pro forma disclosures over the remaining vesting periods. Our options typically vest in equal annual installments over the required service period. Expense related to each portion of an option grant is recognized over the specific vesting period for those options.

The fair value of options is determined at the grant date using a Black-Scholes option-pricing model, which requires us to make several assumptions. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. The dividend yield on our common stock is assumed to be zero since we historically have not paid dividends and have no current plans to do so in the future. The market price volatility of our common stock is based on the historical volatility of our common stock over a time period equal to the expected term of the option and ending on the grant date. The expected life of the options is based on our historical experience for various work groups.

The table below summarizes stock option activity pursuant to our plans for the nine months ended September 30, 2006 (share data in thousands):

	Options	Weighted-Average Exercise Price	Weighted-Average Contractual Life (Years)	Aggregate Intrinsic Value —(millions)—
Outstanding at beginning of period	12,710	\$13.57		
Granted	1,802	\$23.64		
Exercised	(3,308)	\$14.24		

Cancelled	<u>_(360)</u>	\$18.07		
Outstanding at end of period	<u>10,844</u>	\$14.89	4.5	\$149
Exercisable at end of period	<u>3,530</u>	\$15.21	3.2	\$ 49

We issued stock options for approximately 1.8 million shares of our common stock with a weighted average exercise price of \$23.64 per share in the first nine months of 2006. The exercise price is the closing price of our common stock on the grant date. The options generally vest in equal installments over three or four years, and generally have terms of five or six years.

The weighted-average fair value of options granted during the first nine months of 2006 was determined to be \$11.33, based on the following weighted-average assumptions:

Risk-free interest rate	4.6%
Dividend yield	0%
Expected market price volatility of our common stock	63%
Expected life of options (years)	3.4

The total intrinsic value of options exercised during the nine months ended September 30, 2006 was \$42 million. Cash received from option exercises during the nine months ended September 30, 2006 totaled \$47 million.

The following tables summarize the range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at September 30, 2006 (share data in thousands):

#### Options Outstanding

<u>Range of Exercise Prices</u>	<u>Outstanding</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Weighted Average Exercise Price</u>
\$3.65-\$11.87	465	2.7	\$11.29
\$11.89	6,740	5.2	\$11.89
\$11.96-\$15.78	1,584	1.1	\$15.56
\$15.90-\$56.81	<u>2,055</u>	4.9	\$25.01
\$3.65-\$56.81	<u>10,844</u>	4.5	\$14.89

#### Options Exercisable

<u>Range of Exercise Prices</u>	<u>Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$3.65-\$11.87	187	\$11.14
\$11.89	1,585	\$11.89
\$11.96-\$15.78	1,475	\$15.66
\$15.90-\$56.81	<u>283</u>	\$34.21
\$3.65-\$56.81	<u>3,530</u>	\$15.21

**Stock Price Based RSU Awards.** Stock Price Based RSU Awards made pursuant to our Long-Term Incentive and RSU Program can result in cash payments to our officers if there are specified increases in our stock price over multi-year performance periods. Prior to our adoption of SFAS 123R, we had recognized no liability or expense because the targets set forth in the program had not been met. However, SFAS 123R requires these awards to be measured at fair value at each reporting date with the related expense being recognized over the required service periods, regardless of whether the specified stock price targets have been met. The fair value is determined using a pricing model until the specified stock price target has been met, and is determined based on the current stock price thereafter. On January 1, 2006, we recognized a cumulative effect of change in accounting principle to record our liability related to the Stock Price Based RSU Awards at that date, which reduced earnings by \$26 million (\$0.30 per basic share and \$0.24 per diluted share).

On February 1, 2006, in light of the sacrifices made by their co-workers in connection with pay and benefit cost reduction initiatives, our officers voluntarily surrendered their Stock Price Based RSU Awards for the performance period ending March 31, 2006, which had vested during the first quarter of 2006 and would have otherwise paid out \$23 million at the end of March 2006. Of the \$26 million total cumulative effect of change in accounting principle recorded on January 1, 2006, \$14 million related to the surrendered awards. Accordingly, upon surrender, we reported the reversal of the \$14 million as a reduction of special charges in our statement of operations during the first quarter of 2006. The remaining \$12 million of the cumulative effect of change in accounting principle was related to the Stock Price Based RSU Awards with a performance period ending December 31, 2007, discussed below, which were not surrendered.

During the first quarter of 2006, our stock price achieved the performance target price per share for 1.2 million Stock Price Based RSU Awards with a performance period ending December 31, 2007. Accordingly, we now measure these awards based on the current stock price (which was \$28.31 per share at September 30, 2006) and will recognize the related expense ratably through December 31, 2007, after adjustment for changes in the then-current market price of our common stock. These awards constitute all remaining outstanding Stock Price Based RSU Awards.

**Profit Based RSU Awards.** During the first nine months of 2006, we issued 1.7 million profit-based RSU awards ("Profit Based RSU Awards") pursuant to our Long-Term Incentive and RSU Program, which can result in cash payments to our officers upon achievement of specified profit-based performance targets. The performance targets require that we reach target levels of cumulative employee profit sharing that are the basis for calculating distributions to participants under our enhanced employee profit

sharing plan during the period from April 1, 2006 through December 31, 2009, and that we have net income calculated in accordance with generally accepted accounting principles for the applicable fiscal year. To serve as a retention feature, payments related to the achievement of a performance target will generally be made in one-third annual increments to participants who remain continuously employed by us through each payment date. The earliest possible payment date is March 31, 2008. Payments are also conditioned on our having a minimum unrestricted cash, cash equivalents and short-term investments balance of \$1.125 billion at the end of the fiscal year preceding the date any payment is made. If we do not achieve the cash hurdle applicable to a payment date, the payment will be deferred until the next payment date (March 31 of the next year), subject to a limit on the number of years payments may be carried forward. Payment amounts will be calculated based on the average price of our common stock during the 20-day trading period preceding the payment date and the payment percentage set by the Human Resources Committee of our Board of Directors for achieving the applicable profit-based performance target. Depending on the level of cumulative employee profit sharing achieved, the payment percentage can range from 0% to 337.5% of the underlying Profit Based RSU Award.

We account for the Profit Based RSU Awards as liability awards. Once it is probable that a performance target will be met, we measure the awards at fair value based on the current stock price. The related expense is recognized ratably over the required service period, which ends on each payment date, after adjustment for changes in the then-current market price of our common stock.

**Impact of Adoption of SFAS 123R.** The impact of adopting SFAS 123R on January 1, 2006 for the three and nine months ended September 30, 2006, including the effects of the vesting and surrender of Stock Price Based RSU Awards subsequent to January 1, 2006, was as follows (in millions, except per share data):

	<u>Increase (Decrease) in Net Income</u>	
	Three Months Ended	Nine Months Ended
	<u>September 30, 2006</u>	<u>September 30, 2006</u>
Wages, salaries and related costs	\$ (8)	\$ (36)
Special charges	—	14
Income before income taxes and cumulative effect of change in accounting principle	(8)	(22)
Cumulative effect of change in accounting principle	—	(26)
Increase (decrease) in net income	\$ (8)	\$ (48)
Increase (decrease) in earnings per share:		
Basic	\$(0.09)	\$(0.54)
Diluted	\$(0.07)	\$(0.43)

Total stock-based compensation expense included in wages, salaries and related costs for the three and nine months ended September 30, 2006 was \$12 million and \$44 million, respectively. As of September 30, 2006, \$100 million of compensation cost attributable to future service related to unvested employee stock options, Stock Price Based RSU Awards and the Profit Based RSU Awards that are probable of being achieved had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 2.0 years.

The following table illustrates the pro forma effect on net income (loss) and earnings (loss) per share for the three and nine months ended September 30, 2005 had we applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-based Compensation" (in millions, except per share data):

	Three Months Ended	Nine Months Ended
	<u>September 30, 2005</u>	<u>September 30, 2005</u>
Net income (loss), as reported	\$ 61	\$ (25)
Deduct total stock-based employee compensation expense determined under SFAS 123, net of tax in 2005	(8)	(19)
Net income (loss), pro forma	\$ 53	\$ (44)
Basic earnings (loss) per share:		
As reported	\$0.91	\$(0.37)
Pro forma	\$0.79	\$(0.66)
Diluted earnings (loss) per share:		
As reported	\$0.80	\$(0.38)
Pro forma	\$0.70	\$(0.67)

#### **NOTE 5 - COMPREHENSIVE INCOME (LOSS)**

We include changes in minimum pension liabilities and changes in the fair value of derivative financial instruments that qualify for hedge accounting in comprehensive income (loss). The adjustments to the minimum pension liability result from remeasurements of our pension obligation as a result of annual valuations, the pension settlement charges in 2006 and 2005 and the curtailment loss recorded in the first quarter of 2005, as discussed in Note 6. The components of total comprehensive income (loss) for the three and nine months ended September 30 were as follows (in millions):

Three Months Ended	Nine Months Ended
<u>September 30, 2006</u>	<u>September 30, 2006</u>

	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net income (loss)	\$237	\$ 61	\$370	\$(25)
Minimum pension liability adjustments	(93)	2	71	(17)
Unrealized gains (losses) on derivative financial instruments	(42)	(2)	(38)	16
Other	<u>-</u>	<u>-</u>	<u>-(1)</u>	<u>-(2)</u>
Total comprehensive income (loss)	<u>\$102</u>	<u>\$ 61</u>	<u>\$402</u>	<u>\$(28)</u>

#### NOTE 6 - EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plans. Net periodic defined benefit pension expense for the three and nine months ended September 30 included the following components (in millions):

	<u>Three Months Ended</u> <u>September 30, 2006</u>		<u>Nine Months Ended</u> <u>September 30, 2005</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Service cost	\$ 15	\$ 13	\$ 44	\$ 73
Interest cost	36	37	110	115
Expected return on plan assets	(30)	(31)	(92)	(92)
Amortization of prior service cost	2	2	6	9
Amortization of unrecognized net actuarial loss	<u>15</u>	<u>17</u>	<u>51</u>	<u>56</u>
Net periodic defined benefit pension expense	38	38	119	161
Settlement charge (included in special charges)	8	18	37	18
Curtailed loss (included in special charges)	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>
Net defined benefit pension expense	<u>\$ 46</u>	<u>\$ 56</u>	<u>\$156</u>	<u>\$222</u>

During the first nine months of 2006, we contributed \$176 million to our defined benefit pension plans. In October 2006, we contributed an additional \$70 million to our defined benefit pension plans, resulting in total contributions of \$246 million in 2006 to date (which exceeds the minimum contributions required to be made prior to December 31, 2006, after giving effect to the recently enacted Pension Protection Act of 2006). During the first nine months of 2005, we contributed \$109 million in cash and 12.1 million shares of Holdings common stock valued at \$130 million to our defined benefit pension plans. We recognized gains of \$98 million related to those stock contributions.

During the three and nine months ended September 30, 2006, we recorded \$8 million and \$37 million non-cash settlement charges, respectively, related to lump sum distributions from our pilot-only defined benefit pension plan. We recorded a similar charge of \$18 million during the third quarter of 2005. SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" ("SFAS 88"), requires the use of settlement accounting if, for a given year, the cost of all settlements exceeds, or is expected to exceed, the sum of the service cost and interest cost components of net periodic pension expense for the plan. Under settlement accounting, unrecognized plan gains or losses must be recognized immediately in proportion to the percentage reduction of the plan's projected benefit obligation. We anticipate that we will have additional non-cash settlement charges in the future in conjunction with lump-sum distributions to retiring pilots.

In the first quarter of 2005, we recorded a \$43 million non-cash curtailment charge in accordance with SFAS 88 in connection with freezing the portion of our defined benefit pension plan related to our pilots, using actuarial assumptions consistent with those we used at December 31, 2004. SFAS 88 requires curtailment accounting if an event eliminates, for a significant number of employees, the accrual of defined benefits for some or all of their future services. In the event of a curtailment, a loss must be recognized for the unrecognized prior service cost associated with years of service no longer expected to be rendered.

Employee Profit Sharing Plan. In January 2005, we announced an enhanced employee profit sharing plan. The plan, which will be in place through December 31, 2009, creates an award pool for participating employees of 30% of the first \$250 million of annual pre-tax income, 25% of the next \$250 million and 20% of amounts over \$500 million. For purposes of the plan, pre-tax net income excludes unusual or non-recurring items and is calculated prior to any costs associated with incentive compensation for executives with performance targets determined by the Human Resources Committee of our Board of Directors. Payment of profit sharing to participating employees occurs in the fiscal year following the year in which profit sharing is earned and the related expense is recorded. Substantially all of our employees (other than employees who participate in our management or officer bonus programs and a small number of employees of one of our subsidiaries) participate in the plan.

Profit sharing expense is recorded each quarter based on the actual cumulative profits earned to date. Reductions in cumulative profits from quarter to quarter could result in the reversal of a portion or all of the previously recorded profit sharing expense. We recognized \$46 and \$106 million of profit sharing expense and related payroll taxes in the three and nine months ended September 30, 2006, respectively. This amount is included in wages, salaries and related costs in our consolidated statements of operations.

#### NOTE 7 - SPECIAL CHARGES

Special charges for the three and nine months ended September 30 were as follows (in millions):

	<u>Three Months Ended</u> <u>September 30, 2006</u>		<u>Nine Months Ended</u> <u>September 30, 2005</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Pension settlement charges (see Note 6)	\$ 8	\$ 18	\$ 37	\$ 18
Pension curtailment loss (see Note 6)	-	-	-	43
Surrender of Stock Price Based RSU Awards (see Note 4)	--	--	(14)	--
	<u>(7)</u>	<u>(15)</u>	<u>(14)</u>	<u>(15)</u>

Out-of-service aircraft accrual reductions	(17)	(12)	(18)	(12)
Total special charges	\$ 1	\$ 3	\$ 5	\$ 46

Our leased out-of-service aircraft were primarily MD-80s. As of September 30, 2006, we had no remaining out-of-service leased aircraft and no accruals for future lease payments and return conditions, other than an immaterial accrual for lease payments to be made on spare MD-80 engines through July 2007. The reductions in our accruals for future lease payments and return conditions were made following negotiated settlements with aircraft lessors in an improving aircraft market.

#### NOTE 8 - INVESTMENT IN AFFILIATES

**Investment in Holdings.** We account for our investment in Holdings using the equity method of accounting. At September 30, 2006, we held 4.7 million shares, or an 8.6% interest, of Holdings. These 4.7 million shares had a market value of \$31 million as of September 30, 2006. Subject to market conditions, we intend to sell or otherwise dispose of all of our shares of Holdings common stock in the future.

As of September 30, 2006, our defined benefit pension plans did not hold any shares of Holdings common stock. During the second quarter of 2006, the independent fiduciary for these plans, which exercises sole and exclusive control over the voting and disposition of all securities owned by such plans, sold the plans' remaining shares.

**Investment in Copa.** On July 5, 2006, we sold 7.5 million shares of the Class A common stock of Copa Holdings, S.A. ("Copa"), the parent company of Copa Airlines, for \$156 million in cash, net of underwriting fees. This sale reduced our ownership of Copa's Class A common stock to 4.4 million shares, which represents a 10% interest and had a market value of \$150 million as of September 30, 2006. We recognized a gain of \$92 million related to this transaction. Prior to this sale, we held a 27% interest in Copa. We will continue to account for our interest in Copa using the equity method of accounting because of our ongoing ability to influence Copa's operations significantly through our alliance agreements with Copa and our representation on Copa's Board of Directors.

#### NOTE 9 - REGIONAL CAPACITY PURCHASE AGREEMENTS

**Regional Capacity Purchase, Net.** Expenses related to our capacity purchase agreements are reported as regional capacity purchase, net in our consolidated statements of operations. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net includes all of ExpressJet's fuel expense plus a margin on ExpressJet's fuel expense up to a cap provided in the capacity purchase agreement and a related fuel purchase agreement (which margin applies only to the first 71.2 cents per gallon, including fuel taxes) and is net of our rental income on aircraft we lease to ExpressJet.

**ExpressJet.** Our capacity purchase agreement with ExpressJet covers all of ExpressJet's existing fleet. Under the agreement, we have the right to give no less than twelve months' notice to ExpressJet of our intent to reduce the number of its aircraft covered by the contract, subject to certain limitations. In December 2005, we gave notice to ExpressJet that we would withdraw 69 of the 274 regional jet aircraft from the capacity purchase agreement because we believe the rates charged by ExpressJet for regional capacity are above the current market. The withdrawals are scheduled to begin in December 2006 and be completed in June 2007. On May 5, 2006, ExpressJet notified us that it will retain all of the 69 regional jets (consisting of 44 ERJ-145XR and 25 ERJ-145 aircraft) covered by our withdrawal notice, as permitted by the capacity purchase agreement. Accordingly, ExpressJet must retain each of those 69 regional jets for the remaining term of the applicable underlying aircraft lease and, as each aircraft is withdrawn from the capacity purchase agreement, the implicit interest rate used to calculate the scheduled lease payments that ExpressJet will make to us under the applicable aircraft sublease will automatically increase by 200 basis points to compensate us for our continued participation in ExpressJet's lease financing arrangements. Once the aircraft are withdrawn from the capacity purchase agreement, we will recognize the related rental income we receive from ExpressJet as other revenue in our consolidated statements of operations.

Under our capacity purchase agreement with ExpressJet, ExpressJet has the option to (1) fly any of the withdrawn aircraft it retains for another airline (subject to its ability to obtain facilities, such as gates, ticket counters, hold rooms and other operations-related facilities, and subject to its agreement with us prohibiting ExpressJet from flying under its or another carrier's code in or out of our hub airports during the term of the capacity purchase agreement), or (2) fly any of the withdrawn aircraft it retains under ExpressJet's own flight designator code, subject to its ability to obtain facilities and subject to the prohibition against ExpressJet flying into or out of our hubs. So long as we are ExpressJet's largest customer, if ExpressJet enters into an agreement with another major carrier (as defined in our capacity purchase agreement) to provide regional airline services on a capacity purchase or other similar economic basis for more than ten aircraft, we are entitled to the same or comparable economic terms and conditions on a most-favored-nations basis.

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

**Chautauqua Airlines.** On July 21, 2006, we announced our selection of Chautauqua Airlines, Inc., a subsidiary of Republic Airways Holdings, Inc., to provide and operate up to 44 of its regional jets as a Continental Express carrier beginning in 2007, under a new capacity purchase agreement. We intend to use these aircraft to replace a portion of the capacity represented by the 69 regional jet aircraft being retained by ExpressJet under its agreement with us. Chautauqua will operate 50-seat regional jets on our behalf, under the Continental Express brand. We will continue to schedule and market all of our Continental Express regional jet service. Our agreement with Chautauqua calls for us to pay a fixed fee to Chautauqua, which is subject to specified reconciliations and annual escalations, for its operation of the aircraft. Chautauqua will supply the aircraft that it will operate under the agreement. The agreement has a five year term with respect to ten aircraft and an average term of 2.5 years for the balance of the aircraft. In addition, we have the unilateral right to extend the agreement on the same terms on an aircraft-by-aircraft basis for a period of up to five years in the aggregate per aircraft, subject to the renewal terms of the related aircraft lease. We do not intend to replace the remaining 25 of the 69 50-seat regional jets retained by ExpressJet.

#### NOTE 10 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating income or loss because (1) our flight schedules are designed to maximize revenue from passengers flying, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing) and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Financial information for the three and nine months ended September 30 by business segment is set forth below (in millions):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Operating Revenue:				
Mainline	\$2,932	\$2,521	\$8,268	\$7,026
Regional	586	480	1,703	1,337
Total Consolidated	\$3,518	\$3,001	\$9,971	\$8,363

Operating Income (Loss):

Mainline	\$ 223	\$ 165	\$ 508	\$ 240
Regional	_(31)	_(56)	_(60)	_(185)
Total Consolidated	\$ 192	\$ 109	\$ 448	\$ 55

Net Income (Loss):

Mainline	\$ 270	\$ 118	\$ 436	\$ 160
Regional	_(33)	_(57)	_(66)	_(185)
Total Consolidated	\$ 237	\$ 61	\$ 370	\$ (25)

Net income for the mainline segment for the nine months ended September 30, 2006 includes the \$26 million cumulative effect of change in accounting principle related to the adoption of SFAS 123R. The amounts presented above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a pro-rated share of our ticket revenue for segments flown by our regional carriers, and expenses include all activity related to the regional operations, regardless of whether such expenses were paid by us or our regional carriers.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

Purchase Commitments. See Note 2 for a discussion of our aircraft purchase commitments.

Financings and Guarantees. We are the guarantor of approximately \$1.7 billion aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon, excluding the US Airways contingent liability described below. These bonds, issued by various airport municipalities, are payable solely from our rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with approximately \$1.5 billion of these obligations are accounted for as operating leases, and the leasing arrangements associated with approximately \$200 million of these obligations are accounted for as capital leases.

We are contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of other rentals in respect of the full amounts owed on special facilities revenue bonds issued by the Port Authority having an outstanding par amount of \$156 million at September 30, 2006 and a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be obligated to cure the default and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

We also have letters of credit and performance bonds relating to various real estate and customs obligations at September 30, 2006 in the amount of \$54 million. These letters of credit and performance bonds have expiration dates through September 2008.

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

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

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

In our financing transactions structured as loans, we typically agree to reimburse lenders for any reduced returns with respect to the loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on LIBOR, for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject in most cases to certain mitigation obligations of the lenders. At September 30, 2006, we had \$1.2 billion of floating rate debt and \$318 million of fixed rate debt, with remaining terms of up to 12 years, that is subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to 12 years and an aggregate carrying value of \$1.2 billion, we bear the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions. In addition, in cross-border aircraft lease agreements for two 757 aircraft, we bear the risk of any change in U.S. tax laws that would subject lease payments made by us to a resident of Japan to withholding taxes, subject to customary exclusions. These capital leases for two 757 aircraft expire in 2008 and have a carrying value of \$38 million at September 30, 2006.

We cannot estimate the potential amount of future payments under the foregoing indemnities and agreements due to unknown variables related to potential government changes in capital adequacy requirements or tax laws.

Credit Card Processing Agreement. Our bank-issued credit card processing agreement contains financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization, aircraft rentals and income from affiliates, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months of 1.1 to 1.0. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities at each month end of .29 to 1.0. The agreement also requires us to maintain a minimum senior unsecured debt rating of Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. Although we are currently in compliance with all of the covenants, failure to maintain compliance would result in our being required to post up to an additional \$535 million of cash collateral, which would adversely affect our liquidity. Depending on our unrestricted cash and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the \$1.0 billion minimum balance required under our \$350 million secured loan facility, resulting in a default under such facility.

Employees. As of September 30, 2006, we had approximately 41,500 full-time equivalent employees. During 2006, our flight attendants, the CMI technicians and the CMI flight attendants ratified new contracts containing benefit reductions and work rule changes. The agreements with our flight attendants and the CMI technicians become amendable in December 2009, and our agreement with the CMI flight attendants becomes amendable in December 2010. We are continuing to negotiate with the union representing the CMI agents to obtain annual pay and benefit reductions and work rule changes. In October 2006, our field services employees rejected representation sought by the Transport Workers Union of America. Although there can be no assurance that our generally good labor relations and high labor productivity will continue, we have established as a significant component of our business strategy the preservation of good relations with our employees, approximately 43% of whom are represented by unions.

Environmental Matters. We could be responsible for environmental remediation costs primarily related to jet fuel and solvent contamination surrounding our aircraft maintenance hangar in Los Angeles. In 2001, the California Regional Water Quality Control Board ("CRWQCB") mandated a field study of the site and it was completed in September 2001. In April 2005, under the threat of a CRWQCB enforcement action, we began environmental remediation of jet fuel contamination surrounding our aircraft maintenance hangar pursuant to a workplan submitted to (and approved by) the CRWQCB and our landlord, the Los Angeles World Airports.

We have established a reserve for estimated costs of environmental remediation at Los Angeles and elsewhere in our system, based primarily on third party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We expect our total losses from all environmental matters to be \$43 million, for which we were fully accrued at September 30, 2006. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We do not have any receivables related to environmental insurance recoveries at September 30, 2006.

In 1999, we purchased property located near our Newark hub in Elizabeth, New Jersey from Honeywell International, Inc. with certain environmental indemnification obligations by us to Honeywell. We did not operate the facility located on or make any improvements to the property. In 2005, we sold the property and in connection with the sale, the purchaser assumed certain environmental indemnification obligations in favor of us. On October 9, 2006, Honeywell provided us with a notice seeking indemnification from us in connection with a U.S. Environmental Protection Agency potentially responsible party (PRP) notice to Honeywell involving the Newark Bay Study Area of the Diamond Alkali Superfund Site alleging hazardous substance releases from the property. Honeywell's liability with respect to releases from the property into the Newark Bay Study Area, if any, and our potential indemnification obligation, if any, related thereto cannot be determined at this time. We intend to seek indemnification from the purchaser to the full extent to which we may be required to indemnify Honeywell.

Based on currently available information, we believe that our reserves for potential environmental remediation costs are adequate, although reserves could be adjusted as further information develops or circumstances change. However, we do not expect these items to materially affect our results of operations, financial condition or liquidity.

Legal Proceedings. During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are now a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C. Eastern District of North Carolina) filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents. The pending cases are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. Discovery has commenced. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the Swope case for their failure to properly opt-out of the Hall case. Consequently, there are a total of 90 travel agency plaintiffs remaining in the two cases.

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

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

## **NOTE 12 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

FIN 48. In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in financial statements. FIN 48 requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the requirements of FIN 48; however, we do not believe that it will have a material effect on our consolidated financial position or results of operations.

SFAS 158. In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"). SFAS 158 requires an entity to recognize in its statement of financial position an asset for a defined benefit pension or postretirement plan's overfunded status or a liability for a plan's underfunded status, and to recognize changes in that funded status through other comprehensive income in the year in which the changes occur. SFAS 158 will not change the amount of net periodic benefit expense recognized in an entity's results of operations. SFAS 158 is effective for fiscal years ending after December 15, 2006. We are currently evaluating the requirements of SFAS 158. Application of this standard at December 31, 2005 would have resulted in an increase in accrued pension liability of approximately \$130 million, an increase in other liabilities of approximately \$225 million, a decrease in intangible pension asset of approximately \$60 million and a decrease in stockholders' equity of approximately \$415 million. However, the effect at December 31, 2006, the adoption date, or any other future date could significantly differ depending on the measurement of pension assets and obligations at such date.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. In connection therewith, please see the risk factors set forth in Item 1A of our 2005 Form 10-K and Part II, Item 1A of this report, which identify important risk factors that could cause actual results to differ materially from those in the forward-looking statements, such as the consequences of our significant financial losses and high leverage, terrorist attacks, domestic and international economic conditions, the significant cost of aircraft fuel, labor costs, competition and industry conditions including the demand for air travel, the airline pricing environment and industry capacity decisions, regulatory matters, disruptions in our computer systems and the seasonal nature of the airline business (the second and third quarters are generally stronger than the first and fourth quarters). We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

General information about us can be found at <http://www.continental.com>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the Securities and Exchange Commission ("SEC").

## **OVERVIEW**

We recorded net income of \$237 million for the third quarter of 2006, as compared to net income of \$61 million for the third quarter of 2005. The higher net income in the third quarter of 2006 was the result of higher revenue, our cost-savings initiatives and a gain of \$92 million related to the sale of 7.5 million shares of Copa's Class A common stock. The U.S. domestic network carrier environment has improved during 2006 as several of our network competitors have reduced domestic capacity and as carriers have increased fares in response to high fuel prices.

Although we have achieved profitability for the past two quarters, we have suffered substantial losses since September 11, 2001, the magnitude of which is not sustainable if those losses were to continue. Our ability to return to sustained profitability depends, among other factors, on implementing and maintaining a more competitive cost structure, retaining our domestic length-of-haul adjusted revenue per available seat mile ("RASM") premium to the industry and responding effectively to the factors that threaten the airline industry as a whole. We have attempted to return to sustained profitability by implementing the majority of \$1.1 billion of annual cost-cutting and revenue-generating measures since 2002, and we have also achieved agreements or arrangements for substantially all of the \$500 million reduction in annual pay and benefits costs and work rule changes on a run-rate basis that we targeted in late 2004. Additionally, we anticipate that our costs for regional capacity will be lower beginning in 2007 when a portion of our regional capacity will be flown by a new operator. The lower rates paid to the new operator, together with the elimination of unprofitable routes due to the reduced number of regional aircraft and the increased income from ExpressJet for higher lease rates to be paid us on the 69 aircraft ExpressJet will retain, are expected to result in a net benefit to us of over \$100 million annually on a run-rate basis.

We currently intend to grow our mainline capacity between 5% and 7% annually over the next several years, although we expect to exceed that growth rate for 2006 due principally to the additional demand stimulated by lower fares in the New York to Florida markets resulting from increased low-cost competition. We anticipate that we will grow our mainline capacity approximately 5% in 2007. Our future growth will be affected by many factors outside of our control, including competition, passenger demand, fare levels, the state of the global economy and domestic and international events.

Although, as described above, the U.S. domestic network carrier environment has improved and we have achieved profitability for the past two quarters, there are many factors that continue to threaten our ability to return to sustained profitability.

For example, competition from low-cost carriers in certain domestic markets and our response to such competition is resulting in increased capacity and reduced yields in those markets. In addition to competition from low-cost carriers, a number of our network carrier competitors are increasing their international capacity, which is reducing

yields or load factors in affected markets. We are also facing stronger competition from carriers that have filed for bankruptcy protection, such as Delta Air Lines and Northwest Airlines, and from carriers recently emerged from bankruptcy, including US Airways and United Airlines. Carriers in bankruptcy are able to achieve substantial cost reductions through, among other things, reduction or discharge of debt, lease and pension obligations and wage and benefit reductions.

High fuel prices continue to contribute to higher costs and diminished profitability. Although fuel prices have declined from record highs in recent weeks and we have experienced more success raising ticket prices in response to higher fuel costs in 2006 than we had in 2005, future increases in jet fuel prices or disruptions in fuel supplies could have a material adverse effect on our results of operations, financial condition and liquidity. Conversely, lower fuel prices may result in lower fares and the reduction or elimination of fuel surcharges. Additionally, lower fuel prices may result in increased industry capacity, especially to the extent that reduced fuel costs justify increased utilization by airlines of less fuel efficient aircraft that are unprofitable during periods of higher fuel prices. We believe that our young, fuel-efficient fleet continues to provide us with a competitive advantage to our peers.

Additionally, our ability to return to sustained profitability could be adversely affected by additional terrorist attacks, or the fear of such attacks, or other international hostilities. The terrorist plot discovered in August 2006 targeting multiple airlines resulted in elevated national threat warnings, flight delays, and the imposition by the Transportation Security Administration and foreign security authorities of additional security measures adversely affecting the contents of baggage that may be carried on an aircraft. Elevated concerns about future terrorist attacks and the inconvenience of the additional security measures reduced the number of customer bookings on certain routes, including high yield business travelers for whom the ability to carry on baggage is an important service amenity. The additional security measures also resulted in a material increase in checked baggage, increasing our costs.

## RESULTS OF OPERATIONS

The following discussion provides an analysis of our results of operations and reasons for material changes therein for the three and nine months ended September 30, 2006 as compared to the corresponding periods ended September 30, 2005.

### Comparison of Three Months Ended September 30, 2006 to Three Months Ended September 30, 2005

#### Consolidated Results of Operations

We recorded a consolidated net income of \$237 million for the third quarter of 2006 as compared to a consolidated net income of \$61 million for the third quarter of 2005. Our net income for the three months ended September 30, 2006 includes a gain on the sale of Copa's Class A common stock of \$92 million. We consider a key measure of our performance to be operating income, which was \$192 million for the third quarter of 2006, as compared \$109 million for the third quarter of 2005. Significant components of our consolidated operating results are as follows (in millions, except percentage changes):

	Three Months		Increase	% Increase
	Ended September 30,	Ended September 30,		
	2006	2005	(Decrease)	(Decrease)
Operating Revenue:	-	-	-	-
Passenger	\$3,231	\$2,760	\$471	17.1 %
Cargo	117	102	15	14.7 %
Other, net	170	139	31	22.3 %
	3,518	3,001	517	17.2 %
Operating Expenses:	-	-	-	-
Aircraft fuel and related taxes	858	684	174	25.4 %
Wages, salaries and related costs	743	646	97	15.0 %
Regional capacity purchase, net	475	406	69	17.0 %
Aircraft rentals	249	234	15	6.4 %
Landing fees and other rentals	195	182	13	7.1 %
Distribution costs	157	154	3	1.9 %
Maintenance, materials and repairs	140	116	24	20.7 %
Depreciation and amortization	99	97	2	2.1 %
Passenger services	97	91	6	6.6 %
Special charges	1	3	(2)	NM
Other	312	279	33	11.8 %
	3,326	2,892	434	15.0 %
Operating Income	192	109	83	76.1 %
Nonoperating Income (Expense)	45	(48)	93	NM
Income before Income Taxes	237	61	176	NM
Income Taxes	-	-	-	-

NM - Not meaningful

Operating Revenue. Passenger revenue increased 17.1% due to increased capacity, increased traffic and higher fares. Consolidated revenue passenger miles for the third quarter increased 10.2% year-over-year on a capacity increase of 9.1%, which produced a consolidated load factor of 82.2%, up 1.1 points over the same period in 2005. Consolidated yield for the third quarter increased 6.0% year-over-year. Consolidated RASM for the quarter increased 7.4% year-over-year due to higher yield and load factors. The improved RASM reflects recent fuel-driven fare increases and our actions taken to improve the mix of local versus flow traffic and to scale back discount programs.

The table below shows passenger revenue for the quarter ended September 30, 2006 and period to period comparisons for passenger revenue, RASM and available seat miles ("ASMs") by geographic region for our mainline and regional operations:

	Passenger Revenue (in millions)	Percentage Increase in Third Quarter 2006 vs Third Quarter 2005		
		Passenger Revenue	RASM	ASMs
<u>Domestic</u>	\$1,389	14.1%	7.6%	6.1%
<u>Trans-Atlantic</u>	636	16.7%	1.4%	15.1%
<u>Latin America</u>	354	24.3%	10.0%	12.9%
<u>Pacific</u>	251	13.4%	12.2%	1.0%
<u>Total Mainline</u>	2,630	16.0%	6.8%	8.6%
<u>Regional</u>	601	22.3%	8.6%	12.6%
<u>Total System</u>	\$3,231	17.1%	7.4%	9.1%

Cargo revenue increased 14.7% primarily due to higher freight and mail volumes and increases in freight fuel surcharges. Other revenue increased due principally to higher revenue associated with sales of mileage credits in our OnePass frequent flyer program and passenger service fees.

Operating Expenses. Aircraft fuel and related taxes increased 25.4% due to a significant rise in fuel prices, combined with an 8.6% increase in mainline ASMs. The average jet fuel price per gallon including related taxes increased 17.8% to \$2.21 in the third quarter of 2006 from \$1.88 in the third quarter of 2005. Fuel expense was affected by losses of approximately \$8 million related to our fuel hedging program in the third quarter of 2006. We had no fuel hedges in place during 2005. Wages, salaries and related costs increased 15.0% primarily due to a \$46 million increase in profit sharing expense and related payroll taxes, an increase in the average number of employees to support our growth and a \$12 million additional expense in 2006 related to stock options following the adoption of SFAS 123R, Stock Price Based RSU Awards and Profit Based RSU Awards, partially offset by pay and benefit reductions and work rule changes for flight attendants and certain CMI work groups.

Expenses related to our capacity purchase agreements are reported in regional capacity purchase, net. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net includes all of ExpressJet's fuel expense plus a margin on ExpressJet's fuel expense up to a cap provided in the capacity purchase agreement and a related fuel purchase agreement (which margin applies only to the first 71.2 cents per gallon, including fuel taxes) and is net of our rental income on aircraft we lease to ExpressJet. The net expense was higher in the third quarter of 2006 than in the corresponding quarter of 2005 due to a 12.6% increase in regional ASMs, a larger fleet at ExpressJet and increased fuel prices, offset in part by lower block hour rates.

Aircraft rentals increased due to new mainline and regional aircraft delivered in 2005 and 2006. Landing fees and other rentals were higher primarily due to increased flight activity. Distribution costs increased primarily due to higher credit card fees and reservation costs related to the increase in revenue. Maintenance, materials and repairs increased primarily due to a higher contractual repair rates associated with a maturing fleet and increased flight hours. Other operating expenses increased primarily due to a higher number of international flights which resulted in increased air navigation, ground handling, security and related expenses.

During the third quarter of 2006, we recorded an \$8 million settlement charge related to lump sum distributions from our pilot-only defined benefit pension plan. The remaining balance of the net special item recognized during the third quarter of 2006 is attributable to our permanently grounded MD-80 aircraft. We reduced our accruals for future lease payments and return conditions by \$7 million following negotiated settlements with aircraft lessors.

During the third quarter of 2005, we recorded an \$18 million non-cash settlement charge related to lump sum distributions from the pilot-only defined benefit pension plan to pilots who retired. Also in the third quarter of 2005, we reduced our accruals for future lease payments and return conditions related to permanently grounded aircraft by \$15 million following negotiated settlements with the aircraft lessors in an improving aircraft market.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), income from affiliates, and gains from dispositions of investments. In the third quarter of 2006, we recognized a gain of \$92 million related to the sale of 7.5 million shares of Copa's Class A common stock. Net interest expense decreased \$24 million in 2006 primarily as a result of an increase in interest income on our higher cash balances. Income from affiliates, which includes income related to our tax sharing agreement with Holdings and our equity in the earnings of Copa and Holdings, was \$12 million lower in 2006 as compared to 2005 as a result of our reduced ownership interest in Copa and Holdings and less income from our tax sharing agreement with Holdings.

Income Tax Benefit (Expense). Beginning in the first quarter of 2004, we concluded that we were required to provide a valuation allowance for deferred tax assets due to our continued losses and our determination that it was more likely than not that such deferred tax assets would ultimately not be realized. As a result, our losses subsequent to that point were not reduced by any tax benefit. Consequently, we also did not record any provision for income taxes on our pre-tax income for the third quarters of 2005 and 2006 because we utilized a portion of the operating loss carryforwards for which we had not previously recognized a benefit.

### Segment Results of Operations

We have two reportable segments: mainline and regional. The mainline segment consists of flights using jets that have a capacity of greater than 100 seats while the regional segment consists of flights using jets with a capacity of 50 or fewer seats. The regional segment is operated by our regional carriers through capacity purchase agreements. Our most significant capacity purchase agreement is with ExpressJet. Under our capacity purchase agreements, we handle all of the scheduling and are responsible for setting prices and selling all of the seat inventory. In exchange for the regional carriers' operation of the flights, we pay them for each scheduled block hour based on the applicable agreed upon formula. Under the agreements, we recognize all passenger, cargo and other revenue associated with each flight, and are responsible for all revenue-related expenses, including commissions, reservations, catering and terminal rent at hub airports.

We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize revenue from passengers flying, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing), and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Mainline. Significant components of our mainline segment's operating results are as follows (in millions, except percentage changes):

	<u>Three Months</u>		<u>Increase</u>	<u>% Increase</u>
	<u>Ended September 30,</u>			
	<u>2006</u>	<u>2005</u>		
Operating Revenue	\$2,932	\$2,521	\$411	16.3 %
Operating Expenses:				
Aircraft fuel and related taxes	858	684	174	25.4 %
Wages, salaries and related costs	731	634	97	15.3 %
Aircraft rentals	170	160	10	6.3 %
Landing fees and other rentals	184	173	11	6.4 %
Distribution costs	129	129	-	-
Maintenance, materials and repairs	140	116	24	20.7 %
Depreciation and amortization	96	94	2	2.1 %
Passenger services	93	88	5	5.7 %
Special charges	1	3	(2)	NM
Other	307	275	32	11.6 %
	2,709	2,356	353	15.0 %
Operating Income	\$ 223	\$ 165	\$ 58	35.2 %

The variances in specific line items for the mainline segment are due to the same factors discussed under consolidated results of operations.

Regional. Significant components of our regional segment's operating results are as follows (in millions, except percentage changes):

	<u>Three Months</u>		<u>Increase</u>	<u>% Increase</u>
	<u>Ended September 30,</u>			
	<u>2006</u>	<u>2005</u>		
Operating Revenue	\$586	\$480	\$106	22.1 %
Operating Expenses:				
Wages, salaries and related costs	12	12	-	-
Regional capacity purchase, net	475	406	69	17.0 %
Aircraft rentals	79	74	5	6.8 %
Landing fees and other rentals	11	9	2	22.2 %
Distribution costs	28	25	3	12.0 %
Depreciation and amortization	3	3	-	-
Passenger services	4	3	1	33.3 %
Other	5	4	1	25.0 %
	617	536	81	15.1 %
Operating Loss	\$(31)	\$(56)	\$ 25	(44.6)%

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates additional revenue reported in the mainline segment as it feeds traffic between smaller cities and our mainline hubs.

The variances in specific line items for the regional segment are due to the growth in our regional operations and reflect generally the same factors discussed under consolidated results of operations. ASMs for our regional operations increased 12.6% in the third quarter of 2006 as compared to the third quarter of 2005.

Regional capacity purchase, net was higher due to increased flight activity at ExpressJet and higher fuel costs, partially offset by the higher number of regional jets leased by ExpressJet from us. The net amounts consist of the following (in millions, except percentage changes):

	<u>Three Months</u>		<u>Increase</u>	<u>% Increase</u>
	<u>Ended September 30,</u>			
	<u>2006</u>	<u>2005</u>		

Capacity purchase expenses	\$431	\$393	\$38	9.7%
Fuel and fuel taxes in excess of 71.2 cents per gallon cap	128	91	37	40.7%
Aircraft sublease income	(84)	(78)	(6)	7.7%
Regional capacity purchase, net	\$475	\$406	\$69	17.0%

**Comparison of Nine Months Ended September 30, 2006 to Nine Months Ended September 30, 2005**

**Consolidated Results of Operations**

We recorded a consolidated net income of \$370 million for the nine months ended September 30, 2006 as compared to a consolidated net loss of \$25 million for the nine months ended September 30, 2005. Our net income for the nine months ended September 30, 2006 includes a gain on the sale of Copa's Class A common stock of \$92 million and a cumulative effect of change in accounting principle charge of \$26 million related to our adoption of SFAS 123R effective January 1, 2006. See Note 4 in the Notes to Consolidated Financial Statements contained in Item 1 for a discussion of the impact of adopting this new standard. Net income for the nine months ended September 30, 2005 included gains of \$98 million related to the contribution of Holdings common stock to our primary defined benefit pension plan and special charges of \$46 million. We consider the key measure of our performance to be operating income, which was \$448 million for the nine months ended September 30, 2006, as compared to \$55 million for the nine months ended September 30, 2005. Significant components of our consolidated operating results are as follows (in millions, except percentage changes):

	Nine Months		Increase (Decrease)	% Increase (Decrease)
	Ended September 30, 2006	2005		
Operating Revenue:				
Passenger	\$9,141	\$7,647	\$1,494	19.5 %
Cargo	336	298	38	12.8 %
Other, net	494	418	76	18.2 %
	9,971	8,363	1,608	19.2 %
Operating Expenses:				
Aircraft fuel and related taxes	2,310	1,729	581	33.6 %
Wages, salaries and related costs	2,159	2,009	150	7.5 %
Regional capacity purchase, net	1,344	1,140	204	17.9 %
Aircraft rentals	742	689	53	7.7 %
Landing fees and other rentals	578	535	43	8.0 %
Distribution costs	495	445	50	11.2 %
Maintenance, materials and repairs	407	334	73	21.9 %
Depreciation and amortization	292	293	(1)	(0.3)%
Passenger services	268	252	16	6.3 %
Special charges	5	46	(41)	NM
Other	923	836	87	10.4 %
	9,523	8,308	1,215	14.6 %
Operating Income	448	55	393	NM
Nonoperating Income (Expense)	(52)	(80)	28	(35.0)%
Income (Loss) before Income Taxes and Cumulative Effect of Change in Accounting Principle	396	(25)	421	NM
Income Taxes	-	-	-	-
Cumulative Effect of Change in Accounting Principle	(26)	-	(26)	NM
Net Income (Loss)	\$ 370	\$ (25)	\$ 395	NM

Operating Revenue. Passenger revenue increased 19.5% due to increased capacity, increased traffic and higher fares. Consolidated revenue passenger miles for the first nine months of 2006 increased 12.6% year-over-year on a capacity increase of 10.2%, which produced a consolidated load factor of 81.0%, up 1.7 points over the same period in 2005. Consolidated yield for the nine months ended September 30, 2006 increased 6.1% year-over-year. Consolidated RASM for the nine months ended September 30, 2006 increased 8.4% year-over-year due to higher yield and load factors. The improved RASM also reflects recent fuel driven fare increases and our actions taken to improve the mix of local versus flow traffic and to scale back discount programs.

The table below shows passenger revenue for the nine months ended September 30, 2006 and period to period comparisons for passenger revenue, RASM and ASMs by geographic region for our mainline and regional operations:

	Passenger Revenue <u>(in millions)</u>	Percentage Increase in September 30, 2006 YTD vs September 30, 2005 YTD		
		Passenger Revenue	RASM	ASMs
<u>Domestic</u>	\$4,107	15.5%	9.4%	5.6%
<u>Trans-Atlantic</u>	1,596	22.0%	2.6%	18.9%
<u>Latin America</u>	1,026	22.5%	8.1%	13.3%
<u>Pacific</u>	672	16.7%	6.4%	9.7%
<u>Total Mainline</u>	7,401	17.9%	7.2%	9.9%
<u>Regional</u>	1,740	27.1%	13.4%	12.2%
<u>Total System</u>	\$9,141	19.5%	8.4%	10.2%

Cargo revenue increased 12.8% due to higher freight and mail volumes and increases in freight fuel charges. Other revenue increased due principally to higher revenue associated with sales of mileage credits in our OnePass frequent flyer program and passenger service fees.

Operating Expenses. Aircraft fuel and related taxes increased 33.6% due to a significant rise in fuel prices, combined with a 9.9% increase in mainline ASMs. The average jet fuel price per gallon including related taxes increased 24.2% to \$2.08 in the first nine months of 2006 from \$1.68 in the first nine months of 2005. The impact of hedging activity on fuel expense for the nine months ended September 30, 2006 was immaterial due to losses recognized in the third quarter offsetting gains recognized earlier in the year. We had no fuel hedges in place during 2005. Wages, salaries and related costs increased 7.5%, primarily due to a \$106 million increase in profit sharing expense and related payroll taxes, an increase in the average number of employees to support our growth and a \$44 million additional expense in 2006 related to stock options following the adoption of SFAS 123R, Stock Price Based RSU Awards and Profit Based RSU Awards, largely offset by pay and benefit reductions and work rule changes implemented in March 2005.

Expenses related to our capacity purchase agreements are reported in regional capacity purchase, net. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net includes all of ExpressJet's fuel expense plus a margin on ExpressJet's fuel expense up to a cap provided in the capacity purchase agreement and a related fuel purchase agreement (which margin applies only to the first 71.2 cents per gallon, including fuel taxes) and is net of our rental income on aircraft we lease to ExpressJet. The net expense was higher in the first nine months of 2006 than in the corresponding nine months of 2005 due to a 12.2% increase in regional ASMs and increased fuel prices, offset in part by lower block hour rates.

Aircraft rentals increased due to new mainline and regional aircraft delivered in 2005 and 2006. Landing fees and other rentals were higher primarily due to increased flight activity. Distribution costs increased primarily due to higher credit card fees and reservation costs related to the increase in revenue. Maintenance, materials and repairs increased primarily due to higher contractual repair rates associated with a maturing fleet and increased flight hours. Other operating expenses increased primarily due to a higher number of international flights, which resulted in increased air navigation, ground handling, security and related expenses.

During the first nine months of 2006, we recorded settlement charges of \$37 million related to lump sum distributions from our pilot-only defined benefit pension plan. Additionally, on February 1, 2006, our officers voluntarily surrendered their vested Stock Price Based RSU Awards with a performance period ending March 31, 2006, resulting in a \$14 million reduction of special charges. The remaining balance of special charges recognized during the first nine months of 2006 is attributable to our permanently grounded MD-80 aircraft. We reduced our accruals for future lease payments and return conditions by \$18 million following negotiated settlements with aircraft lessors.

In March 2005, we recorded a \$43 million non-cash curtailment charge relating to the freezing of the portion of our defined benefit pension plan attributable to pilots. In the third quarter of 2005, we recorded an \$18 million non-cash settlement charge related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired. Also in the third quarter of 2005, we reduced our accruals for future lease payments and return conditions related to permanently grounded aircraft by \$15 million following negotiated settlements with the aircraft lessors in an improving aircraft market.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), income from affiliates, and gains from dispositions of investments. In the first nine months of 2006, we recognized a gain of \$92 million related to the sale of 7.5 million shares of Copa's Class A common stock. During the first nine months of 2005, we recognized gains of \$98 million related to the contribution of 12.1 million shares of Holdings common stock to our primary defined benefit pension plan. Net interest expense decreased \$54 million in 2006 primarily as a result of an increase in interest income on our higher cash balances. Income from affiliates, which includes income related to our tax sharing agreement with Holdings and our equity in the earnings of Copa and Holdings, was \$18 million lower in 2006 as compared to 2005 as a result of our reduced ownership interest in Copa and Holdings and less income from our tax sharing agreement with Holdings.

Income Tax Benefit (Expense). Beginning in the first quarter of 2004, we concluded that we were required to provide a valuation allowance for deferred tax assets due to our continued losses and our determination that it was more likely than not that such deferred tax assets would ultimately not be realized. As a result, our losses subsequent to that point were not reduced by any tax benefit. Consequently, we also did not record any provision for income taxes on our pre-tax income for the first nine months of 2006 because we utilized a portion of the operating loss carryforwards for which we had not previously recognized a benefit.

## **Segment Results of Operations**

Mainline. Significant components of our mainline segment's operating results are as follows (in millions, except percentage changes):

	Nine Months Ended		Increase	% Increase
	September 30, 2006	September 30, 2005		
			(Decrease)	(Decrease)
<u>Operating Revenue</u>	\$8,268	\$7,026	\$1,242	17.7%

Operating Expenses:				
Aircraft fuel and related taxes	2,310	1,729	581	33.6 %
Wages, salaries and related costs	2,125	1,975	150	7.6 %
Aircraft rentals	509	475	34	7.2 %
Landing fees and other rentals	544	503	41	8.2 %
Distribution costs	410	375	35	9.3 %
Maintenance, materials and repairs	407	334	73	21.9 %
Depreciation and amortization	283	285	(2)	(0.7)%
Passenger services	256	242	14	5.8 %
Special charges	5	46	(41)	NM
Other	911	822	89	10.8 %
	7,760	6,786	974	14.4 %
Operating Income	\$ 508	\$ 240	\$ 268	NM

The variances in specific line items for the mainline segment are due to the same factors discussed under consolidated results of operations.

Regional. Significant components of our regional segment's operating results are as follows (in millions, except percentage changes):

	Nine Months Ended		Increase	% Increase
	September 30,			
	2006	2005	(Decrease)	(Decrease)
Operating Revenue	\$1,703	\$1,337	\$366	27.4 %
Operating Expenses:				
Wages, salaries and related costs	34	34	-	-
Regional capacity purchase, net	1,344	1,140	204	17.9 %
Aircraft rentals	233	214	19	8.9 %
Landing fees and other rentals	34	32	2	6.3 %
Distribution costs	85	70	15	21.4 %
Depreciation and amortization	9	8	1	12.5 %
Passenger services	12	10	2	20.0 %
Other	12	14	(2)	(14.3)%
	1,763	1,522	241	15.8 %
Operating Loss	\$ (60)	\$ (185)	\$125	(67.6)%

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates additional revenue reported in the mainline segment as it feeds traffic between smaller cities and our mainline hubs.

The variances in specific line items for the regional segment are due to the growth in our regional operations and reflect generally the same factors discussed under consolidated results of operations. ASMs for our regional operations increased 12.2% in the first nine months of 2006 as compared to the first nine months of 2005.

Regional capacity purchase, net was higher due to increased flight activity at ExpressJet and higher fuel costs, partially offset by the higher number of regional jets leased by ExpressJet from us. The net amounts consist of the following (in millions, except percentage changes):

	Nine Months Ended		Increase	% Increase
	September 30,			
	2006	2005	Increase	% Increase
Capacity purchase expenses	\$1,260	\$1,157	\$103	8.9%
Fuel and fuel taxes in excess of 71.2 cents per gallon cap	333	213	120	56.3%
Aircraft sublease income	(249)	(230)	(19)	8.3%
Regional capacity purchase, net	\$1,344	\$1,140	\$204	17.9%

Statistical Information.

	<u>Three Months Ended</u>		<u>Net</u> <u>Increase</u>
	<u>September 30,</u>		
	<u>2006</u>	<u>2005</u>	
-	-	-	-
-	-	-	-
-	-	-	-
<b>Mainline Operations:</b>	-	-	-
Passengers (thousands).(1)	12,522	11,642	7.6 %
Revenue passenger miles (millions).(2)	21,312	19,378	10.0 %
Available seat miles (millions).(3)	25,759	23,721	8.6 %
Cargo ton miles (millions)	268	246	8.9 %
Passenger load factor (4)	82.7%	81.7%	1.0 pts.
-	-	-	-
Passenger revenue per available seat mile (cents)	10.21	9.56	6.8 %
Total revenue per available seat mile (cents)	11.38	10.63	7.1 %
Average yield per revenue passenger mile (cents).(5)	12.34	11.70	5.5 %
Average segment fare per revenue passenger	\$212.81	\$197.99	7.5 %
-	-	-	-
Cost per available seat mile, including special charges (cents).(6)	10.52	9.93	5.9 %
Average price per gallon of fuel, including fuel taxes (cents)	221.47	187.99	17.8 %
Fuel gallons consumed (millions)	387	364	6.3 %
-	-	-	-
Actual aircraft in fleet at end of period	364	350	4.0 %
Average length of aircraft flight (miles)	1,478	1,434	3.1 %
Average daily utilization of each aircraft (hours).(7)	11:30	10:58	4.9 %
-	-	-	-
<b>Regional Operations:</b>	-	-	-
Passengers (thousands).(1)	4,806	4,263	12.7 %
Revenue passenger miles (millions).(2)	2,730	2,384	14.5 %
Available seat miles (millions).(3)	3,503	3,112	12.6 %
Passenger load factor (4)	77.9%	76.6%	1.3 pts.
Passenger revenue per available seat mile (cents)	17.15	15.79	8.6 %
Average yield per revenue passenger mile (cents).(5)	22.01	20.61	6.8 %
Actual aircraft in fleet at end of period (7)	274	261	5.0 %
-	-	-	-
<b>Consolidated Operations (Mainline and Regional):</b>	-	-	-
Passengers (thousands).(1)	17,328	15,905	8.9 %
Revenue passenger miles (millions).(2)	24,042	21,762	10.5 %
Available seat miles (millions).(3)	29,262	26,833	9.1 %
Passenger load factor (4)	82.2%	81.1%	1.1 pts.
Passenger revenue per available seat mile (cents)	11.04	10.28	7.4 %
Average yield per revenue passenger mile (cents).(5)	13.44	12.68	6.0 %

(continued on next page)

	<u>Nine Months Ended</u>		<u>Net</u> <u>Increase</u>
	<u>September 30,</u>		
	<u>2006</u>	<u>2005</u>	
-	-	-	-
-	-	-	-
-	-	-	-
<b>Mainline Operations:</b>	-	-	-
Passengers (thousands).(1)	36,753	33,706	9.0 %
Revenue passenger miles (millions).(2)	59,963	53,583	11.9 %
Available seat miles (millions).(3)	73,678	67,022	9.9 %
Cargo ton miles (millions)	793	743	6.7 %
Passenger load factor (4)	81.4%	79.9%	1.5 pts.
-	-	-	-
Passenger revenue per available seat mile (cents)	10.04	9.37	7.2 %
Total revenue per available seat mile (cents)	11.22	10.48	7.1 %
Average yield per revenue passenger mile (cents).(5)	12.34	11.72	5.3 %
Average segment fare per revenue passenger	\$203.83	\$189.18	7.7 %
-	-	-	-
Cost per available seat mile, including special charges (cents).(6)	10.53	10.13	3.9 %
Average price per gallon of fuel, including fuel taxes (cents)	208.20	167.58	24.2 %
Fuel gallons consumed (millions)	1,109	1,032	7.5 %
-	-	-	-
Actual aircraft in fleet at end of period	364	350	4.0 %
Average length of aircraft flight (miles)	1,438	1,387	3.7 %
Average daily utilization of each aircraft (hours).(7)	11:12	10:35	5.9 %
-	-	-	-
<b>Regional Operations:</b>	-	-	-
Passengers (thousands).(1)	13,763	11,862	16.0 %
Revenue passenger miles (millions).(2)	7,783	6,582	18.2 %
Available seat miles (millions).(3)	9,959	8,878	12.2 %
Passenger load factor (4)	78.1%	74.1%	4.0 pts.
Passenger revenue per available seat mile (cents)	17.48	15.42	13.4 %
Average yield per revenue passenger mile (cents).(5)	22.36	20.80	7.5 %
Actual aircraft in fleet at end of period (7)	274	261	5.0 %
-	-	-	-
<b>Consolidated Operations (Mainline and Regional):</b>	-	-	-
Passengers (thousands).(1)	50,516	45,568	10.9 %
Revenue passenger miles (millions).(2)	67,746	60,165	12.6 %
Available seat miles (millions).(3)	83,637	75,900	10.2 %
Passenger load factor (4)	81.0%	79.3%	1.7 pts.
Passenger revenue per available seat mile (cents)	10.93	10.08	8.4 %
Average yield per revenue passenger mile (cents).(5)	13.49	12.71	6.1 %

1. Revenue passengers measured by each flight segment flown.
2. The number of scheduled miles flown by revenue passengers.

3. The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
4. Revenue passenger miles divided by available seat miles.
5. The average passenger revenue received for each revenue passenger mile flown.
6. Includes special charges which represented 0.01 cents per available seat mile for the three months ended September 30, 2006, 0.02 cents for the three months ended September 30, 2005, 0.01 cents for the nine months ended September 30, 2006 and 0.07 cents for the nine months ended September 30, 2005.
7. The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).

## **LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2006, we had \$2.7 billion in consolidated cash, cash equivalents and short-term investments, which is \$548 million higher than at December 31, 2005. Included in this amount at September 30, 2006 is \$247 million of restricted cash, which is primarily collateral for estimated future workers' compensation claims, credit card processing contracts, letters of credit and performance bonds. Restricted cash at December 31, 2005 totaled \$241 million.

Operating Activities. Cash flows provided by operations for the nine months ended September 30, 2006 were \$904 million compared to \$453 million in the same period in 2005. The increase in cash flows provided by operations in the first nine months of 2006 compared to the same period in 2005 is primarily the result of an improvement in operating income and advance ticket sales associated with increased flight activity, partially offset by \$67 million higher cash contributions to our defined benefit pension plans in the first nine months of 2006 than in the first nine months of 2005.

Investing Activities. Cash flows used in investing activities were \$188 million for the nine months ended September 30, 2006 compared to cash flows used investing activities of \$80 million for the nine months ended September 30, 2005. Capital expenditures for the nine months ended September 30, 2006 were \$112 million higher than in the first nine months of 2005. Cash used for purchase deposits increased \$39 million due to additional deposits paid on Boeing aircraft. A significant component of cash provided by investing activities in the first nine months of 2005 was our conversion of certain short-term auction rate certificates into short-term cash equivalents.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. On June 6, 2006, we announced that we had ordered ten additional Boeing 787 aircraft and 24 additional Next-Generation 737 aircraft. Net capital expenditures for the full year 2006 are expected to be \$340 million, or \$420 million after considering purchase deposits to be paid, net of purchase deposits to be refunded. Projected net capital expenditures for 2006 consist of \$180 million of fleet expenditures, \$100 million of non-fleet expenditures and \$60 million for rotatable parts and capitalized interest. Through September 30, 2006, our net capital expenditures totaled \$235 million and net purchase deposits paid totaled \$65 million.

On July 5, 2006, we sold 7.5 million shares of Copa's Class A common stock for \$156 million in cash, net of underwriting fees. This sale reduced our ownership of Copa's Class A common stock to 4.4 million shares, which represents a 10% interest. We recognized a gain of \$92 million related to this transaction.

Financing Activities. Cash flows used in financing activities, primarily the payment of long-term debt and capital lease obligations, were \$222 million for the nine months ended September 30, 2006 compared to cash flows provided by financing activities of \$154 million in the nine months ended September 30, 2005.

In March 2006, we elected to pre-pay \$96 million of debt due in early 2007. This debt had an interest rate of LIBOR plus 4.53%.

In June 2006, we refinanced our \$195 million Floating Rate Secured Notes due December 2007 and \$97 million Floating Rate Secured Subordinated Notes due December 2007 by redeeming these notes with proceeds that we received from issuing two new series of equipment notes. The new notes total \$320 million principal amount and mature in June 2013. Similar to the refinanced notes, the new notes are secured by the majority of our spare parts inventory. A portion of the spare parts inventory that serves as collateral for the new equipment notes is classified as property and equipment and the remainder is classified as spare parts and supplies, net.

The new series of senior equipment notes, which totaled \$190 million principal amount, bears interest at the three-month London Interbank Offered Rate, or LIBOR, plus 0.35% for an initial coupon of 5.63%. The new series of junior equipment notes, which totaled \$130 million principal amount, bears interest at the three-month LIBOR plus 3.125% for an initial coupon of 8.41%. The effect of the issuance of the new equipment notes and the redemption of the previously issued notes was to lower the interest rate that we pay on the indebtedness by approximately 55 basis points in the case of the senior notes and 438 basis points in the case of the junior notes, to increase the cash raised and principal amount by \$28 million and to extend the maturity date of the indebtedness by five and a half years.

In connection with these equipment notes, we entered into a collateral maintenance agreement requiring us, among other things, to maintain a loan-to-collateral value ratio of not greater than 45% with respect to the senior series of equipment notes and a loan-to-collateral value ratio of not greater than 75% with respect to both series of notes combined. We must also maintain a certain level of rotatable components within the spare parts collateral pool. These ratios are calculated semi-annually based on an independent appraisal of the spare parts collateral pool. If any of the collateral ratio requirements are not met, we must take action to meet all ratio requirements by adding additional eligible spare parts to the collateral pool, redeeming a portion of the outstanding notes, providing other collateral acceptable to the bond insurance policy provider for the senior series of equipment notes or any combination of the above actions. We are currently in compliance with these covenants.

We and our wholly-owned subsidiary CMI have loans under a \$350 million secured term loan facility. The loans are secured by certain of our U.S.-Asia routes and related assets, all of the outstanding common stock of AMI and CMI and substantially all of the other assets of AMI and CMI, including route authorities and related assets. The facility was amended in August 2006 to lower the coupon 200 basis points to LIBOR plus 3.375%. The loans are due in June 2011. The amended facility requires us to maintain a minimum balance of unrestricted cash and short-term investments of \$1.0 billion at the end of each month. The loans may become due and payable immediately if we fail to maintain the monthly minimum cash balance and upon the occurrence of other customary events of default under the loan documents. If we fail to maintain a minimum balance of unrestricted cash and short-term investments of \$1.125 billion, we and CMI will be required to make a mandatory aggregate \$50 million prepayment of the loans.

In addition, the amended facility provides that if the ratio of the outstanding loan balance to the value of the collateral securing the loans, as determined by the most recently delivered periodic appraisal, is greater than 52.5%, we and CMI will be required to post additional collateral or prepay the loans to reestablish a loan-to-collateral value ratio of not greater than 52.5%. We are currently in compliance with the covenants in the amended facility.

We have entered into agreements to finance the six 737-800 aircraft delivered or scheduled to be delivered in the second half of 2006 and two 777-200ER aircraft scheduled to be delivered in 2007. By virtue of these agreements, we have financing available for all Boeing aircraft scheduled to be delivered through 2007. In addition, we have backstop financing for 24 of the remaining 60 Next-Generation 737 aircraft scheduled to be delivered in 2008 and 2009. However, we do not have backstop financing or any other financing currently in place for the remaining aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures, or for our capital expenditures in general.

At September 30, 2006, we had approximately \$5.5 billion (including current maturities) of long-term debt and capital lease obligations. We do not currently have any undrawn lines of credit or revolving credit facilities and substantially all of our otherwise readily financeable assets are encumbered. However, our remaining interests in Copa and Holdings are not pledged as collateral under any of our debt. We were in compliance with all debt covenants at September 30, 2006.

On July 1, 2006, our 5% Convertible Notes due 2023 with a principal amount of \$175 million became convertible into shares of our common stock at a conversion price of \$20 per share following the satisfaction of one of the conditions to convertibility. This condition, which was satisfied on June 30, 2006, provided that the notes would become convertible once the closing price of our common stock exceeded \$24 per share (120% of the \$20 per share conversion price) for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of a fiscal quarter. If a holder of the notes exercises the conversion right, in lieu of delivering shares of our common stock, we may elect to pay cash or a combination of cash and shares of our common stock for the notes surrendered. All or a portion of the notes are also redeemable for cash at our option on or after June 18, 2010 at par plus accrued and unpaid interest, if any. Holders of the notes may require us to repurchase all or a portion of their notes at par plus any accrued and unpaid interest on June 15 of 2010, 2013 or 2018. We may at our option choose to pay the repurchase price on those dates in cash, shares of our common stock or any combination thereof. Holders of the notes may also require us to repurchase all or a portion of their notes for cash at par plus any accrued and unpaid interest if certain changes in control of Continental occur.

At September 30, 2006, our senior unsecured debt ratings were Caa1 by Moody's and CCC+ by Standard & Poor's. Reductions in our credit ratings have increased the interest we pay on new issuances of debt and may increase the cost and reduce the availability of financing to us in the future. We do not have any debt obligations that would be

accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral of approximately \$108 million under our bank-issued credit card processing agreement if our senior unsecured debt rating falls below Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. We would also be required to post additional collateral of up to \$24 million under our worker's compensation program if our senior unsecured debt rating falls below Caa2 as rated by Moody's or CCC+ as rated by Standard & Poor's.

Our bank-issued credit card processing agreement also contains financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization, aircraft rentals and income from affiliates, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months of 1.1 to 1.0. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities at each month end of .29 to 1.0. Although we are currently in compliance with all of the covenants, failure to maintain compliance would result in our being required to post up to an additional \$535 million of cash collateral, which would adversely affect our liquidity. Depending on our unrestricted cash and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the \$1.0 billion minimum balance required under our \$350 million secured loan facility, resulting in a default under such facility.

On April 10, 2006, we filed an automatically effective universal shelf registration statement covering the sale from time to time of our securities in one or more public offerings. The securities offered might include debt securities, including pass-through certificates, shares of common stock, shares of preferred stock and securities exercisable for, or convertible into, shares of common stock, such as stock purchase contracts, warrants or subscription rights, among others. Proceeds from any sale of securities under this registration statement other than pass-through certificates would likely be used for general corporate purposes, including the repayment of debt, the funding of pension obligations and working capital requirements, whereas proceeds from the issuance of pass-through certificates would be used to finance or refinance aircraft and related equipment.

We have utilized proceeds from the issuance of pass-through certificates to finance the acquisition of 247 leased and owned mainline jet aircraft, certain spare engines and certain spare parts. Typically, these pass-through certificates contain liquidity facilities whereby a third party agrees to make payments sufficient to pay at least 18 months of interest on the applicable certificates if a payment default occurs. The liquidity providers for these certificates include the following: CALYON New York Branch, Landesbank Hessen-Thüringen Girozentrale, Morgan Stanley Capital Services, Morgan Stanley Bank, Westdeutsche Landesbank Girozentrale, AIG Matched Funding Corp., ABN AMRO Bank N.V., Credit Suisse First Boston, Caisse des Depots et Consignations, Bayerische Landesbank Girozentrale, ING Bank N.V. and De Nationale Investeringsbank N.V.

We are also the issuer of pass-through certificates secured by 135 leased regional jet aircraft currently operated by ExpressJet. The liquidity providers for these certificates include the following: ABN AMRO Bank N.V., Chicago Branch, Citibank N.A., Citicorp North America, Inc., Landesbank Baden-Württemberg, RZB Finance LLC and WestLB AG, New York Branch.

We currently utilize policy providers to provide credit support on three separate financings with an outstanding principal balance of \$502 million at September 30, 2006. The policy providers have unconditionally guaranteed the payment of interest on the notes when due and the payment of principal on the notes no later than 24 months after the final scheduled payment date. Policy providers on these notes are Ambac Assurance Corporation (a subsidiary of Ambac Financial Group, Inc.) and Financial Guaranty Insurance Company (a subsidiary of FGIC). Financial information for the parent company of Ambac Assurance Corporation is available over the internet at the SEC's website at <http://www.sec.gov> or at the SEC's public reference room in Washington, D.C. and financial information for FGIC is available over the internet at <http://www.fgic.com>. A policy provider is also used as credit support for the financing of certain facilities at Bush Intercontinental, currently subject to a sublease by us to the City of Houston, with an outstanding balance of \$53 million at September 30, 2006.

Pension Plans. We have noncontributory defined benefit pension plans in which substantially all of our U.S. employees participate, other than Chelsea Food Services and CMI employees. Future benefit accruals for our pilots under the pilot-only defined benefit pension plan ceased as of May 31, 2005. Funding requirements for defined benefit pension plans are determined by government regulations. During the first nine months of 2006, we contributed \$176 million to our defined benefit pension plans. In October 2006, we contributed an additional \$70 million to our defined benefit pension plans, resulting in total contributions of \$246 million in 2006 to date (which exceeds the minimum contributions required to be made prior to December 31, 2006, after giving effect to the recently enacted Pension Protection Act of 2006). We estimate that contributions to our defined benefit pension plans will total approximately \$200 million during 2007, after giving effect to the Pension Protection Act of 2006.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

There have been no material changes in market risk from the information provided in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2005 Form 10-K except as follows:

Foreign Currency. We had forward contracts outstanding at September 30, 2006 to hedge the following cash flows for the remainder of 2006:

- Approximately 12% of our projected British pound-denominated cash flows.
- Approximately 10% of our projected Japanese yen-denominated cash flows.
- Approximately 91% of our projected Canadian dollar-denominated cash flows.

We estimate that at September 30, 2006, a 10% strengthening in the value of the U.S. dollar relative to the British pound, Japanese yen, and Canadian dollar would have increased the fair value of the existing forward contracts by an immaterial amount, \$1 million and \$1 million, respectively, offset by a corresponding loss on the underlying 2006 exposure of \$2 million, \$5 million and \$2 million, respectively, resulting in net losses of \$2 million, \$4 million and \$1 million, respectively.

Aircraft Fuel. Historically, we have from time to time entered into petroleum swap contracts, petroleum call option contracts, jet fuel collars and/or jet fuel purchase commitments to provide some short-term hedge protection (generally three to six months) against sudden and significant increases in jet fuel prices.

Beginning in the first quarter of 2006, we modified our hedging strategy to hedge in a manner that better matches our hedged fuel costs with passenger tickets already sold. As part of our strategy, we take into account the volume and date of flight for the tickets sold comprising our current air traffic liability, the amount of jet fuel that has been delivered or we have under contract and the volume of fuel required by us to complete the itinerary for those tickets already sold. We then construct a hedge position that is designed to better hedge fuel prices with respect to tickets already sold, for which we can no longer adjust our pricing. Implicit in this strategy is our belief that, as to tickets not yet sold, the market will be efficient and that fare levels will adjust to keep pace with fuel costs.

As of September 30, 2006, we had hedged approximately 31% of our projected fuel requirements for the fourth quarter of 2006 using petroleum swap contracts with a weighted average swap price of \$74.11 per barrel. In addition, we had hedged 3% of our projected fuel requirements for the fourth quarter of 2006 using jet fuel option contracts forming zero cost collars. We had also hedged 10% of our projected fuel requirements for the first quarter of 2007 using petroleum swap contracts with a weighted average swap price of \$71.40. At September 30, 2006, our fuel hedges outstanding were in a loss position. The fair value of our obligation related to these contracts was \$39 million and is included in accrued other liabilities in our consolidated balance sheet. We estimate that a 10% increase in the price per barrel of crude oil at September 30, 2006 would decrease our obligation related to the fuel hedges outstanding at September 30, 2006 by \$30 million.

### **Item 4. Controls and Procedures.**

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures, which have been designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. They concluded that the controls and procedures were effective as of September 30, 2006 to provide reasonable assurance that the information required to be disclosed by the Company in reports it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. While our disclosure controls and procedures provide reasonable assurance that the appropriate information will be available on a timely basis, this assurance is subject to limitations inherent in any control system, no matter how well it may be designed or administered.

Changes in Internal Controls. There was no change in our internal control over financial reporting during the quarter ended September 30, 2006, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are now a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents. The pending cases are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the Swope case for their failure to properly opt-out of the Hall case. Consequently, there are a total of 90 travel agency plaintiffs remaining in the two cases.

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

### Item 1A. Risk Factors

Item 1A. "Risk Factors" of our 2005 Form 10-K includes a detailed discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our 2005 Form 10-K.

The airline industry is highly competitive and susceptible to price discounting and fluctuations in passenger demand. The U.S. airline industry is increasingly characterized by substantial price competition, especially in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand, to generate cash flow and to increase market share. Some of our competitors have substantially greater financial resources, including hedges against fuel price increases, or lower cost structures than we do, or both. In recent years, the domestic market share held by low cost carriers has increased significantly and is expected to continue to increase, which is dramatically changing the airline industry. The increased market presence of low cost carriers has increased competition and impacted the ability of the network carriers to maintain sufficient pricing structures in domestic markets, which negatively affects profitability. This has contributed to the dramatic losses for us and the airline industry generally. For example, a low-cost carrier began to directly compete with us on flights between Liberty International and destinations in Florida in 2005, and has recently entered the New York to Houston market. We are responding vigorously to this challenge, but have experienced significantly decreased yields on affected flights. We cannot predict whether or for how long these trends will continue.

In addition to price competition, airlines also compete for market share by increasing the size of their route system and the number of markets they serve. Several of our domestic competitors have announced aggressive plans to expand into international markets, including some destinations that we currently serve. The increased competition in these international markets, particularly to the extent our competitors engage in price discounting or offer large commissions to travel agents or other distributors, may have a material adverse effect on our results of operations, financial condition or liquidity.

Airline profit levels are highly sensitive to changes in fuel costs, fare levels and passenger demand. Passenger demand is influenced by, among other things, the state of the global economy and domestic and international events such as terrorism, hostilities involving the United States or concerns about exposure to contagious diseases (such as SARS or avian flu). The September 11, 2001 terrorist attacks, the weak economy prior to 2004, turbulent international events (including the war in Iraq and the SARS outbreak), high fuel prices and extensive price discounting by carriers have resulted in dramatic losses for us and the airline industry generally. To the extent that future events of this nature negatively impact passenger travel behavior and/or fare levels, such events may have a material adverse effect on our results of operations, financial condition or liquidity.

Delta, Northwest and several small competitors have filed for bankruptcy protection, and other carriers could file for bankruptcy or threaten to do so to reduce their costs. US Airways and, more recently, United, have emerged from bankruptcy. Carriers operating under bankruptcy protection may be in a position to operate in a manner adverse to us and could emerge from bankruptcy as more vigorous competitors with substantially lower costs than ours.

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

A significant failure or disruption of the computer systems on which we rely could adversely affect our business. We depend heavily on computer systems and technology to operate our business, such as flight operations systems, communications systems, airport systems and reservations systems (including continental.com and third party global distribution systems). These systems could suffer substantial or repeated disruptions due to events beyond our control, including natural disasters, power failures, terrorist attacks, equipment or software failures and computer viruses and hackers. Any such disruptions could materially impair our flight and airport operations and our ability to market our services, and could result in increased costs, lost revenue and the loss or compromise of important data. Although we have taken measures in an effort to reduce the adverse effects of certain potential failures or disruptions, if these steps are not adequate to prevent or remedy the risks, our business may be materially adversely affected.

In addition, a significant portion of our revenue, including a significant portion of our higher yield traffic, is derived from bookings made through third party global distribution systems ("GDSs") used by many travel agents and travel purchasers. Over the past several years we have focused on reducing our distribution costs, including GDS fees. We recently entered into new long-term content agreements with the operators of three of the four major GDSs, and our current agreement with the operator of the fourth major GDS was recently extended and now expires in December. We are currently in negotiations with the operator of the fourth major GDS, and we have not yet been able to reach a long-term content agreement on terms that are acceptable to us. If we are unable to reach a long-term agreement with the operator of the fourth GDS, it is possible that our flights would not be available for sale through that GDS upon expiration of the extension. The lack of a content agreement would make our fares, seat availability, schedules and inventories unavailable for display through the GDS, which could damage our relationships with any travel agents or travel purchasers reliant on that GDS, and could also result in a decline in our sales, which decline could be sufficient to result in a material adverse effect on us.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Submission of Matters to a Vote of Security Holders.

None.

### Item 5. Other Information.

None.

**Item 6. Exhibits.**

- 10.1\* Third Amendment to Continental Airlines, Inc. Incentive Plan 2000 dated September 14, 2006.
- 10.2\* Amendment to Non-Employee Director compensation effective September 6, 2006.
- 10.3 Amended and Restated Credit and Guaranty Agreement, dated as of August 3, 2006, among Continental and Continental Micronesia, Inc., as borrowers and guarantors, Air Micronesia, Inc., as a guarantor, Merrill Lynch Mortgage Capital, Inc., as administrative agent, and the lenders party thereto. (1)
- 10.4 Supplemental Agreement No. 39, dated as of August 3, 2006, to Purchase Agreement No. 1951 between Continental and The Boeing Company ("Boeing"), dated July 23, 1996, relating to the purchase of Boeing 737 aircraft. (1)
- 10.5 Supplemental Agreement No. 4, dated as of July 14, 2006, to Purchase Agreement No. 2484 between Continental and Boeing, dated December 29, 2004, relating to the purchase of Boeing 787 aircraft. (1)
- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32.1 Section 1350 Certifications.

\*This exhibit relates to management contracts or compensatory plans or arrangements.

- 1. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

- CONTINENTAL AIRLINES, INC. \_\_\_\_\_  
- Registrant  
- -  
- -  
- -  
Date: October 19, 2006 by: /s/ Jeffrey J. Misner  
- Jeffrey J. Misner  
- Executive Vice President and  
- Chief Financial Officer  
- (On behalf of Registrant)  
- -  
Date: October 19, 2006 by: /s/ Chris Kenny  
- Chris Kenny  
- Vice President and Controller  
- (Principal Accounting Officer)  
-  
-

**INDEX TO EXHIBITS**  
**OF**  
**CONTINENTAL AIRLINES, INC.**

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1. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.

**THIRD AMENDMENT TO  
CONTINENTAL AIRLINES, INC.  
INCENTIVE PLAN 2000**

**(as amended through June 6, 2006)**

**WHEREAS**, Continental Airlines, Inc. (the "Company") has heretofore adopted the Continental Airlines, Inc. Incentive Plan 2000 (as amended through June 6, 2006) (the "Plan"); and

**WHEREAS**, the Company desires to amend the Plan in certain respects;

**NOW, THEREFORE**, the Plan shall be amended as follows:

**1. Section 13 of the Plan shall be deleted and the following shall be substituted therefor:**

**"13. AMENDMENT AND TERMINATION OF THE PLAN**

**(a) Subject to the last sentence of Section 3 hereof, the Board in its discretion may terminate the Plan at any time. Subject to Section 13(b) hereof, the Board shall have the right to amend the Plan or any part thereof from time to time, and the Administrator may amend any Award (and its related Grant Document) at any time, except as otherwise specifically provided in such Grant Document; provided that no change in any Award theretofore granted may be made which would impair the rights of the Holder thereof without the consent of such Holder, and provided further that the Board may not, without approval of the stockholders of the Company, amend the Plan to (i) increase the maximum aggregate number of shares that may be issued under the Plan or (ii) change the class of individuals eligible to receive Awards under the Plan.**

**(b) To the extent stockholder approval of an amendment to the Plan is necessary to satisfy (i) the requirements of Rule 16b-3 of the Exchange Act or (ii) any securities exchange listing requirements of the New York Stock Exchange or other securities exchange on which the Common Stock is then listed, no such amendment shall be effective unless and until so approved by the stockholders of the Company."**

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**2. Section 7 of the Plan is amended by inserting the following new subsection (i) at the end thereof:**

**"(i) Repricing. Without the affirmative vote of holders of a majority of the shares of Common Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares is present or represented by proxy, neither the Board nor the Administrator shall approve either (i) the cancellation of outstanding Options or SARs and the grant in substitution therefore of any new Awards under the Plan having a lower option or exercise price than that of the cancelled Options or SARs specified on the original date of grant, or (ii) the amendment of outstanding Options or SARs to reduce the option or exercise price thereof below the price specified for such Award on the original date of grant. This Section 7(i) shall not be construed to apply to "issuing or assuming a stock option in a transaction to which section 424(a) applies," within the meaning of Section 424 of the Code."**

**3. The amendments to the Plan set forth in paragraphs 1 and 2 hereof shall be effective as of September 6, 2006.**

**4. As amended hereby, the Plan is specifically ratified and reaffirmed.**

**IN WITNESS WHEREOF**, the undersigned officer of the Company acting pursuant to authority granted to him by the Board of Directors of the Company has executed this instrument on this 14<sup>th</sup> day of September, 2006.

**CONTINENTAL AIRLINES, INC.**

-

**By: /s/ Jeffery A. Smisek**

**Jeffery A. Smisek**

**President**

**Amendment to Non-Employee Director Compensation**

The Board of Directors of Continental Airlines, Inc. adopted a resolution amending the company's compensation arrangements with respect to its non-employee directors effective September 6, 2006. The amendment provides that members of our Board of Directors who are not full-time employees of Continental Airlines, Inc. will receive \$2,500 to compensate them for their time spent on orientation matters in connection with their first election to the Board of Directors or their appointment to a committee of the Board on which they have not recently served.

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AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENTDated as of August 3, 2006AmongCONTINENTAL AIRLINES, INC.,andCONTINENTAL MICRONESIA, INC.,as Borrowers and Guarantors,AIR MICRONESIA, INC.,as a Guarantor,andEACH OF THE LENDERS SIGNATORY HERETO,as Lenders,andMERRILL LYNCH MORTGAGE CAPITAL INC.,as Administrative Agent

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MERRILL LYNCH MORTGAGE CAPITAL INC.as Sole Book Runner and Sole Lead ArrangerTABLE OF CONTENTS

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AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT dated as of August 3, 2006 (this "Agreement"), among CONTINENTAL AIRLINES, INC., a Delaware corporation ("Continental") and CONTINENTAL MICRONESIA, INC., a Delaware corporation ("CMI") (each, individually, a "Borrower" and, collectively, the "Borrowers"), AIR MICRONESIA, INC., a Delaware corporation ("AMI"), each of the lenders that is a signatory hereto identified under the caption "LENDERS" on the signature pages hereto and each lender that becomes a "Lender" after the date hereof pursuant to Section 9.03 and MERRILL LYNCH MORTGAGE CAPITAL INC., a Delaware corporation, as administrative agent for the Lenders (the "Administrative Agent"). The capitalized terms used herein, unless otherwise defined herein, have the meanings given them in Article I.

#### PRELIMINARY STATEMENT:

The Borrowers, certain of the Lenders and the Administrative Agent are parties to the Credit and Guaranty Agreement, dated as of June 1, 2005 (as amended prior to the date hereof, the "Existing Credit Agreement").

The Existing Lenders (as hereinafter defined) hold the Existing Loans (as hereinafter defined), which were made to the Borrowers pursuant to the Existing Credit Agreement and which are secured pursuant to the Collateral Documents (as hereinafter defined).

The Borrowers have requested that the Existing Credit Agreement be amended and restated in the manner provided for herein.

The parties hereto intend that (a) all Obligations of the parties under the Existing Credit Agreement shall continue to exist under and be evidenced by this Agreement and the other Operative Documents, (b) except as expressly amended hereby, the Operative Documents (other than this Agreement) are ratified and confirmed as remaining unmodified and in full force and effect with respect to all Obligations and (c) security interests granted and guarantees issued pursuant to the Collateral Documents will continue to provide collateral security for the Obligations of the Borrowers under this Agreement.

NOW, THEREFORE, the parties hereto hereby agree that, subject to the satisfaction or waiver of the conditions set forth in Section 3.01, the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

I.

#### DEFINITIONS

##### 1. Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings:

"Additional Costs" has the meaning specified in Section 2.12(a).

"Administrative Agent" is defined in the first paragraph of this Agreement.

"Administrative Questionnaire" means a questionnaire in a form supplied by the Administrative Agent to each Lender for administrative purposes.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" is defined in the first paragraph of this Agreement.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (i) the Prime Rate in effect on such day and (ii) the Federal Funds Effective Rate in effect on such day, plus, one-half%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Amendment and Restatement Effective Date" means the date that the conditions precedent set forth in Section 3.01 have been satisfied (or waived in writing by the Administrative Agent), which date shall be confirmed in writing by the Administrative Agent to the Credit Parties.

"Amendment Arranger Fee Letter" means the amendment arranger fee letter with respect to this Agreement among Merrill Lynch Mortgage Capital Inc. and the Borrowers dated August 3, 2006.

"AMI" is defined in the first paragraph of this Agreement.

"AMI Additional Routes and Slots" means any Routes acquired after June 1, 2005 and that originate and terminate in the same general geographic region as the AMI Routes listed on Schedule 4, consisting of the area defined by Hawaii, to the east, and the portion of Asia commonly referred to as the Far East (including Southeast Asia), to the west, and the Slots relating to those Routes.

"AMI Grant of Trademark Security Interest" means the AMI Grant of Trademark Security Interest, dated as of May 27, 2005, made by AMI in favor of the Administrative Agent.

"AMI Other Collateral" means the "Collateral" as defined in the AMI Security Agreement.

"AMI Routes" means the Routes of AMI set forth on Schedule 4 and any other Routes included in the AMI Other Collateral.

"AMI Security Agreement" means the security agreement, dated as of June 1, 2005, made by AMI in favor of the Administrative Agent.

"AMI Shares" has the meaning specified in Section 1 of the AMI Stock Pledge Agreement.

"AMI Share Collateral" means the "Pledged Collateral" as defined in the AMI Stock Pledge Agreement.

"AMI Stock Pledge Agreement" means the stock pledge agreement, dated as of June 1, 2005, between Continental and the Administrative Agent pursuant to which Continental pledged the AMI Shares to the Administrative Agent.

"Applicable Loans" is defined in Section 2.08(a).

"Applicable Margin" means, subject to Section 2.01(c)(ii), (i) initially, 3.375% per annum (except, in the case of the first Interest Period referred to in the definition of "Interest Period", the Applicable Margin shall be 5.375% per annum for the period from and including June 1, 2006, to but excluding the Amendment and Restatement Effective Date), (ii) after the occurrence of a Change in Control, 4.375% per annum and (iii) after the occurrence and during the continuance of an Event of Default, 5.875% per annum.

"Appraisal Event" means (i) the failure of Continental to deliver an appraisal to the Administrative Agent pursuant to Section 5.11 or (ii) if Continental delivers such appraisal, the failure of the relevant Credit Party to meet the requirements of Section 5.11(b) or (c), if applicable.

"Appraisal Report" means a report prepared by an Appraiser setting forth its opinion of the Current Market Value of the CAL Collateral, the CMI Business, any property proposed to be added as additional or replacement Collateral, or in the case of a Specified Route Event, the relevant Specified Routes, as of a date within 45 days prior to the delivery of such report pursuant to this Agreement.

"Appraiser" means Simat, Helliesen & Eichner, Inc. or any other Person designated by Continental and approved by the Administrative Agent (which approval shall not be unreasonably withheld or delayed) (i) engaged in a business which includes appraising commercial airline businesses and assets and (ii) who does not have any material financial interest in any Credit Party and is not connected with any Credit Party or any of its Affiliates as an officer, director, employee, promoter, underwriter, partner or person performing similar functions.

"Arranger" means Merrill Lynch Mortgage Capital Inc., as the sole arranger.

"Asset Sale" means any Disposition (excluding any such sale, leases or other disposition permitted by Section 6.06) which yields gross proceeds to AMI or CMI or any of their respective Subsidiaries (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of \$1,000,000.

"Assignment and Acceptance" means the Assignment and Acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.03), and accepted by the Administrative Agent, in the form of Exhibit B or any other form approved by the Administrative Agent and Continental.

"Bankruptcy Default" means any event or condition which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default under Sections 7.01(f), (g) or (h).

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Board of Directors" means either the board of directors of Continental, AMI or CMI, as the case may be, or any committee of that board duly authorized to act for it hereunder.

"Borrowers" is defined in the first paragraph of this Agreement.

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"Borrowing Base" means, at any time, the sum of (without duplication):

(a) with respect to the Collateral other than Cash Collateral, 52.50% of the Current Market Value of the CAL Collateral and the CMI Business, as reflected in the Appraisal Report(s) with respect thereto then most recently delivered to the Administrative Agent; and

(b) with respect to Cash Collateral, the face value thereof.

For the avoidance of doubt, if the most recently delivered Appraisal Report does not cover both Borrowing Base Components, the Borrowing Base shall be determined using the Current Market Value of the Borrowing Base Component (or, in the case of an Appraisal Report delivered pursuant to Section 5.11(d), portion thereof) set forth in such Appraisal Report and the Current Market Value of the remainder of the Borrowing Base Components as set forth in the most recent Appraisal Reports with respect thereto.

"Borrowing Base Certificate" means a certificate signed on behalf of Continental by an officer of Continental setting forth in reasonable detail the calculation of the Borrowing Base as of the date of such certificate.

"Borrowing Base Component" means the CAL Collateral or the CMI Business.

"Break Funding Costs" is defined in Section 2.15.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City or Houston, Texas are authorized or required by law to remain closed; provided that, except with respect to Section 7.01(c), when used in connection with any payment or prepayment with respect to a Loan or the determination of the LIBO Rate or an Interest Period, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"CAL Collateral" means the "CAL Collateral" as defined in the Continental SGR Pledge Agreement and any other property added to the Collateral pursuant to clause (ii) or (iii) of the definition of Remedial Action or pursuant to Section 5.08(b) or Section 5.11(c).

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Capital Stock" means, with respect to any Person, any and all shares, interests, partnership interests, participations, rights in or other equivalents (however designated) of such Person's capital stock (including both common and preferred stock), and any rights (other than debt securities convertible into capital stock (including both common and preferred stock)), warrants or options exchangeable for or convertible into capital stock (including both common and preferred stock) of such Person, whether now outstanding or issued after the date of this Agreement.

"Cash Collateral" means any cash and Permitted Investments deposited or to be deposited with the Administrative Agent or an Eligible Institution under any Collateral Document.

"Cash Collateralized" means the pledge of Cash Collateral pursuant to this agreement to secure the Obligations.

"Change In Control" means the occurrence of the following: (i) a "person" (within the meaning of Section 13(d) of the Exchange Act), other than a Plan or any Subsidiary of Continental, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of all classes then outstanding of Continental's Voting Interests and (ii) during the period of six consecutive months thereafter, individuals who at the beginning of such period constituted Continental's Board of Directors (together with any new director whose election by Continental's Board of Directors or whose nomination for election by Continental's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason (other than death or disability or retirement announced prior to such six-month period) to constitute a majority of the directors then in office.

"Citizen of the United States" has the meaning provided in Section 40102(a)(15) of Title 49 of the U.S. Code and as that statutory provision has been interpreted by the DOT pursuant to its policies.

"Class", when used in reference to any Loan or Loans, refers to whether such Loan or Loans are Tranche A-1 Term Loans or Tranche A-2 Term Loans.

"Close of Business" means the end of Continental's normal business hours at its principal executive offices.

"Closing Date" means June 1, 2005.

"CMI" is defined in the first paragraph of this Agreement.

"CMI Account" has the meaning provided in the CMI Account Control Agreement.

"CMI Account Control Agreement" means the Blocked Account Control Agreement, dated as of May 26, 2005, with respect to CMI's concentration account (as described on Schedule 6), which is the Dollar denominated CMI Account held at JP Morgan Chase Bank, N.A. in New York, New York.

"CMI Additional Routes and Slots" means any Routes acquired after June 1, 2005 that originate and terminate in the same general geographic region as the CMI Routes listed on Schedule 3(a), consisting of all routes in the area defined by Hawaii, to the east, and the portion of Asia commonly referred to as the Far East (including Southeast Asia), to the west, and the Slots relating to those Routes.

"CMI Business" means CMI as an operating business or, if at the relevant time CMI is not in operation, the net liquidation value of CMI's assets.

"CMI Grant of Trademark Security Interest" means the CMI Grant of Trademark Security Interest, dated as of May 27, 2005, made by CMI in favor of the Administrative Agent.

"CMI Material Routes" means [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and any other Route between [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

"CMI Material Slots" means such Slots of CMI required for the use of any of its CMI Material Routes.

"CMI Narita Slots" means the Slots of CMI set forth on Schedule 3(b) and any other Slots at Narita Airport, Tokyo, Japan, included in the CMI SGR Collateral.

"CMI Other Collateral" means the "Collateral" as defined in the CMI Security Agreement.

"CMI Routes" means the Routes of CMI set forth on Schedule 3(a) and any other Routes included in the CMI SGR Collateral.

"CMI Security Agreement" means the security agreement, dated as of June 1, 2005, made by CMI in favor of the Administrative Agent.

"CMI SGR Collateral" means the "Collateral" as defined in the CMI SGR Pledge Agreement.

"CMI SGR Pledge Agreement" means the Slot, Gate and Route Security and Pledge Agreement, dated as of June 1, 2005, made by CMI in favor of the Administrative Agent, pursuant to which CMI pledged the CMI SGR Collateral to the Administrative Agent.

"CMI Shares" has the meaning specified in Section 1 of the CMI Stock Pledge Agreement.

"CMI Share Collateral" means the "Pledged Collateral" as defined in the CMI Stock Pledge Agreement.

"CMI Stock Pledge Agreement" means the stock pledge agreement, dated as of June 1, 2005, made by CMI in favor of the Administrative Agent, pursuant to which CMI pledged the CMI Shares to the Administrative Agent.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means, collectively, (i) the CAL Collateral, (ii) the CMI Other Collateral, (iii) the CMI Share Collateral, (iv) the CMI SGR Collateral, (v) the CMI Other Collateral and (vi) the CMI Share Collateral.

"Collateral Certificate" means the Collateral Certificate, substantially in the form of Exhibit C to this Agreement.

"Collateral Documents" means the CMI Stock Pledge Agreement, the CMI Grant of Trademark Security Interest, the CMI Grant of Trademark Security Interest, the CMI Security Agreement, the CMI Security Agreement, the Continental SGR Pledge Agreement and the CMI SGR Pledge Agreement.

"Commonly Controlled Entity" means an entity, whether or not incorporated, which is under common control with any Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes such Borrower and which is treated as a single employer under Section 414 of the Code.

"Consolidated Unrestricted Cash Balance" means, as of any time, the sum of (i) the amount of Cash Collateral, plus, (ii) unencumbered cash and Permitted Investments of Continental and its consolidated Subsidiaries as of such time, in each case as such items shall be set forth on the Consolidated Unrestricted Cash Balance Report.

"Consolidated Unrestricted Cash Balance Report" means a certificate signed on behalf of Continental by an officer of Continental setting forth (i) the amount of unencumbered cash and the amount of Permitted Investments (in the case of Permitted Investments, showing the amount of each of the eight types of Permitted Investments), and (ii) the Consolidated Unrestricted Cash Balance as of the Close of Business on the Business Day preceding Continental's delivery of such certificate.

"Continental" is defined in the first paragraph of this Agreement.

"Continental Consolidated Group" means the federal income tax consolidated group of which Continental is the common parent.

"Continental SGR Pledge Agreement" means the Slot, Gate and Route Security and Pledge Agreement, dated as of June 1, 2005, made by Continental in favor of the Administrative Agent, pursuant to which Continental pledged the CAL Collateral to the Administrative Agent.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Parties" means Continental, AMI and CMI.

"Current Market Value" means, with respect to any Collateral, its price 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, and both having full knowledge of applicable market conditions.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the information disclosed in Continental's reports filed under the Securities and Exchange Act of 1934, as amended, with the SEC, up to and including Continental's Form 10-Q for the quarter ended June 30, 2006, as filed with the SEC or as separately disclosed in writing by Continental to the Administrative Agent with respect to matters as to which disclosure is required pursuant to Sections 4.06 and 4.07.

"Disposition" means any sale, transfer or other voluntary disposition (excluding a lease, as defined in Section 2A-103(j) of the New York UCC) of any property.

"Dollars" and the sign "\$" each means lawful money of the United States of America.

"DOT" means the United States Department of Transportation or any successor authority established in replacement thereof.

"Early Amortization Amount" means, in respect of any amounts payable pursuant to clause (b)(i) of Section 2.09, an amount equal to \$50,000,000.

"Eligible Account" means an account established by and with an Eligible Institution at the request of the Administrative 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 credited to such account shall be treated as a "financial asset" (as defined in Section 8-102(a)(9) of the New York UCC), (d) it will comply with all entitlement orders issued by the Administrative Agent without further consent by the applicable Credit Party, (e) it will waive or subordinate in favor of the Administrative Agent all claims (including claims by way of security interest, lien or right of set-off) other than any prior lien it may have on financial assets in such account to secure payment for financial assets purchased for and held in or credited to such account until the purchase price thereof has been paid to it, and (g) the "securities intermediary's jurisdiction" (under Section 8-110(e) of the New York UCC) shall be the State of New York.

"Eligible Institution" means (a) the Administrative 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 A3 or S&P of at least A- or its equivalent.

"Embargoed Persons" is defined in Section 5.20.

"Engagement Letter" means the engagement letter with respect to the Facility among Merrill Lynch Mortgage Capital Inc. and the Borrowers dated April 28, 2005.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of Continental or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" means any corporation or trade or business that is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which a Borrower is a member and (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which a Credit Party is a member.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA); (c) any Person shall engage in any Prohibited Transaction (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan; (d) the incurrence by a Credit Party or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by a Credit Party or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by a Credit Party or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by a Credit Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the withdrawal from, or imposition of, Withdrawal Liability by a Multiemployer Plan or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Event of Default" has the meaning specified in Section 7.01.

"Excluded Taxes" is defined in Section 2.16(f).

"Executive Order" means Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism.

"Existing Credit Agreement" has the meaning assigned to such term in the recitals hereto.

"Existing Lenders" has the meaning specified in Section 2.01.

"Existing Loans" has the meaning specified in Section 2.01.

"FAA" means the Federal Aviation Administration of the United States of America and any successor governmental authority thereto.

"Facility" means the senior secured term loan facilities under which the Lenders shall, subject to the terms and conditions of this Agreement, make secured loans to the Borrowers for general corporate purposes of the Borrowers.

"Federal Funds Effective Rate" means, for any day, a fluctuating interest rate equal to the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding 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 (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the Chief Financial Officer, the Treasurer, the Vice President - Finance or Vice President - Financial Planning and Analysis of Continental, or any other officer of Continental having similar responsibilities.

"Financing Vehicle" means a special purpose entity formed in connection with a bona fide financing transaction on terms necessary or appropriate or customary for the relevant type of transaction.

"Flight" means the completion of a non-stop passenger and/or cargo flight utilizing any of the Routes included in the Collateral.

"Foreign Aviation Authorities" means any foreign governmental, quasi-governmental, regulatory or other agencies or public corporations or private entities which exercise jurisdiction over the issuance or authorization (i) to serve any foreign point on each of the Trans-Pacific Routes, the AMI Routes or the CMI Routes and/or (ii) to conduct operations related to the Trans-Pacific Routes, the AMI Routes, the CMI Routes and Supporting Route Facilities and/or (iii) to hold and operate any Slots included in the Collateral.

"Fundamental Transaction" is defined in Section 6.02.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States.

"Gate Leaseholds" means all of the right, title, privilege, interest, and authority now or hereafter acquired or held by a Credit Party in connection with the right to use or occupy space at each non-U.S. airport covered by the Trans-Pacific Routes (in the case of Continental) and each non-U.S. airport covered by the CMI Material Routes (and, if applicable to any such CMI Material Route, Guam International Airport) (in the case of CMI) to the extent necessary for servicing the permitted scheduled air carrier service authorized by the Trans-Pacific Routes and CMI Material Routes related to that airport.

"Governmental Authority" means any nation or government, any state, county, municipality or other political subdivision thereof or any governmental body, agency, authority, department or commission (including, without limitation, any taxing authority) or any instrumentality or officer of any of the foregoing (including, without limitation, any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation, partnership or other entity directly or indirectly owned by or controlled by any of the foregoing that exercises executive, legislative, judicial, regulatory or administrative functions.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantor" means each Credit Party in its capacity as guarantor under this Agreement.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Impermissible Qualification" means, relative to the opinion or certification of any independent public accountant as to any financial statement of any Credit Party, any qualification or exception to such opinion or certification relating to the limited scope of examination of matters relevant to such financial statement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, provided that if such obligation is not assumed, the amount of such obligation shall be deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured, (e) all Guarantees by such Person of Indebtedness of others, (f) all Capital Lease Obligations of such Person, (g) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (h) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances.

"Indemnitee" is defined in Section 9.05(b).

"Intercompany Leasing Transaction" means any lease, sublease or "wet lease" pursuant to which CMI or AMI leases any asset, services or personnel (including, but not limited to, any aircraft or related equipment and supplies, services or personnel) from Continental.

"Intercompany Subordination Agreement" means the Intercompany Subordination Agreement, dated as of June 1, 2005, by and among each Borrower, the Administrative Agent and each other designated Affiliate of such Borrower added by joinder to this Agreement from time to time.

"Interest Payment Date" means the last day of each Interest Period.

"Interest Period" means, with respect to the first Interest Period to end after the Amendment and Restatement Effective Date, the period commencing on (and including) June 1, 2006 and ending on (but excluding) the numerically corresponding day in the calendar month that is three months thereafter, and for each subsequent Interest Period, the period commencing on (and including) the last day of the preceding Interest Period and ending on (but excluding) the numerically corresponding day in the calendar month that is three months thereafter; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period and (iii) if any Interest Period would end on a day after June 1, 2011, then the Interest Period shall end on June 1, 2011.

"Lender" and "Lenders" means (i) the Persons that have executed and delivered this Agreement pursuant to a Lender Addendum and (ii) the Persons that have become party hereto pursuant to Section 9.03, in each case so long as it is the registered holder of a Loan in the Register, and with respect to Section 2.16, their Participants.

"Lender Addendum": with respect to any Lender on the Amendment and Restatement Effective Date, a Lender Addendum, substantially in the form of Exhibit E.

"LIBO Rate" means, for each day during any Interest Period, (i) the rate per annum appearing on Bloomberg Page BBAM 1 screen service (or, if such page is no longer published by such service, on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time, for purposes of providing quotations for interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity of three months (provided that, if such rate is not available at such time for any reason, then "LIBO Rate" with respect to each day during such Interest Period shall be the arithmetic average (rounded upwards or downwards, if necessary, to the nearest 1/16th of one percent with the midpoint being rounded upwards) of the rates offered by the Reference Banks at approximately 11:00 a.m., London Time, two Business Days prior to the commencement of such Interest Period, to prime banks in the London interbank market for U.S. Dollar deposits for a period of three months and in an amount substantially equal to the aggregate principal amount of the Loans to be outstanding having such Interest Period) multiplied by (ii) the Statutory Reserve Rate.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset and (b) the retained interest of a vendor or a lessor in such asset under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

"Loans" means the Loans of all of the Lenders and, with respect to each Lender, the Tranche A-1 Term Loans and Tranche A-2 Term Loans held by such Lender (which, as of the Amendment and Restatement Effective Date, shall be the amount as of such date set forth on Schedule 1 to the Lender Addendum delivered by such Lender).

"LTV Ratio" means, on any date of determination, the ratio of the aggregate outstanding principal amount of the Loans to, the sum of the Current Market Value of the CAL Collateral and of the CMI Business, as reflected in the most recent applicable Appraisal Reports.

"Major Collateral" means the Trans-Pacific Routes, the Narita Slots, the CMI Material Routes, the CMI Material Slots, the CMI Shares and the AMI Shares.

"Majority Lenders" means, at any time, Lenders having Term Loans representing more than 50% of the sum of the total outstanding principal amount of the Term Loans at such time.

"Material Adverse Effect" means (a) in respect of Section 3.01(e), Section 4.04 or any other section in this Agreement relating to the delivery of, or compliance with, financial information or requirements, a material adverse change in the business, operations, properties, assets or condition (financial or otherwise) of Continental and its Material Subsidiaries, taken as a whole, and (b) in all other cases, a material adverse change in the business, operations, properties, assets or condition (financial or otherwise) of the Credit Parties and their Subsidiaries taken as a whole or the material impairment of the ability of the Credit Parties to perform (as distinct from their ability to pay), or of the Administrative Agent or the Lenders to enforce, the obligations of Credit Parties under the Operative Documents.

"Material Subsidiary" means AMI and CMI and, at any time, any Subsidiary if, at such time, such Subsidiary would qualify as a "significant subsidiary" of Continental under Rule 1.02 of Regulation S-X of the SEC as in effect on the date of this Agreement.

"Maturity Date" means June 1, 2011.

"Measurement Date" is defined in Section 5.11(b).

"ML" means Merrill Lynch Mortgage Capital Inc.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Narita Route" shall have the meaning set forth in the Continental SGR Pledge Agreement.

"Narita Slots" means the Slots set forth on Schedule 2(b).

"Net Cash Proceeds": means, with respect to any Asset Sale or Recovery Event by AMI, CMI or any of their respective Subsidiaries, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person for its own account in connection with any such transaction, after deducting therefrom only:

1. (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees, costs and commissions that, in each case, are actually paid or netted from such cash receipts to a Person that is not a Subsidiary or Affiliate of any of the Credit Parties or any of their Subsidiaries or the Affiliates;
2. (b) the amount of taxes reasonably estimated to be actually payable in connection with, or as a result of, such transaction for the year in which the transaction occurred (including pursuant to the Tax Sharing Agreement) so long as such Person is not otherwise indemnified therefor; and
3. (c) in the case of any Disposition of any property or asset, the outstanding principal amount of, the premium or penalty, if any, on, and any accrued and unpaid interest on, any Indebtedness (other than Indebtedness under or in respect of the Operative Documents) that is secured by a Lien on the property and assets subject to such Disposition and is required to be repaid under the terms of such Indebtedness as a result of such Disposition, in each case, to the extent that the amounts so deducted are actually paid to a Person that is not an Affiliate of any of the Credit Parties or any of their Affiliates;

provided, that any and all amounts so deducted by any such Person pursuant to clauses (a) through (c) of this definition shall be properly attributable to such transaction or to the property or asset that is the subject thereof and provided, further, that if, at the time any of the taxes referred to in clause (b) are actually paid or otherwise satisfied, the estimate therefor exceeds the amount paid or otherwise satisfied, then the amount of such excess shall constitute "Net Cash Proceeds" on and as of the date of such payment or other satisfaction for all purposes of this Agreement.

"New York UCC" means the UCC in effect in the State of New York.

"Non-Excluded Taxes" is defined in Section 2.16(a).

"Non-Exempt Lender" is defined in Section 2.16(e).

"Notice of Borrowing" is defined in Section 2.02(a).

"Obligations" means the unpaid principal amount of, and interest (including, without limitation, interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any Credit Party, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) on the Loans, and all other obligations and liabilities of any Credit Party, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, or out of or in connection with this Agreement and any other Operative Documents and any other document made, delivered or given in connection therewith or herewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Administrative Agent and each Lender that are required to be paid by any Credit Party pursuant to the terms of the Operative Documents).

"Obligor" means, as the context may require, each Credit Party and each other Person (other than the Lender) obligated under any Operative Document.

"Operating Permits" is defined in Section 4.16.

"Operative Documents" means this Agreement, the CMI Account Control Agreement, each Collateral Certificate, the Intercompany Subordination Agreement, the Collateral Documents, the Engagement Letter and the Amendment Arranger Fee Letter. Any references herein to any Operative Document shall include such document as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Organic Document" means the certificate of incorporation or by-laws of AMI or CMI.

"Other Taxes" is defined in Section 2.16(b).

"Participant" is defined in Section 9.03(e).

"Payment Default" means any event or condition which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default under Section 7.01(a), (b) or (c) herein.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Pension Plan" means any Plan that is subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Credit Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Permitted Encumbrances" is defined in Section 6.01 of this Agreement.

"Permitted First Liens" means (i) the Liens described in clauses (e)(iii)(B), (e)(vii), (e)(viii), (e)(ix), (e)(x) and (e)(xiii) of Section 6.01 and (ii) with respect to the Liens described above in clause (i), the Liens described in clauses (e)(xii) and (e)(xiv) of Section 6.01.

"Permitted Investments" means any investment described on Schedule 1.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee benefit plan (within the meaning of Section 3(3) of ERISA, but whether or not subject to ERISA) which is sponsored, maintained, contributed to or required to be contributed to by any Credit Party or an ERISA Affiliate.

"Post-Threshold Net Cash Proceeds" is defined in clause (b)(iii)(A) of Section 2.09 of this Agreement.

"Prescribed Laws" means, collectively, (a) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) (The USA PATRIOT Act), (b) the Executive Order, (c) the International Emergency Economic Power Act, 50 U.S.C. Section 1701 et seq. and (d) all other requirements under applicable laws relating to money laundering or terrorism.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by J.P. Morgan Chase Bank, N.A. as its prime rate in effect at its principal office; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Principal Office" means the principal office of ML, located on the date hereof at 4 World Financial Center, New York, New York 10281.

"Proposed Reinvestment Proceeds" is defined in clause (b)(iii)(B) of Section 2.09 of this Agreement.

"PTO" means the United States Patent and Trademark Office or any successor or substitute office in which filings are necessary or, in the reasonable opinion of the Administrative Agent desirable in order to create or perfect the Lien of the AMI Grant of Trademark Security Interest or the CMI Grant of Trademark Security Interest.

"Recovery Event" means any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any asset of AMI or CMI (or any of their respective Subsidiaries), net of actual costs incurred in connection with the adjustment or settlement of such claim or proceeding and bona fide amounts required to be paid to third parties (other than Continental or any of its Subsidiaries) in excess of \$1,000,000.

"Reference Banks" means the respective principal London offices of J.P. Morgan Chase Bank, N.A., Citibank, N.A. or Bank of America, N.A., or such other financial institutions selected by agreement of Continental and the Administrative Agent; provided that at all times there shall be no fewer than three Reference Banks.

"Register" is defined in Section 9.03(c).

"Regulations G, T and U" means Regulations G, T and U of the Board (or any successor), as the same may be modified and supplemented and in effect from time to time.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Remedial Actions" means:

- i. the deposit with the Administrative Agent of Cash Collateral;
- ii. the grant of a security interest to the Administrative Agent on behalf of the Lenders in Routes of Continental acceptable to the Majority Lenders in their sole discretion other than the Trans-Pacific Routes, and any related Slots, Gate Leaseholds and Supporting Route Facilities, on terms substantially the same as provided in the Continental SGR Pledge Agreement;
- iii. the grant of a security interest to the Administrative Agent on behalf of the Lenders in other property of a Credit Party acceptable to the Majority Lenders in their sole discretion on such terms as the Majority Lenders shall have approved; and/or
- iv. prepayment of the Loans in whole or in part pursuant to Section 2.09(a) (but without the premium referred to in Section 2.09(d)).

"Required Permits" is defined in Section 4.16.

"Restricted Payment" means the declaration or payment of any dividend (other than dividends payable solely in common stock of Continental or any other Credit Party) on, or the making of any payment or distribution on account of, or setting apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of any class of Capital Stock (now or hereafter outstanding) of Continental or any other Credit Party or any warrants or options to purchase any such Capital Stock, whether now or hereafter outstanding, or the making of any other distribution in respect of any such Capital Stock or any such warrants or options, either directly or indirectly, whether in cash, property or obligations of Continental or any other Credit Party or otherwise.

"Restricted Payment Amount" means the amount of any Restricted Payment to be made by AMI or CMI, as the case may be, pursuant to clause (a) of Section 6.13.

"Route" means an authorization, however evidenced, which permits an air carrier to render unlimited regularly scheduled service between a specifically designated pair of terminal points and intermediate points, if any.

"Route Permits" is defined in Section 4.16.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission.

"Section 2.16 Certificate" is defined in Section 2.16(e).

"Security Documents" means the Collateral Documents and all UCC financing statements required by any of the Collateral Documents to be filed with respect to the security interests created.

"Single Employer Plan" means any Pension Plan which is not a Multiemployer Plan.

"Slots" means all of the rights, title, privilege, interest, and authority now or hereafter acquired or held by an airline in and to the authority to takeoff and land at any airport to which it provides service issued by a Governmental Authority.

"Solvent" means, at any time of determination, with respect to any Person:

- i. it is then able and expects to be able to pay its debts (including, without limitation, contingent debts and other commitments) as they mature; and
- ii. it has capital that is not unreasonably small to carry on its business as conducted.

For purposes of determining whether a Person is Solvent, the amount of any contingent liability shall be computed as the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or mature liability.

"Specified Routes" means the Trans-Pacific Routes and the CMI Material Routes.

"Specified Route Event" means an event described in clause (i)(B), clause (ii)(B), clause (iii)(A)(2) or clause (iii)(B) of Section 7.01(m).

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

"Statutory Reserve Rate" means, with respect to each day during each Interest Period, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate (without duplication) of the maximum rates of reserve requirements in effect on such day (including any marginal, special, emergency or supplemental reserves) expressed as a decimal, prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System, provided that if the maximum rates of reserve requirements in effect on such day is zero, then the Statutory Reserve Rate for such day shall be the number one.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent and is a Material Subsidiary.

"Successor" is defined in Section 6.02.

"Supporting Route Facilities" means gates, ticket counters and other facilities at a non-U.S. airport (and, in the case of CMI, Guam International Airport), necessary to operate, or otherwise used in support of the operation of, a Route.

"Taxes" is defined in Section 2.16(a).

"Tax Sharing Agreement" means a Tax Sharing Agreement to be entered into among Continental, AMI, and CMI pursuant to Section 5.17.

"Termination Date" means the date on which all principal of, and interest on, the Loans, and all other Obligations (including all costs and expenses and other obligations of a Credit Party to an Indemnitee under Section 9.05 (the "Indemnifiable Liabilities")) then due and payable, shall have been paid in full in cash.

"Term Loans" means the Tranche A-1 Term Loans and the Tranche A-2 Term Loans.

"Title 49" means Title 49 of the United States Code, which, among other things, recodified and replaced the U.S. Federal Aviation Act of 1958, as amended, and the regulations promulgated pursuant thereto, or an subsequent legislation that amends, supplements or supersedes such provisions.

"Tranche A-1 Term Loans" means the Tranche A-1 Term Loans advanced to Continental pursuant to the Existing Credit Agreement.

"Tranche A-2 Term Loans" means the Tranche A-2 Term Loans advanced to CMI pursuant to the Existing Credit Agreement.

"Transactions" means the execution and delivery by the Credit Parties of the applicable Operative Documents, the borrowing of Loans thereunder and the use of the proceeds thereof.

"Trans-Pacific Routes" means the Routes of Continental set forth on Schedule 2(a).

"UCC" means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

"Unrestricted Cash Balance Trigger Event" is defined in Section 2.09(b)(i).

"Voting Interests" means shares of capital stock issued by a corporation, or equivalent equity interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

#### 1. Terms Generally.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement,

instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

## 2. Accounting Terms; GAAP.

Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

I.

### AMOUNTS AND TERMS OF THE LOANS

1. Loans. Subject to the terms and conditions specified in Section 3.01, on the Amendment and Restatement Effective Date, each Lender holding Tranche A-1 Term Loans or Tranche A-2 Term Loans (such loans, collectively, the "Existing Loans" and such Lenders, the "Existing Lenders") immediately prior to the Amendment and Restatement Effective Date severally agrees to continue such Existing Loans and/or sell all or a portion of its Existing Loans to other Lenders hereunder and/or purchase from other Existing Lenders all or a portion of such other Existing Lenders' Existing Loans, such that, after giving effect to all such sales and purchases, the Loans held by each Lender shall be in an amount equal to the amount specified in Schedule 1 to the Lender Addendum of such Lender, and such Existing Loans so continued, sold and/or purchased by the Lenders hereunder shall automatically be deemed to constitute Loans outstanding under this Section 2.01 of the Agreement for all purposes.

2. Reserved.

3. Reserved.

4. Security.

Subject to any provisions expressly providing for the effectiveness, release or termination of Liens in the documents hereafter mentioned, the Credit Parties' obligations under this Agreement and the other Operative Documents shall be secured in accordance with, and have the benefit of, the Collateral Documents.

5. Evidence of Debt.

a. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

b. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

c. The entries made in the accounts maintained pursuant to clauses (a) or (b) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Loans in accordance with the terms of this Agreement.

d. Any Lender may request that Loans held by it be evidenced by a promissory note. In such event, the applicable Borrower shall prepare, execute and deliver to such Lender a promissory note payable to such Lender and its registered assigns and in a form similar to Exhibit A hereto and approved by the Administrative Agent and reasonably acceptable to such Borrower. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.03) be represented by one or more promissory notes in such form payable to such payee and its registered assigns.

6. Repayment of Loans.

a. Continental hereby promises to pay to the Administrative Agent for the account of each Lender the principal amount of such Lender's Tranche A-1 Term Loan on June 1, 2011 or such earlier date as may be required hereunder. Continental hereby further agrees to pay interest on the unpaid principal amount of the Tranche A-1 Term Loan from time to time outstanding from June 1, 2006, until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.11.

b. CMI hereby promises to pay to the Administrative Agent for the account of each Lender the principal amount of such Lender's Tranche A-2 Term Loan on June 1, 2011 or such earlier date as may be required hereunder. CMI hereby further agrees to pay interest on the unpaid principal amount of the Tranche A-2 Term Loan from time to time outstanding from June 1, 2006 until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.11.

7. Payments Generally; Pro Rata Treatment.

a. Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, or fees, or of amounts payable under Sections 2.12, 2.15 or 2.16, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent c/o Merrill Lynch Mortgage Capital Inc., 4 World Financial Center, New York, NY 10089, Attention of Josh Green (Telecopier No.: 212-449-6673), (Continental Airlines, Inc. clearing account number A/C 008-12-914, ABA number 021-001-033), with written notice to Merrill Lynch Mortgage Capital Inc., 4 World Financial Center, New York, NY 10089, Attention of Josh Green (Telecopier No.: 212-449-6673). The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and such extension of time shall be included in computing interest, if any, in connection with such payment. All payments hereunder shall be made in Dollars.

b. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest, fees and other amounts then due by the Credit Parties hereunder or under any Operative Document, such funds shall be applied, first, towards payment in full of all amounts due and payable by the Credit Parties to the Administrative Agent pursuant to the Operative Documents (including, without limitation, Section 9.05), and second, towards payment of interest, fees and other amounts then due by the Credit Parties hereunder or under any Operative Document, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and other amounts then due by the Credit Parties to such parties.

c. Except to the extent otherwise provided herein: (i) each payment or prepayment of principal of Tranche A-1 Term Loans and Tranche A-2 Term Loans shall be made for account of the relevant Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans of such Class held by them and (ii) each payment of interest on Tranche A-1 Term Loans and Tranche A-2 Term Loans shall be made for account of the relevant Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders.

## 8. Sharing of Set-Offs.

- a. If any Lender shall obtain any payment of any principal of or interest on any Loan of any Class or payment of any other amount under this Agreement or any other Operative Document through the exercise of any right of set off, banker's lien or counterclaim or similar right or otherwise (other than from the Administrative Agent as provided herein), and, as a result of such payment, such Lender shall have received a greater percentage of the principal of or interest on the Loans of such Class (the "Applicable Loans") or such other amounts in each case then due hereunder or thereunder to such Lender than the percentage received by any other Lender of the principal of or interest on the Applicable Loans or such other amounts in each case then due hereunder or thereunder to such other Lender, it shall promptly purchase from such other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Applicable Loans or such other amounts, respectively, owing to such other Lenders (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such excess payment (net of any expenses that may be incurred by such Lender in obtaining or preserving such excess payment) pro rata in accordance with the unpaid principal of and/or interest on the Applicable Loans or such other amounts, respectively, owing to each of the Lenders; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by a Credit Party pursuant to and in accordance with the express terms of an Operative Document or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Applicable Loans to any assignee or participant, other than to a Credit Party or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Each Credit Party consents to the foregoing and agrees, to the extent it may, effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against a Credit Party rights of set off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Credit Party in the amount of such participation.
- b. Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.
- c. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.08(b), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied Obligations are fully paid.

## 9. Prepayment of Loans.

- a. Optional. The Borrowers shall have the right at any time and from time to time to prepay the principal amount of the Tranche A-1 Term Loans and the Tranche A-2 Term Loans, in whole or in part, subject to prior notice in accordance with clause (c) of this Section, together with accrued interest thereon, premium if required under Section 2.09(d), Break Funding Costs, if any, and any other amount due hereunder and under the other Operative Documents with respect to such Loan, on any Business Day; provided that (x) any such prepayment in part shall be of a principal amount not less than \$10,000,000 when combined with the principal amount of any Tranche A-1 Term Loan or Tranche A-2 Term Loan prepaid simultaneously and (y) any prepayments shall be made and applied pro rata to the Tranche A-1 Term Loans and the Tranche A-2 Term Loans.
- b. Mandatory.
  - i. Unrestricted Cash Balance Trigger Event. If as of the Close of Business on any day, the Consolidated Unrestricted Cash Balance is less than \$1,125,000,000 (an "Unrestricted Cash Balance Trigger Event"), within five (5) Business Days after such day either or both of the Borrowers shall prepay Loans in an aggregate principal amount equal to the Early Amortization Amount (or, if less, the outstanding principal amount of the Loans), together with accrued interest thereon, Break Funding Costs, if any, but without other premium or penalty.
  - ii. Borrowing Base Shortfall. The Borrowers may make a prepayment in order to comply with the provisions of Section 5.11.
  - iii. Asset Sale Proceeds Etc.
    - A. No later than the fifth Business Day following the date of receipt by AMI or CMI (or any of their respective Subsidiaries) of any Net Cash Proceeds in respect of any Asset Sale permitted under Section 6.06, Continental or CMI, as applicable, shall prepay the Loans in an aggregate amount of principal (rounded down to the nearest \$1,000,000) as nearly as equal as possible to such Net Cash Proceeds, plus accrued interest on the amount prepaid, but without premium or penalty; provided, that (y) no prepayment of the Loans shall be required to the extent that such Net Cash Proceeds from June 1, 2005 through the date of determination do not exceed \$7,500,000; and (z) such Net Cash Proceeds in excess of such \$7,500,000 threshold ("Post-Threshold Net Cash Proceeds") may be retained until such time as Post-Threshold Net Cash Proceeds equal or exceed \$3,000,000 and then Continental or CMI, as applicable, shall make repayments of Net Cash Proceeds only in minimum amounts of \$3,000,000 or more from the Post-Threshold Net Cash Proceeds; provided, further, that the foregoing provisions set forth in the preceding proviso shall be applicable only to the extent that such Net Cash Proceeds from June 1, 2005 through the date of determination shall not exceed \$20,000,000.
    - B. No later than the fifth Business Day following the date of receipt by AMI or CMI (or any of their respective Subsidiaries) of any Net Cash Proceeds from Recovery Events, Continental or CMI, as applicable, shall prepay the Loans in an aggregate amount of principal (rounded down to the nearest \$1,000,000) as nearly equal as possible to the amount of such Net Cash Proceeds, plus accrued interest on the amount prepaid, minus any such Net Cash Proceeds (the "Proposed Reinvestment Proceeds") that AMI or CMI (or any of their respective Subsidiaries) intends to use within 180 days of such date of receipt to pay or reimburse the costs of repairing, restoring, or replacing the assets in respect of which such Net Cash Proceeds were received; provided that Continental shall have delivered to the Administrative Agent, on or before such fifth Business Day, a certificate of a Financial Officer of Continental setting forth the proposed use of the Proposed Reinvestment Proceeds; provided further that AMI or CMI (or their respective Subsidiaries) shall deposit Proposed Reinvestment Proceeds in excess of \$7,500,000 at any time in the CMI Account, pending the application of such excess amounts to prepayment of the Loans or to the costs of repairing, restoring or replacing the applicable assets as permitted hereunder. In addition, AMI or CMI (or any of their respective Subsidiaries) shall deposit in the CMI Account any Proposed Reinvestment Proceeds which have not been applied to the costs of repairing, restoring or replacing the applicable assets, within 180 days of receipt thereof, but which such Person intends to apply to such uses with 360 days of such receipt pending the application of such amounts within such 360 day period. Any Proposed Reinvestment Proceeds deposited in the CMI Account and not so applied within such 360 day period shall be transferred from the CMI Account and applied by the Administrative Agent to prepay the Loans.
    - C. Notwithstanding the foregoing subparagraphs (A) and (B), the Loans shall be prepaid in the amount of principal (rounded down to the nearest \$1,000,000) as nearly equal as possible to any Net Cash Proceeds, plus accrued interest on the amount prepaid, from the sale of any Route that is not Major Collateral, no later than the fifth Business Day following the date of receipt of any such Net Cash Proceeds.
  - iv. All prepayments of Loans shall be applied pro rata to the Tranche A-1 Terms Loans and the Tranche A-2 Term Loans as provided in Section 2.07(c).
- c. Notice; Application. A Borrower shall give notice to the Administrative Agent of any prepayment pursuant to this Section 2.09 not later than 1:00 p.m., New York City time, three Business Days before the date of the prepayment (except in the case of a Remedial Action, in which case such

notice shall be given on the date of the prepayment). Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of the Loans to be prepaid. Promptly following receipt of any such notice relating to the Loans, the Administrative Agent shall advise the Lenders of the contents thereof.

- d. Premium. Except as provided above in clause (b) of this Section 2.09 and in Sections 5.11 and 7.01 and any other Section hereof allowing prepayment without premium or penalty, the Borrowers shall, upon prepayment of all or any part of the Loans, pay a premium as follows: if such prepayment is made prior to July 28, 2007 (the "Call Protection Date"), a premium of 1.00% of the aggregate principal amount prepaid. No premium shall be payable for a prepayment made on or after the Call Protection Date or as a Remedial Action.

10. Fees.

- a. The Borrowers agree to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrowers and the Administrative Agent in the Amendment Arranger Fee Letter.
- b. The Borrowers agree to pay to each Existing Lender, for its own account, an amount equal to 1.00% of the aggregate principal amount of the Loans held by such Existing Lender immediately prior to the Amendment and Restatement Effective Date.

11. Interest.

- a. The Loans shall bear interest during each Interest Period at the LIBO Rate for such Interest Period, plus, the Applicable Margin.
- b. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date; provided that in the event of any prepayment of any Loan, accrued interest on the principal amount prepaid shall be payable on the date of such prepayment.
- c. All interest shall be computed on the basis of the actual number of days (including the first day but excluding the last day) occurring during the period for which such interest is payable over a year comprised of 360 days (or, in the case of interest on Loans made pursuant to Section 2.14, 365 days or, if appropriate, 366 days). The LIBO Rate for each Interest Period shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

12. Additional Costs.

- a. If any change in law or governmental rule, regulation or order, or in the interpretation, administration or application thereof (including the adoption of any new law or governmental rule, regulation or order), or any determination of a court or by any central bank or Governmental Authority, in each case that becomes effective after the date hereof, or compliance by a Lender (at its applicable lending office) with any guideline, request or directive issued or made after the date hereof by any such central bank or Governmental Authority (whether or not having the force of law) imposes, modifies or holds applicable any reserve (including any marginal, emergency, supplemental, special or other reserve), special deposit, compulsory loan, FDIC insurance or similar requirement against assets held by, or deposits in or for the account of, or advances or loans by, or other credit extended by, such Lender (other than any such reserve or other requirements with respect to LIBO Rate Loans that are reflected in the definition of LIBO Rate), and the result of any of the foregoing is to increase the cost to such Lender of agreeing to make, making or maintaining its Loans hereunder or to reduce any amount received or receivable by such Lender (or its applicable lending office) with respect thereto (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), then, in any such case, Continental shall pay to such Lender, promptly after receipt of the statement referred to in the next sentence, such additional amount or amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender shall reasonably determine) as may be necessary to compensate such Lender for any such Additional Costs. Such Lender shall deliver to Continental (with a copy to the Administrative Agent) a written statement, setting forth in reasonable detail the basis for calculating the additional amounts owed to such Lender or under this Section 2.12(a), which statement shall be *prima facie* evidence of such additional amounts.
- b. If the adoption after the date hereof of any applicable law, rule or regulation (or any provision thereof) regarding capital adequacy, or any change after the date hereof in any existing interpretation or administration thereof by the National Association of Insurance Commissioners, any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or the promulgation after the date hereof of any guidelines, request or directive regarding capital adequacy (whether or not having the force of law) of the National Association of Insurance Commissioners, any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the capital of a Lender or any corporation controlling such Lender as a direct consequence of such Lender's Loans held by such Lender to a level below that which such Lender or any corporation controlling such Lender could have achieved but for such adoption, change or promulgation (taking into consideration the policies of such Lender or such controlling corporation with regard to capital adequacy), then from time to time, promptly after receipt by Continental from such Lender of the statement referred to in the next sentence, Continental shall pay to such Lender such additional amount or amounts as will compensate such Lender or such controlling corporation on an after-tax basis for such reduction. Such Lender shall deliver to Continental (with a copy to the Administrative Agent) a written statement, setting forth in reasonable detail the basis of the calculation of such additional amounts, which statement shall be *prima facie* evidence of such additional amounts.
- c. Any affected Lender shall notify Continental of any event occurring after the date of this Agreement entitling such Lender to compensation under Section 2.12(a) or (b), as the case may be, as promptly as practicable, but in any event within 90 days, after such Lender obtains actual knowledge thereof; provided that if such Lender fails to give such notice within 90 days after the occurrence of the event that gives rise to such right to compensation, such Lender shall, with respect to any costs resulting from such event, only be entitled to payment under Section 2.12(a) or (b), as the case may be, for costs incurred from and after the date 90 days prior to the date that such Lender does give such notice. Continental shall not be required to make payments to such Lender under Section 2.12(a) or (b), as the case may be, hereof to the extent the claim thereunder arises from the undercapitalization or other like circumstances peculiar to such Lender or to the extent arising from such Lender's failure to comply with applicable law, rule or regulation (or interpretation or administration thereof). Any such Lender shall not seek compensation under Section 2.12(a) or (b), as the case may be, if it shall not be also generally be seeking compensation (if it should be so entitled) against similar costs pursuant to other comparable contractual provisions in agreements with other borrowers.

13. Illegality.

If on any date the making, maintaining or continuation by any Lender of its Loans has become unlawful as a result of compliance by such Lender in good faith with any change that becomes effective after the date hereof in any law, treaty, governmental rule, regulation, guideline or order (whether or not having the force of law), then such Lender shall be an "Affected Lender" and it shall promptly so notify (by telefacsimile or by telephone confirmed in writing) the Borrowers and the Administrative Agent (which notice the Administrative Agent shall promptly transmit to each other Lender). Thereafter, the Affected Lender's outstanding Loans (the "Affected Loans") shall bear interest at the Alternate Base Rate, plus, the Applicable Margin, minus 1.00%, if that would cure such illegality, from the expiration of the Interest Period then in effect with respect to the Affected Loans until such notice shall be withdrawn by the Affected Lender. The Borrowers may elect to terminate such Affected Lender as a party to this Agreement in compliance with Section 2.17. Except as provided in the immediately preceding sentence, nothing in this Section 2.13 shall affect the obligation of any Lender other than an Affected Lender to make or maintain Loans in accordance with the terms of this Agreement.

14. Alternate Rate of Interest.

If prior to the commencement of any Interest Period, the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period, then the Administrative Agent shall give notice thereof to the Borrowers and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, all Loans shall bear interest at the Alternate Base Rate, plus, the Applicable Margin, minus, 1.00%.

15. Break Funding Costs.

In the event of (a) the payment of any principal of any Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the failure (other than as a result of a default by such Lender) to prepay any Loan on the date specified in any notice delivered pursuant hereto, or (c) the assignment of any Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.17, then, in any such event, each Borrower shall compensate each Lender for the loss, cost and expense sustained by such Lender attributable to such event with respect to the Class of Loans made to such Borrower. Such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the LIBO Rate (minus the Applicable Margin) that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period thereafter, over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market (collectively, "Break Funding Costs"). Calculation of all amounts payable to a Lender under this Section 2.15 shall be made as though that Lender had actually funded each of its relevant Loans through the purchase of an eurodollar deposit bearing interest at the rate obtained pursuant to the definition of LIBO Rate in an amount equal to the amount of such Loan and having a maturity comparable to the relevant Interest Period; provided, however, that each Lender may fund each of its Loans in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this Section 2.15. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrowers (with a copy to the Administrative Agent) and shall be conclusive absent manifest error. The applicable Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

16. Taxes.

(a) Any and all payments by the Credit Parties under or in respect of this Agreement or any other Operative Document to which such Credit Party is a party shall be made free and clear of, and without deduction or withholding for or on account of, any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities (including penalties, interest and additions to tax) with respect thereto, whether now or hereafter imposed, levied, collected, withheld or assessed by any taxation authority or other Governmental Authority (collectively, "Taxes"), unless required by law. If a Credit Party shall be required under any applicable law to deduct or withhold any Taxes from or in respect of any sum payable under or in respect of this Agreement or any other Operative Document to the Administrative Agent or Lender, (i) such Credit Party shall make all such deductions and withholdings in respect of Taxes, (ii) such Credit Party shall pay the full amount deducted or withheld in respect of Taxes to the relevant taxation authority or other Governmental Authority in accordance with any applicable law, and (iii) the sum payable by such Credit Party shall be increased as may be necessary so that after such Credit Party has made all required deductions and withholdings (including any such deductions and withholdings applicable to additional amounts payable under this Section 2.16) the Administrative Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made in respect of Non-Excluded Taxes. For purposes of this Agreement the term "Non-Excluded Taxes" are Taxes other than, in the case of the Administrative Agent or a Lender, (1) Taxes based on or measured by net income, net worth or capital, intangibles taxes, property taxes, gross income taxes, and franchise taxes imposed by (A) the jurisdiction or jurisdictions under the laws of which (or under the laws of any political subdivision of which) the Administrative Agent or such Lender is organized or has its principal place of business, or any political subdivision thereof, (B) the jurisdiction or jurisdictions within which the office by which the loan was made or is maintained by such Lender is located, or (C) any other jurisdiction or jurisdictions, but only if such Tax is imposed by formulary apportionment on such Administrative Agent or Lender by reason of connections between such Administrative Agent or Lender other than in respect, or by reason, of this Agreement, unless such Administrative Agent or Lender becomes subject to Taxes or increased Taxes described in this clause (1) by such jurisdiction or jurisdictions in respect of this Agreement as a result of having executed, delivered or performed its obligations under or received payments under (other than mere increased Tax liability for interest payments received under this Agreement in respect of Taxes to which such Administrative Agent or Lender otherwise is subject), or enforced, this Agreement or any other Operative Document (in which case such Taxes described in this clause (1) will be treated as Non-Excluded Taxes), or (2) Taxes imposed as a result of the Administrative Agent's or such Lender's failure to comply with Section 2.16(e) (including, the inaccuracy or invalidity of any form provided pursuant to Section 2.16(e), except to the extent provided for in Section 2.16(g)).

(b) In addition, each Credit Party hereby agrees to pay any present or future stamp, recording, documentary, excise, property or value-added or similar Taxes that arise from any payment made under or in respect of this Agreement or any other Operative Document or from the execution, delivery or registration of, or any performance under this Agreement or any other Operative Document, other than such Taxes imposed by the jurisdictions described in Section 2.16(a)(1)(A) and (B) with respect to the Lender or the Administrative Agent claiming indemnification under this Section 2.16(b) (any such non-excluded Taxes, "Other Taxes").

(c) Each Credit Party hereby agrees to indemnify the Administrative Agent and Lender for, and to hold each of them harmless against, the full amount of Non-Excluded Taxes imposed in respect of this Agreement and Other Taxes, and the full amount of Taxes of any kind imposed by any jurisdiction on amounts payable under this Section 2.16 imposed on or paid by such Administrative Agent or Lender, as the case may be, and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. The indemnity by Credit Party provided for in this Section 2.16(c) shall apply and be made whether or not the Non-Excluded Taxes or Other Taxes for which indemnification hereunder is sought have been correctly or legally asserted. Amounts payable by Credit Party under the indemnity set forth in this Section 2.16(c) shall be paid within ten (10) days from the date on which the Administrative Agent or Lender makes written demand therefor. If the Administrative Agent or Lender, as the case may be, receives a tax refund that such person determines is solely attributable to any Taxes as to which the Administrative Agent or Lender has been indemnified under this Section 2.16(c), the Administrative Agent or Lender will pay to Credit Party (net of all out of pocket expenses) the amount that, in the Administrative Agent or Lender's sole discretion, is solely attributable to such Taxes.

(d) Within thirty (30) days after the date of any payment of Taxes, a Credit Party (or any Person making such payment on behalf of a Credit Party) shall furnish to the Administrative Agent or Lender, as the case may be, for its own account a certified copy of the original official receipt evidencing payment thereof.

(e) For purposes of this clause (e) of this Section 2.16, the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code. The Administrative Agent and each Lender (including for avoidance of doubt any assignee, successor or Participant) that either (i) is not incorporated under the laws of the United States, any State thereof, or the District of Columbia or (ii) whose name does not include "Incorporated," "Inc.," "Corporation," "Corp.," "P.C.," "insurance company," or "assurance company" (a "Non-Exempt Lender") shall deliver or cause to be delivered to a Credit Party the following properly completed and duly executed documents at the time such Lender becomes a Lender and thereafter upon request, when such form expires:

- i. in the case of a Non-Exempt Lender that is not a United States person, a complete and executed (x) U.S. Internal Revenue Form W-8BEN with Part II completed in which Lender claims the benefits of a tax treaty with the United States providing for a zero or reduced rate of withholding (or any successor forms thereto), including all appropriate attachments or (y) a U.S. Internal Revenue Service Form W-8ECI (or any successor forms thereto); or
- ii. in the case of a Non-Exempt Lender that is an individual, (x) a complete and executed U.S. Internal Revenue Service Form W-8BEN (or any successor forms thereto) and a certificate substantially in the form of Exhibit D (a "Section 2.16 Certificate") or (y) a complete and executed U.S. Internal Revenue Service Form W-9 (or any successor forms thereto); or
- iii. in the case of a Non-Exempt Lender that is organized under the laws of the United States, any State thereof, or the District of Columbia, a complete and executed U.S. Internal Revenue Service Form W-9 (or any successor forms thereto), including all appropriate attachments; or
- iv. in the case of a Non-Exempt Lender that (x) is not organized under the laws of the United States, any State thereof, or the District of Columbia and (y) is treated as a corporation for U.S. federal income tax purposes, a complete and executed U.S. Internal Revenue Service Form W-8BEN claiming a zero rate of withholding (or any successor forms thereto) and a Section 2.16 Certificate; or

- v. in the case of a Non-Exempt Lender that (A) is treated as a partnership or other non-corporate entity for U.S. federal income tax purposes, and (B) is not organized under the laws of the United States, any State thereof, or the District of Columbia, (x)(i) a complete and executed U.S. Internal Revenue Service Form W-8IMY (or any successor forms thereto) (including all required documents and attachments) and (ii) a Section 2.16 Certificate, and (y) without duplication, with respect to each of its beneficial owners and the beneficial owners of such beneficial owners looking through chains of owners to individuals or entities that are treated as corporations for U.S. federal income tax purposes (all such owners, "beneficial owners"), the documents that would be required by clause (i), (ii), (iii), (iv), (vi), (vii) and/or this clause (v) with respect to each such beneficial owner if such beneficial owner were Lender, provided, however, that no such documents will be required with respect to a beneficial owner to the extent the actual Lender is determined to be in compliance with the requirements for certification on behalf of its beneficial owner as may be provided in applicable U.S. Treasury regulations, or the requirements of this clause (v) are otherwise determined to be unnecessary, all such determinations under this clause (v) to be made in the sole discretion of a Credit Party, provided, however, that Lender shall be provided an opportunity to establish such compliance as reasonable; or
- vi. in the case of a Non-Exempt Lender that is disregarded for U.S. federal income tax purposes, the document that would be required by clause (i), (ii), (iii), (iv), (v), (vi), (vii) and/or this clause (vi) of this Section 2.16(e) with respect to its beneficial owner if such beneficial owner were the Lender; or
- vii. in the case of a Non-Exempt Lender that (A) is not a United States person and (B) is acting in the capacity as an "intermediary" (as defined in U.S. Treasury Regulations), (x)(i) a U.S. Internal Revenue Service Form W-8IMY (or any successor form thereto) (including all required documents and attachments) and (ii) a Section 2.16 Certificate, and (y) if the intermediary is a "non-qualified intermediary" (as defined in U.S. Treasury Regulations), from each person upon whose behalf the "non-qualified intermediary" is acting the documents that would be required by clause (i), (ii), (iii), (iv), (v), (vi), and/or this clause (vii) with respect to each such person if each such person were Lender; or
- viii. as requested by a Credit Party, such other forms, certificates and documentation as the Administrative Agent or such Lender is, in its sole discretion, legally entitled to furnish and as may be necessary or appropriate to obtain any reduction of or exemption from any withholding or other Taxes on any payments made under this Agreement, unless it is legally inadvisable or otherwise commercially disadvantageous for such Administrative Agent or Lender to deliver such form, certificate, or other documentation.

(f) If the forms referred to above in clause (e) of this Section 2.16 that are provided by the Administrative Agent and/or a Lender at the time such Administrative Agent or Lender first becomes a party to this Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be treated as Taxes other than "Non-Excluded Taxes" ("Excluded Taxes") and shall not qualify as Non-Excluded Taxes unless and until such Administrative Agent or Lender provides the appropriate form certifying that a lesser rate applies, whereupon withholding tax at such lesser rate shall be considered Excluded Taxes solely for the periods governed by such form. If, however, on the date a Person becomes an assignee, successor or Participant to this Agreement, Lender transferor was entitled to indemnification or additional amounts under this Section 2.16, then the Lender assignee, successor or Participant shall be entitled to indemnification or additional amounts to the extent (and only to the extent), that the Lender transferor was entitled to such indemnification or additional amounts for Non-Excluded Taxes, and the Lender assignee or successor shall be entitled to additional indemnification or additional amounts for any other or additional Non-Excluded Taxes. Notwithstanding anything to the contrary in this Section 2.16, a Participant shall not be entitled to indemnification or additional amounts pursuant to this Section 2.16 for any Other Taxes or Non-Excluded Taxes to the extent such indemnification or additional amounts would exceed the amounts payable by the Credit Parties had the participation not taken place and such Participant shall not be entitled to such indemnification or additional amounts unless such Participant complies with the requirements of Section 2.17 (insofar as they relate to Section 2.16) as if such Participant were a Lender.

(g) For any period with respect to which the Administrative Agent or a Lender has failed to provide Credit Party with the appropriate, accurate and valid form, certificate or other document described in clause (e) of this Section 2.16 (other than (i) if such failure is due to a change in any applicable law, or in the interpretation or application thereof, occurring after the date on which a form, certificate or other document originally was required to be provided or (ii) if such form, certificate or other document is otherwise not required under clause (e) of this Section 2.16), such Administrative Agent or Lender shall not be entitled to indemnification or additional amounts under clauses (a) or (c) of this Section 2.16 with respect to Non-Excluded Taxes imposed by the United States by reason of such failure; provided, however, that should the Administrative Agent or a Lender become subject to Non-Excluded Taxes because of its failure to deliver a form, certificate or other document required hereunder, Credit Party shall take such steps as such Administrative Agent or Lender shall reasonably request, to assist such Administrative Agent or Lender in recovering such Non-Excluded Taxes.

(h) If the Administrative Agent or any Lender is, in its sole opinion, able to apply for any credit, deduction or other reduction in the Taxes of such Administrative Agent or Lender described in the exclusion from Non-Excluded Taxes contained in clause (a)(1) of this Section 2.16 by reason of any payment made by a Credit Party under clause (a) or (c) of this Section 2.16, the Administrative Agent or such Lender, as the case may be, shall use reasonable efforts to obtain such credit, deduction or other reduction and, upon receipt thereof, will pay to Credit Party such amount, not exceeding the increased amount paid by Credit Party, as is equal to the net after-tax value to the Administrative Agent or such Lender (taking into account any tax benefit to the Administrative Agent or such Lender solely as a result of payments made pursuant to this clause (h)), in its sole opinion, of such part of such credit, deduction or other reduction as it considers to be allocable to such payment by Credit Party, having regard to all of the Administrative Agent's or such Lender's dealings giving rise to similar credits, deductions or other reductions in relation to the same tax period and to the cost of obtaining the same; provided, however, that (i) the Administrative Agent or such Lender, as the case may be, shall not be obligated to disclose to Credit Party any information regarding its tax affairs or computations and (ii) nothing in this Section 2.16(h) shall interfere with the right of the Administrative Agent or such Lender to arrange its tax affairs as it deems appropriate.

(i) An Administrative Agent or Lender pursuant to Section 2.16(a) hereof shall take all reasonable actions (consistent with its internal policy and legal and regulatory restrictions) requested by a Credit Party to assist such Credit Party, at the sole expense of such Credit Party, to recover from the relevant taxation authority or other Governmental Authority any Taxes in respect of which amounts were paid by a Credit Party pursuant to Sections 2.16(a), (b) or (c) hereof. However, an Administrative Agent or Lender, as the case may be, will not be required to take any action that would be, in the sole judgment of an Administrative Agent or Lender, legally inadvisable, or commercially or otherwise disadvantageous to an Administrative Agent or Lender in any respect, and in no event shall an Administrative Agent or Lender be required to disclose any tax returns or any other information that, in the sole judgment of the Administrative Agent or Lender is confidential.

(j) Without prejudice to the survival of any other agreement of each Credit Party hereunder, the agreements and obligations of each Credit Party contained in this Section 2.16 shall survive the termination of this Agreement. Nothing contained in this Section 2.16 shall require the Administrative Agent or Lender to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

#### 17. Mitigation Obligations; Replacement of Lenders.

- a. If any Lender requests compensation under Section 2.12, or if any Lender becomes an Affected Lender or if a Credit Party is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the good faith judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.12 or 2.16, as the case may be, in the future or would allow such Affected Lender's Affected Loans to bear interest at the LIBO Rate plus the Applicable Margin and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Continental hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.
- b. If any Lender requests compensation under Section 2.12, or if a Credit Party is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, or if any Lender becomes an Affected Lender or if any Lender defaults in its obligation to fund Loans hereunder, then such Credit Party may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.03), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be

another Lender, if a Lender accepts such assignment); provided that (i) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or a Credit Party (in the case of all other amounts) and (ii) in the case of any such assignment resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 2.16, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling a Credit Party to require such assignment and delegation cease to apply.

## II.

### CONDITIONS OF LENDING

#### 1. Conditions Precedent.

This Agreement shall become effective on the date on which the following conditions precedent shall have been satisfied (or waived in writing by the Administrative Agent):

- a. On or before the Amendment and Restatement Effective Date, the Administrative Agent shall have received the following documents (with, in the case of clauses (i) and (ii), sufficient originals for each Lender and, in the case of the remaining clauses below, sufficient copies for each Lender), each in form and substance mutually satisfactory to the Administrative Agent and the Credit Parties, and in the case of the documents referred to in clauses (i) and (ii) of this Section 3.01(a), duly executed and delivered by all the parties thereto:
  - i. this Agreement (including a Lender Addendum executed by each Existing Lender);
  - ii. an updated Collateral Certificate of each Credit Party (or a certificate from an officer of such Credit Party confirming that there are no changes to its existing Collateral Certificate or indicating any changes from its existing Collateral Certificate);
  - iii. A certificate signed on behalf of Continental by one of its officers (A) stating that the aggregate principal amount of the Loans is not greater than 52.5% of the sum of the Current Market Value of the CAL Collateral and of the CMI Business, as set forth in the two Appraisal Reports, each dated May 26, 2006 delivered pursuant to Section 5.11(a), of the Existing Credit Agreement, and (B) specifying the Consolidated Unrestricted Cash Balance as of the Close of Business on the last Business Day of the calendar month preceding the Amendment and Restatement Effective Date;
  - iv. A certificate of Continental, executed by the Secretary or any Assistant Secretary of Continental, certifying that there has been no change to the resolutions of the Board of Directors of Continental or the certificate of incorporation and by laws of Continental provided to the Administrative Agent pursuant to Section 3.01(a) of the Existing Credit Agreement since June 1, 2005 or, if there has been any change(s), indicating any such change(s).
  - v. A certificate of AMI, executed by the Secretary or any Assistant Secretary of AMI, certifying that there has been no change to the resolutions of the Board of Directors of AMI or the certificate of incorporation and by laws of AMI provided to the Administrative Agent pursuant to Section 3.01(a) of the Existing Credit Agreement since June 1, 2005 or, if there has been any change(s), indicating any such change(s).
  - vi. A certificate of CMI, executed by the Secretary or any Assistant Secretary of CMI, certifying that there has been no change to the resolutions of the Board of Directors of CMI or the certificate of incorporation and by laws of CMI provided to the Administrative Agent pursuant to Section 3.01(a) of the Existing Credit Agreement since June 1, 2005 or, if there has been any change(s), indicating any such change(s).
  - vii. A favorable opinion of Jennifer L. Vogel, Esq., General Counsel of Continental, in form and substance satisfactory to the Administrative Agent and the Lenders, as to such matters as the Administrative Agent or any Lender may reasonably request (and Continental hereby instructs such counsel to deliver such opinion to the Administrative Agent and the Lenders); and
  - viii. A favorable opinion of Hughes Hubbard & Reed LLP, special counsel to Continental, in form and substance satisfactory to the Administrative Agent and the Lenders, as to such matters as the Administrative Agent or any Lender may reasonably request (and Continental hereby instructs such counsel to deliver such opinion to the Administrative Agent and the Lenders).
- b. The Administrative Agent, the Arranger and the Lenders shall have received all fees due and payable hereunder and the Amendment Arranger Fee Letter, including, without limitation, the fees and reasonable expenses of Cadwalader, Wickersham & Taft LLP, special New York counsel to the Arranger as provided in Section 9.05 (to the extent that statements for such fees and expenses containing reasonable substantiating details have been delivered to Continental not less than two Business Days prior to the Amendment and Restatement Effective Date).
- c. On the Amendment and Restatement Effective Date, both before and after giving effect to this Agreement, no Event of Default shall exist.
- d. The representations and warranties made by each Credit Party in any Operative Document to which it is a party shall be true and correct in all material respects on and as of the Amendment and Restatement Effective Date as though made on and as of the Amendment and Restatement Effective Date (except (i) to the extent any such representation or warranty shall have been made with references to a specified date, in which case such representation and warranty shall be true and correct as of such specified date and (ii) any representation and warranty with respect to the filing of UCC financing statements necessary to perfect a security interest in any Collateral located in Guam or in general intangibles or accounts receivable of AMI or CMI shall be deemed to include a reference to making such a filing in Guam), and the Administrative Agent shall have received a certification from the Credit Parties to such effect.
- e. There shall be no action, suit, investigation or proceeding pending or, to the knowledge of the Credit Parties, threatened in any court or before any arbitrator or Governmental Authority that (i) would reasonably be expected to have a Material Adverse Effect or (ii) purports to adversely affect the Transactions.

#### 2. Existing Loans.

The obligation of each Lender (as defined in the Existing Credit Agreement) on June 1, 2005 to make the Tranche A-1 Term Loans and the Tranche A-2 Term Loans was subject to the satisfaction or waiver of all of the conditions precedent set forth in Section 3.01 of the Existing Credit Agreement.

## III.

### REPRESENTATIONS AND WARRANTIES

Continental represents and warrants to the Lenders that:

#### 1. Organization; Powers.

Each Credit Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as such business is being conducted and, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

#### 2. Authorization; Enforceability.

The Transactions and each other document or agreement to be entered into by a Credit Party, pursuant to this Agreement or any Operative Document are within such Credit Party's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by each Credit Party. This Agreement constitutes and each of the other Operative Documents will on the Amendment and Restatement Effective Date constitute, a legal, valid and binding obligation of each Credit Party that is a party thereto, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

### 3. Approvals; No Conflicts.

The transactions contemplated by or pursuant to this Agreement and the other Operative Documents (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any other Person, except such as have been obtained or made and are in full force and effect, or are being made simultaneously herewith, or are required or contemplated by the terms of the Operative Documents after the date hereof, including, as a result of the exercise of the Lender's remedies under the Operative Documents, (b) will not violate any applicable law or regulation or the certificate of incorporation or by laws of any Credit Party or any order of any Governmental Authority, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon any Credit Party or its assets, or give rise to a right thereunder to require any payment to be made by any Credit Party, and (d) will not result in the creation or imposition of any Lien (other than Permitted Encumbrances) on any asset of any Credit Party.

### 4. Financial Condition; No Material Adverse Effect; Disclosure.

- a. The consolidated balance sheet of each of Continental and AMI, in each case together with their respective Subsidiaries, as of December 31, 2005, and the related consolidated statements of operations and cash flows for the fiscal year then ended, reported on by Ernst & Young LLP and, in the case of Continental, set forth in Continental's report on Form 10-K as filed with the SEC for the year ended December 31, 2005 (as amended), copies of each of which have been delivered to each of the Lenders pursuant to Section 5.01, fairly present, in conformity with generally accepted accounting principles, the consolidated financial positions of Continental and AMI, in each case together with their respective Subsidiaries, as of such date and their respective consolidated results of operations and cash flows for such fiscal year.
- b. The unaudited consolidated balance sheet of Continental and its Subsidiaries as of March 31, 2006 and the related unaudited consolidated statements of operations and cash flows for the three months then ended, set forth in Continental's report on Form 10-Q as filed with the SEC, a copy of which has been delivered to each of the Lenders pursuant to Section 5.01, fairly present, in conformity with generally accepted accounting principles (except for the absence of all required footnotes) applied on a basis consistent with the financial statements referred to in subsection (i) of this Section, the consolidated financial position of Continental and its Subsidiaries as of such date and their consolidated results of operations and cash flows for such three month period (subject to normal year-end adjustments).
- c. Since the date of the financial statements delivered to the Lenders pursuant to Subsection (b) of this Section, there has been no Material Adverse Effect.
- d. No written information, exhibit or report (as modified or supplemented by other written information so furnished) or the Schedules to the Existing Credit Agreement, taken as a whole, furnished by or on behalf of any Credit Party to the Administrative Agent, the Arranger or any Lender in connection with the negotiation and syndication of the Existing Credit Agreement and the other Operative Documents (as defined in the Existing Credit Agreement) or pursuant to the terms of the Existing Credit Agreement or the other Operative Documents (as defined in the Existing Credit Agreement), as of the Closing Date contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading in light of the circumstances in which such information, exhibits and reports were provided; provided that, with respect to projections, the Credit Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.
- e. No written information, exhibit or report (as modified or supplemented by other written information so furnished) or the Schedules hereto, taken as a whole, furnished by or on behalf of any Credit Party to the Administrative Agent, the Arranger or any Lender in connection with the negotiation of this Agreement or pursuant to the terms of this Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading in light of the circumstances in which such information, exhibits and reports were provided; provided that, with respect to projections, the Credit Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

### 5. Properties.

- a. Each Credit Party has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title or leasehold interests that do not materially interfere with its ability to conduct its business as such business is being conducted or to utilize such properties for their intended purposes.
- b. Each Credit Party has good title to the Collateral owned by it, free and clear of all Liens except for Permitted Encumbrances.

### 6. Litigation and Environmental Matters.

- a. Except for the Disclosed Matters, there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Credit Party, threatened against or affecting any Credit Party or any of its Subsidiaries which would be required to be disclosed under Item 103 of the Securities and Exchange Commission Regulation S-K in a Form S-1 registration statement filed by Continental under the Securities Act of 1933, as amended, on the date that this representation is made.
- b. Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, no Credit Party nor any of their Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

### 7. Compliance with Laws and Agreements; Labor Relations.

- a. Each Credit Party is in compliance with (i) all laws, regulations and orders of any Governmental Authority applicable to it or its property and all applicable aviation, transportation, environmental, health and safety statutes and regulations, both foreign and domestic and (ii) all indentures, agreements and other instruments binding upon it or its property, except in each case where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. Not more than 25% of the value of the assets of the Credit Parties, on a consolidated basis, constitutes margin stock (as such terms are used under Regulation U).
- b. Except for Disclosed Matters, no Credit Party is aware of any strike, labor dispute, slowdown or stoppage pending or, to the best knowledge of each Credit Party, threatened against a Credit Party; which, in each case, has not been publicly disclosed and would be required to be disclosed under applicable SEC disclosure requirements in a Form S-1 registration statement filed by Continental under the Securities Act of 1933, as amended, on the date that this representation is made.

### 8. Investment Company Status.

No Credit Party is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

9. Taxes.

Each Credit Party has timely filed or caused to be filed all Tax returns and reports required to have been filed by it and has timely paid or caused to be paid all Taxes required to have been paid by it, except (a) for any such Taxes that are being contested in good faith by appropriate proceedings or (b) to the extent that the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

10. ERISA.

No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

11. Perfection of Security Interest.

Except for the filing of UCC financing statements in respect of the Collateral in the State of Delaware and in Guam, which filings have been made and are in effect on the Amendment and Restatement Effective Date, the taking of possession by the Administrative Agent of the certificates representing the pledged capital stock of AMI and CMI, the execution and delivery of the CMI Account Control Agreement by the parties thereto and the filing of the AMI Grant of Trademark Security Interest and the CMI Grant of Trademark Security Interest with the PTO, no further filing or recording of any document and no other action is necessary or advisable in the State of Delaware or any other applicable jurisdiction in the United States of America and its territories in order to establish and perfect, under the laws of New York, Delaware or such other applicable jurisdiction in the United States of America and its territories, the Administrative Agent's security interest in the Collateral (excluding fixtures) with respect to which a security interest may be perfected by a filing pursuant to the UCC, to the extent required by the applicable Collateral Documents. Such security interests (i) are valid and enforceable and (ii) are not subject to any defense, counterclaim or set-off of any Credit Party.

12. Use of Proceeds.

The proceeds of the Tranche A-2 Loans have been loaned by CMI to Continental subject to the Intercompany Subordination Agreement. The proceeds of the Tranche A-1 Term Loans and such loan by CMI to Continental have been used for general corporate purposes of Continental and its Subsidiaries. No part of the proceeds of any Loan have been used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations G, T and U.

13. AMI and CMI Stock.

All of the outstanding shares of capital stock of AMI and CMI have been validly issued, are fully paid and non-assessable and are wholly owned by Continental, in the case of the shares of AMI, or by AMI, in the case of the shares of CMI.

14. No Default.

No Credit Party is in default under or with respect to any contractual obligation that would, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

15. Casualty, Etc.

Neither the business nor the properties of any Credit Party or any of their Material Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that would reasonably be expected to result in a Material Adverse Effect, other than as described in the financial statements delivered to the Lenders pursuant to Section 4.04(b) or in previous filings with the SEC.

16. Permits.

Each of Continental and CMI is an "air carrier" within the meaning of Section 40102 of Title 49 and each holds a certificate under Section 41102 of Title 49. Each of Continental and CMI holds an air carrier operating certificate issued pursuant to Chapter 447 of Title 49 of the U.S. Code. Each of Continental, CMI and AMI is a Citizen of the United States. All certificates, franchises, licenses, permits, rights, designations, authorizations, exemptions, concessions and consents (i) issued by the FAA, DOT or any Foreign Aviation Authority necessary (A) for Continental to have the right to operate flights under any of the Trans-Pacific Routes and the Narita Slots, or (B) for AMI or CMI to have the right to operate flights under any of the CMI Material Routes or CMI Material Slots (collectively, the "Route Permits"), or (ii) issued by any Governmental Authority and necessary for Continental, AMI or CMI to own or operate its property or business (collectively, the "Operating Permits"), except where the failure to have any such Operating Permit, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect or materially and adversely affect the ability of a Credit Party to operate flights under a Specified Route (the Route Permits and Operating Permits required under this clause (ii), the "Required Permits") are in full force and effect, and there are no proceedings pending, or to the knowledge of any Credit Party, threatened which challenge the effectiveness of or the right of any Credit Party to operate under any Required Permit applicable to it.

17. Slot Utilization.

Continental is utilizing the Narita Slots and CMI is utilizing the CMI Material Slots in a manner consistent in all material respects with applicable regulations, foreign laws, and contracts in order to preserve both their right to hold and operate such Slots. No Credit Party has received any notice from any applicable Foreign Aviation Authority, nor is any Credit Party aware of any other event or circumstance, that would be reasonably likely to impair Continental's right to hold and operate the Narita Slots or CMI's right to hold and operate the CMI Material Slots in any material respect.

18. Route Utilization.

Continental, in the case of the Trans-Pacific Routes, AMI, in the case of the AMI Routes, and CMI, in the case of the CMI Routes, hold the requisite authority to operate such Routes (except that CMI rather than AMI is authorized to operate the AMI Routes) pursuant to Title 49, all rules and regulations promulgated thereunder, applicable foreign law, and the applicable rules and regulations of the FAA, the DOT and any applicable Foreign Aviation Authorities and are in compliance in all material respects with all of the terms, conditions and limitations of each such certificate or order issued by the DOT and the applicable Foreign Aviation Authorities regarding such Route and with all applicable provisions of Title 49 of the U.S. Code or applicable foreign law. There exists no violation of such terms, conditions or limitations that gives the FAA, DOT or any applicable Foreign Aviation Authority the right to terminate, cancel, withdraw or modify in any material adverse respect the rights of Continental with respect to the Trans-Pacific Routes, AMI with respect to the AMI Routes currently being operated by CMI or CMI with respect to the CMI Routes currently being operated by CMI.

19. No Burdensome Restrictions.

There are no burdensome restrictions under applicable law (other than regulatory restrictions generally applicable to U.S. air carriers operating domestically and internationally) or under any material contracts of any Credit Party (other than the Merchant Services Bankcard Agreement dated December 26, 2003, among Continental, JP Morgan Chase Bank, N.A., and Chase Merchant Services LLC) that would reasonably be expected to result in a Material Adverse Effect.

20. Solvency.

Each of the Borrowers is Solvent.

21. Anti-Terrorism Law.

The Borrowers are not and, to the knowledge of the executive officers of the Borrowers, no Affiliate or broker or other agent of the Borrowers acting or benefiting in any capacity in connection with the Loans is, any of the following:

- i. a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
  - ii. a Person with which the Lender is prohibited from dealing or otherwise engaging in any transaction by any Prescribed Law; or
  - iii. a Person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") at its official website or any replacement website or other replacement official publication of such list.
- a. No Borrower and, to the knowledge of the executive officers of each Borrower, no broker or other agent of the Borrowers acting in any capacity in connection with the Loans (i) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or, to the knowledge of the executive officers of each Borrower, to or for the benefit of any Person described in clause (a) above or (ii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

## 22. Intellectual Property.

Each Credit Party owns, or is licensed to use, all trademarks, tradenames and copyrights necessary for the conduct of its business as currently conducted except for those the failure to own or license which could not reasonably be expected to have a Material Adverse Effect (the "Intellectual Property"). No material claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does such Credit Party know of any valid basis for any such claim. The use of such Intellectual Property by the Borrower and its Subsidiaries does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

IV.

## AFFIRMATIVE COVENANTS

From the time the Lenders advance the Loans to the Borrowers until the Termination Date, the following covenants shall be effective:

### 1. Financial Statements and Other Information.

Continental will furnish, or will with respect to clause (c) hereof cause AMI to furnish, to the Administrative Agent and (other than with respect to clauses (d), (g) and (h) hereof) each Lender:

- a. within 90 days (or such longer period as is permitted for the filing of an equivalent periodic report to the extent an extension thereof has been obtained under Rule 12b-25 of the General Rules and Regulations under the Securities Exchange Act of 1934, or any successor rules) after the end of each fiscal year of Continental, a copy of the Form 10-K filed by Continental with the SEC for such fiscal year, or, if no such form 10-K was so filed, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, (i) setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst & Young LLP or other independent public accountants of recognized national standing to the effect that such consolidated financial statements present fairly in all material respects the consolidated financial condition and results of operations of Continental and its Subsidiaries on a consolidated basis in accordance with GAAP and (ii) not containing any Impermissible Qualification;
- b. (i) within 60 days (or such longer period as is permitted for the filing of an equivalent periodic report to the extent an extension thereof has been obtained under Rule 12b-25 of the General Rules and Regulations under the Securities Exchange Act of 1934, or any successor rules) after the end of each of the first three fiscal quarters of each fiscal year of Continental, a copy of the Form 10-Q filed by Continental with the SEC for such quarterly period, or, if no such Form 10-Q was so filed, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and (in the case of the statement of operations) for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of the corresponding period or periods of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of Continental and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year end audit adjustments and the absence of footnotes and (ii) if quarterly financial statements of the type referred to in clause (i) have been prepared with respect to a fiscal quarter for AMI or CMI, then promptly after they have prepared such financial statements;
- c. (i) within 120 days after the end of each fiscal year of AMI, AMI's consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, (A) setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst & Young LLP or other independent public accountants of recognized national standing to the effect that such consolidated financial statements present fairly in all material respects the consolidated financial condition and results of operations of AMI and its subsidiaries on a consolidated basis in accordance with GAAP and (ii) if annual financial statements of the type referred to in clause (i) have been prepared with respect to a fiscal year for CMI (whether audited or unaudited), then promptly after they have prepared such financial statements and (B) not containing any Impermissible Qualification;
- d. not more than 45 days following the commencement of each fiscal year of Continental, a budget for Continental and its Subsidiaries consisting of a projected statement of income and a projected statement of cash flows for each fiscal quarter of such fiscal year as is customarily prepared by management for its internal use and similar in scope and detail to the budget delivered to the Administrative Agent prior to June 1, 2005 (and representatives of Continental shall be available at reasonable times to discuss with the Administrative Agent the assumptions on which such statement are prepared);
- e. concurrently with any delivery of the annual financial statements under clause (a) above, (i) a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default insofar as such Default or Event of Default relates to accounting matters, except as specified in such certificate, and (ii) if any Default or Event of Default is specified in the certificate given in (i), a certificate of an officer of Continental specifying the details thereof and any action taken or proposed to be taken with respect thereto;
- f. promptly after the same become publicly available, copies of all Form 8-K (excluding the exhibits thereto) and proxy statements (excluding the exhibits thereto) filed by Continental or any Subsidiary with the SEC, or with any national securities exchange, or distributed by Continental to its shareholders generally, as the case may be, provided that, in lieu of furnishing the Administrative Agent or any Lender any copy of Continental's Form 10-K, Form 10-Q, Form 8-K or proxy statement pursuant to this Section 5.01, Continental may send to the Administrative Agent or such Lender an email within the applicable time period specified above that states that such document has been filed with the SEC and setting forth a web site address or hyperlink at which such document may be accessed;
- g. within five (5) Business Days after the end of each fiscal quarter, (i) a Consolidated Unrestricted Cash Balance Report; provided that such information shall be provided solely to the Administrative Agent's Global Asset Based Finance group (except to the extent legally required to be delivered to other persons within ML or its Affiliates), which shall keep such information strictly confidential and solely within such group or other persons;

- h. to the Administrative Agent by no later than the date that the financial statements referred to in clause (a) or (b) above are required to be delivered, copies of any amendments to the Organic Documents made during the period covered by such financial statements and not previously delivered hereunder; and
- i. promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Credit Parties or any of their Subsidiaries, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender acting through the Administrative Agent may reasonably request.

## 2. Notices of Material Events.

Continental will furnish to the Administrative Agent and at the same time to each Lender prompt written notice of the occurrence of any of the following:

- a. an Event of Default;
- b. an Unrestricted Cash Balance Trigger Event;
- c. an Appraisal Event; and
- d. an event referred to in Item 1.01, 1.02, 1.03, 2.04, 4.01, 4.02, 5.01, 5.02 or 5.03 of Form 8-K as to which Continental is required to file a Form 8-K with the SEC.

Each notice delivered under clause (a) of this Section shall be accompanied by a statement of an officer of Continental setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto. Continental may satisfy its obligation under clause (d) of this Section if it files with the SEC a Form 8-K with respect to an event and complies with Section 5.01(f) with respect to such Form 8-K.

## 3. Existence; Conduct of Business.

Each Credit Party will do or cause to be done all things necessary (a) to preserve and maintain its legal existence and (b) to preserve the rights, licenses, permits, privileges and franchises material to the conduct of the businesses of the Credit Parties as a whole; provided that, the foregoing shall not prohibit any transaction permitted under Section 6.03 or any Fundamental Transaction permitted under Section 6.02 or require the preservation of any right, license, permit, privilege or franchise if the management of the applicable Credit Party shall determine that the preservation thereof is no longer desirable and the failure to do so would not, individually or in the aggregate, result in a Material Adverse Effect.

## 4. Maintenance of Properties; Insurance.

Each Credit Party will (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies or with the U.S. government, insurance in such amounts with such deductibles or other self-insurance and against such risks as are customarily maintained by companies engaged in the same or similar businesses.

## 5. Books and Records; Inspection Rights.

- a. Each Credit Party will make and keep books, records and accounts in which full, true and correct entries in conformity with GAAP are made of all financial dealings and transactions in relation to its business and activities, including, without limitation, an accurate and fair reflection of the transactions and dispositions of the assets of such Credit Party.
- b. Each Credit Party will permit any representatives (if such Credit Party is legally permitted to do so) designated by the Administrative Agent or any Governmental Authority that is authorized to supervise or regulate the operations of a Lender, as designated by such Lender, upon reasonable prior written notice and at no out of pocket cost to any Credit Party, to visit and inspect the Collateral owned by such Credit Party (including, but not limited to, a review and confirmation of any information contained in any Borrowing Base Certificate), its properties, to examine its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times during normal business hours and as often as reasonably requested.

## 6. Compliance with Laws.

Each Credit Party will comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

## 7. Further Assurances.

Each Credit Party will, at its own expense, promptly and duly execute and deliver to the Administrative Agent such further documents and instruments and take such further action as may be necessary in order effectively to carry out the intent and purpose of this Agreement and the other Operative Documents and to establish and protect the rights and remedies created or intended to be created in favor of the Administrative Agent and the Lenders hereunder and thereunder with respect to such Credit Party, provided that any such document, instrument or action shall not expand any obligation or limit any rights of any Credit Party under any Operative Document.

## 8. Slots and Routes.

- a. Each Credit Party will take all actions necessary in order to maintain the right to operate, in the case of Continental, the Trans-Pacific Routes and the Narita Slots and, in the case of AMI and CMI, the CMI Material Routes and CMI Material Slots, except as otherwise provided in the Collateral Documents.
- b. Each Credit Party shall take all actions necessary in order to ensure that all AMI Additional Routes and Slots and CMI Additional Routes and Slots shall be held by AMI or CMI, as the case may be; provided, that such Routes and Slots may be held by Continental to the extent required by applicable law provided that such Routes and Slots are pledged by Continental to the Administrative Agent as CAL Collateral.

## 9. Use of Proceeds.

The Borrowers will use the proceeds of the Loans solely for the purposes set forth in Section 4.12.

## 10. Payment of Taxes, Etc.

Each Credit Party will pay and discharge before the same shall become delinquent, all Taxes imposed upon it or upon its property; provided, however, that no Credit Party shall be required to pay or discharge any such Tax (x) that is being contested in good faith by appropriate proceedings or (y) the nonpayment of which, individually or collectively, would not reasonably be expected to result in a Material Adverse Effect.

## 11. Appraisal Reports; Release of Collateral.

- a. Continental shall (i) not earlier than 60 days before nor later than five days before June 1 of each year after the date hereof, except for June 1, 2011, (ii) promptly after request of the Administrative Agent if an Event of Default has occurred and is continuing (but not more frequently under this clause (ii) than once every six months) or (iii) promptly after request of the Administrative Agent, if the accountants' report with respect to any of the financial statements of Continental most recently delivered pursuant to Section 5.01(a) contains a "going concern" or like qualification, deliver to the Administrative Agent an Appraisal Report with respect to the CAL Collateral and the CMI Business (which may be set forth in one Appraisal Report

with respect to both Borrowing Base Components or separate Appraisal Reports with respect to each Borrowing Base Component), together with a Borrowing Base Certificate; provided, that, in respect of clause (iii) hereof, (x) the request to receive such Appraisal Report shall be made by the Administrative Agent within 60 days following the delivery of the applicable financial statements, (y) to the extent an Appraisal Report delivered pursuant to clause (ii) hereof is received within 90 days of June 1, the delivery of an Appraisal Report pursuant to clause (i) hereof no later than five days prior to such June 1 shall not be required, and (z) if the Administrative Agent has requested an Appraisal Report pursuant to clause (iii), it may make a request to Continental not earlier than 120 days nor later than 165 days after the delivery of such Appraisal Report pursuant to clause (iii) for an additional Appraisal Report, in which case Continental shall deliver such additional Appraisal Report within 60 days after such request, and the costs of such additional Appraisal Report shall be borne 50% by Continental and 50% by the Administrative Agent.

- b. If the Borrowing Base determined in accordance with the Current Market Values set forth in the Appraisal Report(s) most recently delivered to the Administrative Agent pursuant to Section 5.11(a) is less than the outstanding principal amount of the Loans on the date that the most recent such Appraisal Report is delivered to the Administrative Agent (the "Measurement Date"), one or more of the Credit Parties shall, within five (5) Business Day after the Measurement Date, take one or more Remedial Actions such that, after giving effect to such Remedial Actions, the Borrowing Base is not less than the outstanding principal amount of the Loans after the Credit Parties have completed such Remedial Actions. Upon completion of such Remedial Actions, Continental shall deliver to the Administrative Agent a Borrowing Base Certificate. If a Specified Route Event occurs or in connection with taking Remedial Action, Continental may obtain an Appraisal Report with respect to any Specified Routes that are the subject of a Specified Route Event or any replacement Routes or other property that is proposed to be pledged as replacement Collateral.
- c. Except with respect to a Disposition permitted under subparagraphs (e) (other than the first sentence thereof) and (f) of Section 6 of the Continental SGR Pledge Agreement and subparagraphs (e) (other than the first sentence thereof) and (f) of Section 6 of the CMI SGR Pledge Agreement, if any Credit Party proposes to effect a Disposition of any Major Collateral, it shall deliver to the Administrative Agent an Appraisal Report with respect to such Major Collateral, together with a Borrowing Base Certificate. Except with respect to a Disposition permitted under subparagraphs (e) (other than the first sentence thereof) and (f) of Section 6 of the Continental SGR Pledge Agreement and subparagraphs (e) (other than the first sentence thereof) and (f) of Section 6 of the CMI SGR Pledge Agreement, a Credit Party may effect such a Disposition only if (i) it shall have obtained the consent of the Majority Lenders and (ii) either (A) the Loans shall be prepaid in an amount not less than 48% of the Current Market Value of such Major Collateral (or, if necessary, by a greater amount so that, after giving effect to such prepayment the LTV Ratio immediately following such Disposition would not be greater than the LTV Ratio immediately prior to such Disposition), (B) the Loans shall be Cash Collateralized in an amount equal to the amount that would be required to be prepaid pursuant to clause (c)(ii)(A), (C) the Administrative Agent is granted, on behalf of the Lenders, a security interest in Routes of Continental acceptable to the Majority Lenders in their sole discretion other than the Trans-Pacific Routes, and any related Slots, Gate Leaseholds and Supporting Route Facilities, on terms substantially the same as provided in the Continental SGR Pledge Agreement, or (D) the Administrative Agent is granted, on behalf of the Lenders, a security interest in other property of a Credit Party acceptable to the Majority Lenders in their sole discretion on such terms as the Majority Lenders shall have approved.
- d. If a Credit Party, after consent of the Majority Lenders in their sole discretion, takes a Remedial Action referred to in clauses (ii) or (iii) of the definition of such term, simultaneously with taking such Remedial Action, such Credit Party shall deliver to the Administrative Agent an Appraisal Report setting forth the Appraiser's opinion of the Current Market Value of the property to be added as Collateral pursuant to such Remedial Action, which Appraisal Report shall be used to determine the Borrowing Base after giving effect to such Remedial Action.

#### 12. Unrestricted Cash Balance.

Upon the Administrative Agent's written request to Continental (which shall include requests via email), within one Business Day thereafter, Continental shall give the Administrative Agent a statement or other document (which may be via e-mail) setting forth the Consolidated Unrestricted Cash Balance as of the Close of Business on the Business Day preceding Continental's response; provided that such information shall be provided solely to the Administrative Agent's Global Asset Based Finance group (except to the extent legally required to be delivered to other persons within ML or its Affiliates), which shall keep such information strictly confidential and solely within such group or other Persons.

#### 13. Gate Utilization.

Each Borrower shall make all payments and otherwise perform all material obligations in respect of each of its Gate Leaseholds to the extent necessary to keep such Gate Leaseholds in full force and effect, except as otherwise provided in the Collateral Documents.

#### 14. Slot Utilization.

Except as otherwise provided in the Collateral Documents, Continental shall utilize the Narita Slots and CMI shall utilize the CMI Material Slots in a manner consistent in all material respects with applicable regulations and contracts in order to preserve the right to hold and operate the Narita Slots and the CMI Material Slots, taking into account any waivers or other relief granted by the applicable Foreign Aviation Authorities.

#### 15. Route Utilization.

- a. Continental shall utilize the Trans-Pacific Routes and CMI shall utilize the CMI Material Routes in a manner consistent in all material respects with Title 49 of the U.S. Code, rules and regulations promulgated thereunder, and applicable foreign law, and the applicable rules and regulations of the FAA, DOT and any applicable Foreign Aviation Authority, including, without limitation, any operating authorizations, certificates, bilateral authorizations and bilateral agreements with any applicable Foreign Aviation Authority and contracts with respect to such Routes, in order to preserve the rights to hold and operate such Routes and utilize the Supporting Route Facilities for such Routes.
- b. Continental, in the case of the Trans-Pacific Routes, and AMI and CMI, in the case of the CMI Material Routes, shall cause to be done all things reasonably necessary to preserve and keep in full force and effect their material rights in and to use such Routes, except as otherwise provided in the Collateral Documents; provided, however, that the foregoing shall not prohibit any transactions permitted under Section 6.02 or Section 6.03. Without in any way limiting the foregoing, the Credit Parties shall promptly take (i) all such steps as may be reasonably necessary, including the payment of any applicable filing fees and other expenses related to the submission of applications, renewal requests, and other filings, to obtain renewal of each such Route authority from the DOT and any applicable Foreign Aviation Authorities, within a reasonable time prior to the expiration of such authority (as prescribed by law or regulation, if any), and notify the Administrative Agent of any non-renewal thereof and (ii) all such other steps as may be necessary to maintain, renew and obtain Supporting Route Facilities as needed for its continued and future operations over such Routes, in each case except as otherwise provided in the Collateral Documents. It is understood and agreed that a Credit Party may cease using its rights in and/or use of any Supporting Route Facilities in connection with any such Routes if such Credit Party determines in good faith that the preservation of its rights in and/or use of such Supporting Route Facilities is no longer advantageous to it in connection with the conduct of its operations utilizing such Route.

#### 16. Routes and Slot Reporting.

Each Credit Party shall provide the Administrative Agent and at the same time each Lender written notice, with respect to Continental, in the case of the Trans-Pacific Routes, and AMI and CMI, in the case of the CMI Material Routes:

- a. within 45 days after the end of each calendar quarter, notice of any acquisition of any such Route or related Slot; and
- b. subject to any governmental requirement of confidentiality, (i) concurrently with the delivery of annual financial statements pursuant to Section 5.01(a), copies of (1) each certificate or order issued, during the latest year covered by such financial statements, by the DOT and the applicable Foreign Aviation Authorities with respect to such Routes and (2) all material filings made, during the latest year covered by such financial statements, by a Credit Party with any Governmental Authority or any Foreign Aviation Authorities related to preserving and maintaining such Routes and (ii) promptly, and in any event, not more than ten Business Days after receipt, any notice received from any Person notifying such Credit Party of an event which would reasonably be expected to have a materially adverse effect upon such Route, or the failure to preserve such Route,

17. Reserved.

18. Aircrafts and Related Materials.

Continental shall at all times (a) deliver to CMI (or otherwise ensure CMI has) any assets (including, but not limited to, any aircraft or related equipment and supplies) necessary for CMI to continue its operations as a commercial airline, (b) provide services and personnel to CMI necessary to maintain and operate such assets, and (c) otherwise cause CMI (i) to continue and maintain its operations (subject to a force majeure) in a manner consistent with the disclosures and projections made in the documents referred to in Section 4.04 (subject to a force majeure) and (ii) perform its obligations under this Agreement or any other material agreement to which it is a party necessary to continue its operations as a commercial airline, it being understood that Continental shall be entitled to payment from CMI for assets, services and personnel provided pursuant to this Section 5.18, subject to the requirements of Section 6.03.

19. Citizenship.

Each of Continental and CMI shall (a) continue at all times to be an "air carrier" within the meaning of Section 40102(a)(2) of Title 49 and hold a certificate under Section 41102(a)(1) of Title 49; (b) at all times hereunder be a Citizen of the United States; and (c) possess and maintain all Route Permits and Operating Permits applicable to it, except where the failure to have any such Operating Permit, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect or materially and adversely affect the ability of a Credit Party to operate flights under a Specified Route.

20. Embargoed Person.

Each Credit Party shall ensure that none of the funds or properties of any Borrower that are used to repay the Loans will constitute property of, or be beneficially owned directly or indirectly by, any person subject to sanctions or trade restrictions under United States law ("Embargoed Person" or "Embargoed Persons") that is identified on (1) the "List of Specially Designated Nationals and Blocked Persons" maintained by OFAC and/or on any other similar list maintained by OFAC pursuant to any authorizing statute including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. sections 1701 *et seq.*, The Trading with the Enemy Act, 50 U.S.C. App. 1 *et seq.*, and any Executive Order or regulation promulgated thereunder, with the result that the Loans made or held by the Lenders would be in violation of law, or (2) the Executive Order, any related enabling legislation or any other similar Executive Orders.

V.

## NEGATIVE COVENANTS

From the advance of the Loans to the Borrowers until the Termination Date, the following covenants shall be effective:

### 1. Liens.

No Credit Party shall directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to any part of or all of the Collateral or any property owned by CMI, title thereto or any interest therein except as set forth below (such exceptions referred to collectively as "Permitted Encumbrances"):

- a. Liens of the Security Documents and Liens expressly permitted by the Operative Documents;
- b. Liens for taxes, assessments or other governmental charges or levies either not yet due or being contested in good faith by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of any Collateral or any interest therein;
- c. materialmen's, mechanic's, workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of Continental's, CMI's or AMI's business securing obligations, the payment of which either is not yet overdue by 60 days or is being contested in good faith by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of any Collateral, or any interest therein or impair in any respect the validity of the Lien of the Security Documents;
- d. judgment or attachment Liens (other than Liens for taxes) against Continental, CMI or AMI with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith and there shall have been secured a stay of execution pending such appeal or proceeding for review;
- e. with respect to the AMI Collateral and the CMI Collateral only,
  - i. in respect of the equipment furnished by CMI and installed on any aircraft, Liens in favor of vendors thereof arising out of the purchase of such equipment and payment terms therefor and renewal, extension or replacements thereof;
  - ii. pledges or deposits securing obligations under workers' compensation, unemployment insurance, social security or public liability laws or similar legislation;
  - iii. (A) pledges or deposits securing bids, tenders, contracts (other than contracts for the payment of Indebtedness), letters of credit, performance bonds or leases to which CMI, AMI or any of their respective subsidiaries is a party as lessee, or other similar obligations, in each instance, made or incurred in the ordinary course of business, including, without limitation, pledges or deposits of cash and cash equivalents securing obligations under credit card agreements, and (B) pledges or deposits, or other Liens on order positions relating to the acquisition of aviation or aviation related equipment, securing any financing of order positions or pre delivery obligations relating to the acquisition of such equipment by AMI, CMI or any of their respective subsidiaries;
  - iv. deposits securing public or statutory obligations of CMI, AMI or any of their respective Subsidiaries or which are required to qualify any such Person to conduct business in any jurisdiction or obtain the benefits of any law;
  - v. deposits securing or in lieu of surety, appeal or customs bonds in proceedings to which CMI, AMI or any of their respective Subsidiaries is a party;
  - vi. zoning restrictions, easements, licenses or other restrictions on the use of real property or other minor irregularities in title (including leasehold title) thereto or encumbrances thereon, so long as the same do not result in a Material Adverse Effect or in a material adverse change in the business, operation, properties, assets or condition (financial or otherwise) of CMI and its Subsidiaries taken as a whole;
  - vii. Liens created or granted by AMI, CMI or any of their respective subsidiaries in connection with the acquisition (by purchase (including, without limitation, by Capital Lease Obligations), construction or otherwise) of assets, or the financing thereof (so long as such financing occurs not later than (A) eighteen months after such acquisition in the case of aircraft or aircraft engines and (B) 120 days after such acquisition in the case of any other assets), to the extent such Liens do not (1) encumber any assets of CMI, AMI or any of their respective Subsidiaries other than (aa) the acquired assets and/or any improvements thereon and/or (bb) the interest of AMI, CMI or any of their respective subsidiaries in contracts and/or books and records directly relating to such acquired assets and/or any improvements thereon or (2) secure any Indebtedness other than that incurred solely in connection with the acquisition of such acquired assets or such financing;
  - viii. Liens created or granted by AMI or CMI or any of their respective Subsidiaries in connection with improvements or modifications to airframes or aircraft engines owned by AMI or CMI or any of their respective Subsidiaries and already subject to a Permitted First Lien or leased to AMI or CMI or any of their respective Subsidiaries, or the financing or refinancing thereof (so long as such financing or refinancing occurs not later than 120 days after the completion of such improvements or modifications), to the extent such Liens do not (A) encumber any assets of AMI or CMI or any of their respective Subsidiaries other than (1) the airframes or aircraft engines being improved or modified

(including such improvements and modifications) and/or (2) the interest of AMI or CMI or any of their respective Subsidiaries in contracts, and/or books and records, directly relating to the airframes or aircraft engines being improved or modified (or such improvements or modifications) or (B) secure any In debtedness other than that incurred solely in connection with such improvements or modifications or such financing or refinancing and other than Indebtedness secured by such Permitted First Liens;

- ix. Liens existing on assets at the time of acquisition thereof by AMI, CMI or any of their respective Subsidiaries and Liens resulting or arising as a result of the assumption by CMI, AMI or any of their respective Subsidiaries of Indebtedness in connection with the acquisition of any assets as long as any such Lien does not encumber any assets other than the acquired assets and any improvements thereon and the amount of assumed Indebtedness does not exceed the fair market value of the acquired assets;
- x. Liens arising under leases and subleases (including, without limitation, the Lien of the owner of, or mortgagee of the ownership interest in, the assets subject to any such lease or sublease on such property and any improvements and fixtures thereof);
- xi. landlord's Liens arising by operation of law;
- xii. Liens on any proceeds of any assets subject to a Permitted Encumbrance described in this clause (e);
- xiii. any Lien on any receivable created as a result of a charge card transaction, other than on CMI's or AMI's right to payment from the other party to the related credit card agreement; and
- xiv. any renewal, extension or replacement of any of the foregoing (in connection with any renewal, extension or refinancing of Indebtedness or otherwise); provided that the amount of Indebtedness secured by any such replacement Lien is permitted to be incurred hereunder and is not increased, and such renewal, extension or replacement Lien does not spread to cover any additional asset (except as contemplated by clauses (vii), (viii) and (ix) hereof); and
- xv. the installation of any addition to any property constituting collateral (however defined) under any of the Collateral Documents.

## 2. Fundamental Changes.

No Credit Party shall consolidate with or merge into any other Person, or sell, lease, exchange, transfer or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its property, assets or revenues, whether now owned or hereafter acquired, or liquidate or dissolve (a "Fundamental Transaction"), unless (1) such Credit Party is the surviving entity in such merger or (2) in any other case (A) the entity formed by such consolidation or merger or the Person that so acquires such assets by purchase, lease, exchange or transfer (the "Successor") is a corporation duly organized and validly existing under the laws of the United States of America or a political subdivision thereof, and shall have executed and delivered to the Administrative Agent and each Lender an agreement in form reasonably satisfactory to such Person containing an assumption by such successor of the obligations of such Credit Party under the Operative Documents to which it is a party, (B) immediately after giving effect to such Fundamental Transaction, no Event of Default, Payment Default or Bankruptcy Default shall have occurred and be continuing, and (C) such Credit Party shall deliver to the Administrative Agent and each of the Lenders (i) a compliance certificate from an officer of such Credit Party reflecting compliance with Section 6.05, stating that such Fundamental Transaction and the assumption agreement mentioned in clause (2)(A) above comply with this Section 6.02 and that all conditions precedent provided for herein relating to such Fundamental Transaction have been complied with or satisfied and (ii) an opinion of counsel (subject to customary assumptions and limitations) that the assumption agreement mentioned in clause (2)(A) is a valid, binding and enforceable agreement of the Successor.

## 3. Transactions with Affiliates.

(a) No Credit Party shall, nor shall any Credit Party permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates (any of the foregoing, an "Affiliate Transaction"), except (i) upon terms and conditions not less favorable to such Credit Party or Subsidiary than could be obtained in a comparable arm's length transaction from unrelated third parties entered into in good faith at the time that such Affiliate Transaction is entered into; provided, that nothing contained herein shall prohibit an Affiliate Transaction between Continental (or any of its Subsidiaries other than AMI, CMI or any of their respective Subsidiaries), on the one hand, and CMI or AMI or any of their respective Subsidiaries, on the other hand, that is more favorable to CMI or AMI or any of their respective Subsidiaries, as the case may be, than could be obtained in an arm's length transaction with unrelated third parties, (ii) transactions pursuant to the Tax Sharing Agreement (upon its execution and delivery by the parties thereto), (iii) transactions provided for in agreements in existence on June 1, 2005 between a Credit Party and any of its Affiliates and, in the case of agreements to which CMI or AMI is a party, listed on Schedule 5, (iv) reasonable and customary compensation and fees (including securities of Continental) to directors of Continental or any of its Subsidiaries who are not employees of Continental or any Subsidiary or the payment of amounts or the making of awards or grants of cash, securities or otherwise pursuant to employee benefit plans or employment agreements in the ordinary course of business, (v) indemnities of officers, directors and employees of a Credit Party or any of its Subsidiaries permitted by applicable law and (vi) dividends on capital stock of Continental.

(b) Notwithstanding the foregoing:

(i) in no event shall Continental enter into a transaction with a third party on terms favorable to Continental (the "first transaction") in consideration for entering into another agreement with such third party or an Affiliate of such third party on terms that are less favorable than those obtainable in an arms-length transaction (the "second transaction") where a material portion or all of the benefits and burdens of the second transaction are made available to AMI or CMI and such benefits and burdens are on terms that are less favorable than those obtainable in an arms-length transaction.

(ii) AMI or CMI shall be permitted to pay to Continental for any taxable year in respect of income taxes an amount equal to the hypothetical federal (and, to the extent applicable, state and local) income tax liability (taking into account the deductibility of state and local income taxes for federal income tax purposes) of AMI or CMI, as applicable, for such taxable year determined as if AMI or CMI, as applicable, and its subsidiaries that are included in the Continental Consolidated Group had filed their own separate consolidated federal (and, to the extent applicable, state and local) income tax return or returns for such taxable year (or, if less, such taxable year and prior taxable years (i.e., taking into account any hypothetical net operating losses or similar allowances)),

(iii) Subject to Section 6.03(b)(i), Continental and its Subsidiaries (other than AMI and CMI and their respective Subsidiaries) shall be permitted to charge AMI, CMI and their respective Subsidiaries (and AMI or CMI and their respective Subsidiaries, as the case may be, shall be permitted to pay) (A) their allocable share of expenses charged by unaffiliated third parties regardless of whether the amount paid to such third party differs from what may be obtained in a comparable arm's length transaction and (B) their allocable share of the internal costs of Continental and its Subsidiaries calculated in a fair manner consistent with past practice, which shall include utilization of the applicable general parameters set forth in Schedule 8 (or such other similar parameters adopted by Continental from time to time) materially consistent with past practice.

(iv) subject to subparagraph (i) above, in the case of Intercompany Leasing Transactions, the lease payments or other consideration paid by CMI or AMI (whether in cash or otherwise) in respect of such Intercompany Leasing Transactions shall not exceed the actual lease payments paid by Continental in connection with such lease of the aircraft and related equipment and supplies from a third party.

## 4. Accounting Changes.

No Credit Party shall make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required or permitted by GAAP, it being understood that in the event any such changes in accounting policies or reporting practices shall affect the calculation of Consolidated Unrestricted Cash Balance, Continental shall make a one-time statement of reconciliation to the calculation of Consolidated Unrestricted Cash Balances under accounting policies or reporting practices in effect on June 1, 2005. CMI will not change its cash management practices, as set forth on Schedule 6, in any manner which is materially adverse to the Lenders without the prior consent of the Administrative Agent; provided, that

CMI may change the depository institution at which it has its accounts. Upon receipt of CMI's notice that the CMI Account is to be moved to a different depository institution, given at least ten (10) days prior to the date of such proposed move, the Administrative Agent and CMI shall (and CMI shall cause the relevant depository institution to) enter into a CMI Account Control Agreement with respect to such new account, whereupon the Administrative Agent shall terminate the then existing CMI Account Control Agreement; provided that the CMI Account may not be so moved until the replacement CMI Account Control Agreement has been executed and delivered by the parties thereto. No Credit Party will change its fiscal year without the prior consent of the Administrative Agent.

5. Minimum Unrestricted Cash Balance.

Continental shall maintain a Consolidated Unrestricted Cash Balance as of the Close of Business on the last Business Day of each calendar month of at least \$1,000,000,000.

6. Sales, Etc., of Collateral.

No Credit Party shall effect a Disposition of Collateral, except:

- a. (i) for fair market value, (ii) the Disposition of assets that are worn out, damaged or destroyed beyond reasonable repair or no longer of economic value in the conduct of its business, or (iii) as permitted under the Collateral Documents; provided that such Credit Party shall comply with the applicable terms of clause (b)(iii) of Section 2.09; and provided, further, that in no event shall a Credit Party effect a Disposition of Major Collateral without the consent of the Majority Lenders and without complying with Section 5.11(c);
- b. in a transaction authorized by Section 6.02; or
- c. as otherwise consented to by the Majority Lenders.

7. Payment Restrictions Affecting Subsidiaries.

No Credit Party shall, directly or indirectly, enter into or suffer to exist, or permit any of its Material Subsidiaries to enter into or suffer to exist, any agreement or arrangement limiting the ability of any of its Material Subsidiaries (other than any Financing Vehicles) to declare or pay dividends or other distributions in respect of its equity interests or repay or prepay any Indebtedness owed to, make loans or advances to, or otherwise transfer assets to or invest in, a Credit Party or any Material Subsidiary of a Credit Party (whether through a covenant restricting dividends, loans, asset transfers or investments, a financial covenant or otherwise), except (i) the Operative Documents, (ii) any agreement in effect at the time such Material Subsidiary becomes a Subsidiary of a Credit Party, so long as such agreement was not entered into solely in contemplation of such Person becoming a Subsidiary of a Credit Party, (iii) applicable law (including regulatory requirements), (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of a Credit Party or a Material Subsidiary of a Credit Party, (v) customary provisions restricting assignment of any licensing agreement entered into by a Credit Party or a Material Subsidiary of a Credit Party in the ordinary course of business, (vi) customary provisions restricting the transfer of assets (A) subject to Liens or (B) pending disposition, (vii) provisions in charters, bylaws, stockholders agreements, partnership agreements, joint venture agreements, limited liability company agreements and other similar agreements and (viii) provisions in financing agreements customary for transactions of a similar nature with counterparties that are similarly situated with the applicable Material Subsidiary and constitute a similar credit.

8. Indebtedness.

Neither AMI nor CMI shall create, issue, incur, assume, or become liable in respect of any Indebtedness at any time, except:

- a. Indebtedness pursuant to any Operative Document;
- b. unsecured intercompany Indebtedness between or among (i) Continental and/or any of its Subsidiaries (other than AMI and CMI) and (ii) any Credit Party, provided, that in case such Person has previously executed and delivered the Intercompany Subordination Agreement to the Administrative Agent.
- c. Indebtedness outstanding on June 1, 2005 and listed on Schedule 7 and any refinancings, refundings, renewals or extensions thereof but only to the extent that such refinancing, refunding, renewal or extension does not increase the principal amount of such Indebtedness outstanding immediately prior to such refinancing, refinancings, renewal or extension;
- d. Indebtedness incurred to finance all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in connection with its business and any refinancing, refunding, renewal or extension thereof but only to the extent that such refinancing, refunding, renewal or extension does not increase the principal amount of such Indebtedness outstanding immediately prior to such refinancing, refunding, renewal or extension provided, that (x) such Indebtedness is incurred pursuant to documentation containing provisions which are customary for financing arrangements of this nature, and (y) the financing arrangements (and any related transactions consummated in connection therewith) have been obtained in an arm's-length transaction;
- e. Indebtedness incurred in connection with (i) the acquisition of aircraft (including Indebtedness secured by aircraft purchase agreements) or aircraft engines so long as such Indebtedness is incurred not later than 18 months after the acquisition thereof and (ii) the acquisition of other assets so long as such Indebtedness is incurred not later than 120 days after the acquisition thereof and any refinancing, refunding, renewal or extension thereof but only to the extent that such refinancing, refunding, renewal or extension does not increase the principal amount of such Indebtedness outstanding immediately prior to such refinancing, refunding, renewal or extension; provided, that (x) such Indebtedness is incurred pursuant to documentation containing provisions which are customary for financing arrangements of this nature, and (y) the financing arrangements (and any related transactions (including any related acquisition of aircraft and aircraft engines) consummated in connection therewith) have been obtained in an arm's-length transaction;
- f. Indebtedness in respect of margin requirements under fuel hedging and foreign exchange hedging contracts, provided that the Liens securing such Indebtedness shall be limited to such fuel hedging and foreign exchange hedging contracts;
- g. Indebtedness in respect of bid, performance or surety bonds issued in the ordinary course of business; and
- h. the Guarantee of any Indebtedness permitted to be incurred under this Section 6.08.

9. Lines of Business.

- a. No Borrower will make any material change in its line of business as a commercial passenger airline.

10. Anti-Terrorism Law; Anti-Money Laundering.

No Credit Party shall:

(a) directly or indirectly, (i) knowingly deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or any other Prescribed Law, or (ii) knowingly engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Prescribed Law (and each Credit Parties shall deliver to the Administrative Agent evidence requested from time to time by the Administrative Agent or the Lenders in their reasonable discretion confirming such Credit Party's compliance with this Section); and

(b) knowingly cause or permit any of the funds of the Credit Parties that are used to repay the Loans to be derived from any unlawful activity with the result that the making of the Loans would be in violation of Prescribed Law.

#### 11. Investments.

Neither AMI nor CMI shall make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or make any other investment in, any Person (all of the foregoing, "Investments"), except:

- a. non-cash consideration received in connection with sales and dispositions of assets;
- b. Investments in cash, cash equivalents and short term investments;
- c. Investments constituting Indebtedness pursuant to clause (b) of Section 6.08;
- d. the extension of credit to customers in the ordinary course of business; and
- e. other Investments in an aggregate principal amount not exceeding \$250,000,000; provided, that after giving effect to any such Investment, no Event of Default shall have occurred and be continuing.

#### 12. Governing Documents.

(a) Neither AMI nor CMI shall amend, restate, amend and restate or modify any of its Organic Documents in a manner that is materially adverse to the interests of the Administrative Agent or any other Lender, or (b) upon its execution and delivery by the Credit Parties, neither AMI nor CMI shall amend, restate, amend and restate or modify the Tax Sharing Agreement in a manner which is materially adverse to the interests of the Administrative Agent or any other Lender.

#### 13. Restricted Payments, etc.

Neither CMI nor AMI shall declare or make a Restricted Payment, or make any deposit for any Restricted Payment, other than (a) Restricted Payments made by (i) CMI to AMI or (ii) AMI to Continental; provided, that such Restricted Payments shall only be permitted in the event AMI or CMI, as the case may be, is prohibited under applicable law from either (x) incurring the Restricted Payment Amount as Indebtedness pursuant to clause (b) of Section 6.08, or (y) making the Restricted Payment Amount as an Investment pursuant to clause (c) of Section 6.11 and (b) subject to the second paragraph of Section 6.03. Restricted Payments made to any Credit Party to the extent necessary to enable such Credit Party to pay Taxes; provided, that in the case of clauses (a) and (b) hereof, no Payment Default or other Event of Default shall be continuing.

#### 14. Sale and Leaseback.

Neither CMI nor AMI shall, directly or indirectly enter into any agreement or arrangement with any other Person providing for the sale or transfer by it of any property (now owned or hereafter acquired) to another Person and the subsequent lease or rental of such property or other similar property from such Person by AMI or CMI, provided, that the foregoing shall not prohibit any financing transactions which are in the form of a sale and leaseback transaction.

#### 15. Stock of Subsidiaries.

Neither CMI nor AMI shall (a) issue any Capital Stock (whether for value or otherwise) to any Person other than another Credit Party or (b) become liable in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any shares of Capital Stock of such Credit Party or any option, warrant or other right to acquire any such shares of Capital Stock.

VI.

### EVENTS OF DEFAULT

#### 1. Events of Default.

Each of the following events shall constitute an "Event of Default", whether any 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 administrative or governmental body:

- a. Continental shall fail to pay any principal amount of any Tranche A-1 Term Loan or CMI shall fail to pay any principal amount of any Tranche A-2 Term Loan, in each case for a period of one Business Day from the date such principal amount shall become due and payable; or
- b. Continental shall fail to pay interest on any Tranche A-1 Term Loan or CMI shall fail to pay interest on any Tranche A-2 Term Loan, in each case for a period of five Business Days after the same shall become due and payable; or
- c. Any Credit Party shall fail to pay any other amount payable by it hereunder or under any other Operative Document for a period of five Business Days after receipt by each Credit Party of written notice that such payment is overdue given to the Credit Parties by the Administrative Agent or any Lender (through the Administrative Agent); or
- d. Any representation, warranty or certification made by a Credit Party herein or in any other Operative Document, or in any other document or certificate furnished by a Credit Party (or any of their officers) pursuant to this Agreement or any other Operative Document, shall prove to have been incorrect in any material respect when made and such materiality is continuing; or
- e. Any Credit Party shall fail to perform or observe (i) any term, covenant or agreement set forth in 5.03(a), 5.05(b), 5.09, 5.11(b), 5.14, 5.16(b) or Article VI (other than Sections 6.03, 6.04 (as it relates to reporting practices) and 6.10); (ii) any term, covenant or agreement set forth in Sections 5.01, 5.02, 5.03(b) and 6.03, and such failure to perform or observe shall continue for a period of ten days; and (iii) any other term, covenant or agreement contained in this Agreement or any other Operative Document, on its part to be performed or observed, and such failure shall remain unremedied for a period of thirty days, in each case after notice thereof to the Credit Parties delivered pursuant to Section 9.02; or
- f. If an order for relief shall be entered in respect of any Credit Party by a court having jurisdiction in the premises in an involuntary case under the Federal bankruptcy laws as now or hereafter in effect; or if any Credit Party shall consent to the appointment of a custodian, receiver, trustee or liquidator of itself or of substantially all of its property; or if any Credit Party is not paying, or 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 creditors; or if any Credit Party shall file, or the Board of Directors of any Credit Party shall direct the filing of, a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against such Credit Party in any such proceeding; or if any Credit Party shall file, or the Board of Directors of any Credit Party shall direct such Credit Party to seek relief by voluntary petition, answer or consent, under the provisions of any other or future bankruptcy or other similar law providing for the reorganization or winding-up of corporations or providing for a financial accommodation, composition, extension or adjustment with its creditors generally; or
- g. If an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of a Credit Party, a custodian, receiver, trustee, or liquidator of such Credit Party or of substantially all of its property, or sequestering substantially all of the property of such Credit Party, or granting any other similar relief in respect of such Credit Party under the Federal bankruptcy laws or other insolvency laws, and any

such order, judgment or decree or appointment or sequestration shall remain in force unstayed, undismissed or unvacated for a period of thirty (30) days after the date of its entry; or

- h. If a petition against a Credit Party in a proceeding under the Federal bankruptcy laws or other insolvency laws (as now or hereafter in effect) shall be filed and shall not be withdrawn or dismissed within thirty (30) days, or if, under the provisions of any law providing for reorganization or winding-up of corporations that may apply to a Credit Party, any court of competent jurisdiction shall assume custody or control of such Credit Party or of substantially all of its property and such custody or control shall remain in force unrelinquished or unterminated for a period of thirty (30) days; or
- i. Any Lien created by any of the Collateral Documents shall cease to be (A) enforceable and (B) in respect of such Liens with respect to Collateral located in the United States (other than deposit accounts not covered by the CMI Account Control Agreement, money and letter of credit rights), as to which perfection may be obtained by filing, control or possession under the UCC, of the same priority purported to be created by such Collateral Documents, subject to any exceptions to such priority permitted pursuant to this Agreement and the Collateral Documents;
- j. (i) any Credit Party shall default in making any payment of any Indebtedness (excluding the Loans) beyond the period of grace and after required notice, if any, provided in the instrument or agreement under which such Indebtedness was created or default in the observance or performance of any other agreement or condition relating to any Indebtedness (excluding the Loans), or any other event shall occur or condition shall exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, any such Indebtedness to become due prior to its stated maturity, so long as the aggregate or individual amount of such Indebtedness and of the claims then due pursuant to clause (ii) of this Section exceeds \$75,000,000; or (ii) any Credit Party shall default in the observance or performance of any agreement or condition relating to any lease of aircraft to such Credit Party, as lessee, if the effect of such default is to give the lessor pursuant to such lease a claim against any Credit Party (after deducting from such claim the value of the property subject to such lease), so long as the aggregate or individual amount of such claims then due and of all Indebtedness described in clause (i) of this Section exceeds \$75,000,000; or
- k. Any judgment or judgments for the payment of money shall be entered against any Credit Party in an amount for all such Persons equal to or exceeding \$25,000,000, individually or in the aggregate, which have not been bonded, discharged, stayed or satisfied for a period of sixty (60) days or more; or
- l. Any Operative Document after execution and delivery thereof by a Credit Party pursuant to Section 3.01 shall for any reason (other than termination in accordance with the terms thereof) cease to be valid and binding on or enforceable in any material respect against any Credit Party to it, or any such Credit Party shall so assert in writing; or
- m. (i) The loss by a Credit Party of (A) **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, or (B) any other Specified Route and such loss shall continue for a period of sixty (60) days, (ii) the loss by a Credit Party of any licenses, permits, authorizations, certificates of compliances, certificates of public convenience and necessity and other certificates, including, without limitation, air carrier operating certificates and operations specifications issued by the FAA pursuant to Part 121 of the Regulations of the FAA, which are required by the DOT, the FAA, or any corresponding Foreign Aviation Authority for such Credit Party to operate (A) **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** or (B) any other Specified Route and such loss shall continue for a period of sixty (60) days, or (iii) (A) any Governmental Authority shall order or direct a Credit Party to suspend any significant portion of its service on (1) **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** or (2) any other Specified Route and such suspension shall continue for a period of sixty (60) days, or (B) a Credit Party shall voluntarily suspend its service on any of its Specified Routes (other than due to weather related occurrences or a force majeure) and such suspension shall continue for a period of sixty (60) days; unless, in the case of any default described in clause (i)(B), clause (ii)(B), clause (iii)(A)(2) or clause (iii)(B), prior to the expiration of the relevant 60-day period (x) Continental and CMI shall have prepaid the Loans pursuant to clause (a) of Section 2.09 (without premium or penalty) in an amount equal to 48% of the Current Market Value of the affected Specified Routes as determined in an Appraisal Report obtained pursuant to Section 5.11(b) and delivered to the Lenders, (y) Continental and CMI shall have Cash Collateralized the Loans in an amount not less than 48% of the Current Market Value of the affected Specified Route, or (z) Continental or CMI, or both, shall have pledged additional Collateral acceptable to the Majority Lenders in their sole discretion on such terms as the Majority Lenders shall have approved having a Current Market Value determined by an Appraisal Report obtained pursuant to Section 5.11(b) of not less than the Current Market Value of such affected Specified Routes;

then, if an Event of Default referred to in clauses (f), (g) or (h) of this Section 7.01 shall have occurred and be continuing with respect to AMI or CMI, then and in every such case, the unpaid principal of all Loans then outstanding, together with interest accrued but unpaid thereon, all Break Funding Costs, if any, and all other amounts owing by any Credit Party to the Administrative Agent or any Lender hereunder or under any other Operative Document, shall immediately and without further act become due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrowers, if an Event of Default referred to in clauses (f), (g) or (h) of this Section 7.01 shall have occurred and be continuing with respect to Continental, then and in every such case, the unpaid principal of all Tranche A-1 Term Loans then outstanding, together with interest accrued but unpaid thereon, all Break Funding Costs, if any, and all other amounts owing by Continental to the Administrative Agent or any Lender hereunder or under any other Operative Document, shall immediately and without further act become due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrowers, and if any other Event of Default shall have occurred and be continuing, then the Administrative Agent may, and upon request of the Majority Lenders, shall, by notice to the Credit Parties, declare the unpaid principal of all Loans then outstanding, together with interest accrued but unpaid thereon, all Break Funding Costs, if any, and all other amounts owing by any Credit Party to the Administrative Agent or any Lender hereunder or under any other Operative Document, to be forthwith due and payable, whereupon the Loans, all such interest, Break Funding Costs and all other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Credit Parties. In addition to any other remedies available to the Administrative Agent and the Lenders under the Operative Documents or at law or otherwise, if an Event of Default shall have occurred and so long as the same shall be continuing unremedied, then and in every such case, the Administrative Agent and the Lenders may exercise any or all of the rights and powers and pursue any and all of the remedies set forth in the Collateral Documents, in each case in accordance with terms thereof. The full performance by any Credit Party of any obligation of any other Credit Party shall be deemed to cure the Default or Event of Default attributable to such other Credit Party's failure to perform such obligation.

VII.

## THE ADMINISTRATIVE AGENT

### 1. Appointment, Powers and Immunities.

- a. Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof and of the other Operative Documents, together with such actions and powers as are reasonably incidental thereto.
- b. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Operative Documents. Without limiting the generality of the foregoing (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by any other Operative Document that the Administrative Agent is required to exercise in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.01), and (c) except as expressly set forth herein or in the other Operative Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Credit Parties or any of their Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Majority.

Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.01) or in the absence of its own gross negligence or willful misconduct.

- c. The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of this Article VIII shall apply to any such sub agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

## 2. Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Credit Parties), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

## 3. Defaults.

The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by any Credit Party, any Subsidiary of any Credit Party or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or under any other Operative Document or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or in any other Operative Document, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article III or elsewhere herein or in any other Operative Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

## 4. Rights as a Lender.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Credit Parties or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

## 5. Indemnification.

Each Lender severally agrees to indemnify the Administrative Agent (to the extent not reimbursed under Section 9.05, but without limiting the obligations of the Credit Parties under said Section 9.05), to the extent of such Lender's ratable portion of such indemnity payment (such ratable portion to be a portion thereof equal to such Lender's percentage of the total Loans represented by such Lender's Loans unless such Lender's Loans have terminated or expired, in which case such percentage shall be determined based upon such Lender's Loans most recently in effect, giving effect to any assignments (such percentage shall be determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Administrative Agent arising out of or by reason of any investigation in or in any way relating to or arising out of this Agreement or any other Operative Document or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses that the Credit Parties are obligated to pay under Section 9.05, but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified, provided, further, that to the extent indemnification payments made by the Lenders pursuant to this Section 8.05 are subsequently recovered from or for the account of the Credit Parties, the Administrative Agent shall promptly refund such previously paid indemnification payments to the Lenders.

## 6. Non Reliance on Administrative Agent and Other Lenders.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Credit Party or any Affiliate of a Credit Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

## 7. Failure to Act.

Except for action expressly required of the Administrative Agent hereunder and under the other Operative Documents, the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from the Lenders of their indemnification obligations under Section 8.05 against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Operative Documents in accordance with a request of the requisite Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

## 8. Resignation or Removal of Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Credit Parties. Upon any such resignation, the Majority Lenders shall have the right, with the consent of Credit Parties (which consent shall not be unreasonably withheld or delayed), to appoint a successor, which successor shall be a Lender; provided, however, that if such successor was not a Lender on the date first written above, the Credit Parties must give their prior written consent to such appointment (which consent shall not be unreasonably withheld). If no successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with a minimum net worth of \$500,000,000 and an office in New York, New York, through which office it shall serve as Administrative Agent or an Affiliate of any such bank with an office in New York, New York, through which office it shall serve as Administrative Agent. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by Continental to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between Continental and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.05 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

## 9. Maintaining the Cash Collateral.

- a. If any Cash Collateral is deposited with the Administrative Agent under any Collateral Document, the Administrative Agent shall maintain such Cash Collateral only with an Eligible Institution in an Eligible Account. Upon request of Continental, the Administrative Agent shall advise Continental of the face amount of all Cash Collateral held by the Administrative Agent, and Continental may conclusively rely on such advise in determining the Borrowing Base.
- b. From time to time the Administrative Agent will (i) invest, or direct the applicable Eligible Institution to invest, amounts received with respect to the applicable Cash Collateral in such Permitted Investments as Continental (or, if any Event of Default has occurred and is continuing, the Majority Lenders) may select and (ii) invest or direct the applicable Eligible Institution to invest, interest paid on the Permitted Investments referred to in clause (i) above, and reinvest other proceeds of any such Permitted Investments that may mature or be sold, in each case in such Permitted Investments credited in the same manner. The Administrative Agent shall promptly remit to the Credit Party that deposits any Cash Collateral upon its request any income or gain (including interest received) realized as the result of any such investment of such Cash Collateral (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) unless an Event of Default shall have occurred and be continuing. If an Event of Default shall have occurred and be continuing, the Administrative Agent shall hold any such income or gain as security for the obligations of the applicable Credit Party under the applicable Collateral Document and apply it against obligations secured thereby as the Administrative Agent shall determine, and at such time as there shall not be continuing any Event of Default, such amount, to the extent not previously so applied against such Credit Party's obligations, shall be paid to such Credit Party. Each Credit Party will promptly pay to the Administrative Agent, on demand, the amount of any loss as the result of any such investment of Cash Collateral deposited by it (together with any fees, commissions and other expenses, if any, incurred in connection with such investment).
- c. If at any time the Administrative Agent holds or controls Cash Collateral under any Collateral Documents and a Borrower has given notice of prepayment of the Loans pursuant to Section 2.09, upon written request by such Borrower to the Administrative Agent prior to the applicable prepayment date, the Administrative Agent shall apply or cause to be applied such Cash Collateral to the prepayment of the Loans up to the amount due with respect to such prepayment (or such lesser amount as such Borrower may specify in such notice).
- d. If the Borrowing Base, as most recently determined pursuant to this Agreement, exceeds the outstanding principal amount of the Loans and the Administrative Agent then holds or controls Cash Collateral under any Collateral Document, upon request by the Credit Party that deposited such Cash Collateral to the Administrative Agent, the Administrative Agent shall pay or cause to be paid to such Credit Party the amount of such Cash Collateral requested by such Credit Party so long as, after giving effect to such payment, the Borrowing Base will not be less than the outstanding principal amount of the Loans.

## VIII.

### MISCELLANEOUS

#### 1. Amendments, Waivers, Etc.

Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Credit Parties and the Majority Lenders or by the Credit Parties and the Administrative Agent with the consent of the Majority Lenders; provided that no such agreement shall (i) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (ii) postpone the scheduled date of payment of the principal amount of any Loan or any interest thereon, or any fees or other amounts payable hereunder, or reduce the amount of, waive or excuse any such payment, without the written consent of each Lender affected thereby, (iii) change Sections 2.07 or 2.08 in a manner that would alter the pro rata sharing of payments required thereby, or the priority of payments set forth in such Sections, without the written consent of each Lender, (iv) waive any condition precedent to the Loans without the consent of each Lender, subject to Section 3.02, or (v) change any of the provisions of this Section or the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent. Except as otherwise provided above in this Section 9.01 with respect to this Agreement, the Administrative Agent may, with the prior written consent of the Majority Lenders (but not otherwise), consent to any modification, supplement or waiver under any of the Operative Documents, provided that, without the prior consent of each Lender, the Administrative Agent shall not (except as provided herein or in the Security Documents) release any collateral security or otherwise terminate any Lien under any Security Documents providing for collateral security, agree to additional obligations being secured by such collateral security or alter the relative priorities of the obligations entitled to the benefits of the Liens created under the Security Documents.

#### 2. Notices, Etc.

Except in the case of notices and other communications expressly permitted to be given by telephone or email, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

- a. if to Continental, to it at Continental Airlines, Inc., 1600 Smith Street, Houston, Texas 77002, Attention of Treasurer (Telecopier No.: 713 324 2447, Telephone No.: 713-324-2544), email address (only when specifically permitted by this Agreement) [corporate.finance@coair.com](mailto:corporate.finance@coair.com);
- b. if to CMI or AMI, to it at 1600 Smith Street, Houston, Texas 77002, Attention of Treasurer (Telecopier No.: 713 324 2447, Telephone No.: 713-324-2544), email address (only when specifically permitted by this Agreement) [corporate.finance@coair.com](mailto:corporate.finance@coair.com), with a copy to Continental at the address in the preceding clause (a).
- c. if to the Administrative Agent, to it at Merrill Lynch Mortgage Capital Inc., 4 World Financial Center, 10th Floor, New York, New York 10080; Attention: Josh Green, Telecopier No (212) 449-6673; Telephone No. (212) 449-7330 and via email at [gabfoperations@exchange.ml.com](mailto:gabfoperations@exchange.ml.com).
- d. if to any other Lender, to it at its address (or telecopy number or, when specifically permitted by this Agreement, email address) set forth in the Register.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt. For purposes of providing notice and deliveries hereunder, the Credit Parties may rely conclusively on the name and address of each Lender as set forth in the most recent list of Lenders' names and addresses provided to the Credit Parties hereunder by the Administrative Agent pursuant to Section 9.03(c).

#### 3. Assignments and Participations; Register.

- a. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Credit Parties may not assign or otherwise transfer any of their rights or obligations hereunder or under any of the other Operative Documents without the prior written consent of each Lender (and any attempted assignment or transfer by a Credit Party without such consent shall be null and void) except as permitted by Section 6.02. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

- b. Any Lender may and, if requested by a Credit Party pursuant to Section 2.17(b), upon at least five Business Days notice to such Lender and the Administrative Agent, shall assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of the Loans at the time owing to it); provided that (i) except for assignments to an Affiliate of a Lender, the Administrative Agent and each Borrower must each give its prior written consents to such assignment (which consents shall not be unreasonably delayed or withheld), (ii) the amount of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$1,000,000 and increments of \$1,000,000 in excess thereof, unless each of the Credit Parties and the Administrative Agent otherwise consent, (iii) each assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement (it being understood that Tranche A-1 Term Loans and Tranche A-2 Loans held by a Lender may not be transferred separately or in disproportionate amounts), (iv) the parties to each assignment shall execute and deliver to the Administrative Agent a duly executed Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; provided further that any consent of the Credit Parties otherwise required under this paragraph shall not be required if an Event of Default under clauses (f), (g) or (h) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to clause (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.15, 2.16 and 9.05). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with clause (e) of this Section.
- c. The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). Failure to make any such recordation, or any error in such recordation shall not affect a Credit Party's obligations in respect of such rights. If the Lender sells a participation in its rights hereunder, it shall provide each Credit Party, or maintain as agent of the Credit Parties, the information described in this paragraph and permit each Credit Party to review such information as reasonably needed for such Credit Party to comply with its obligations under this Agreement or under any applicable law. Any assignment or transfer by the Lender of rights or obligations under this Agreement that does not comply with this Section 9.03 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with this Section 9.03(c). The entries in the Register shall be conclusive, and the Credit Parties, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Credit Parties and any Lender, at any reasonable time and from time to time upon reasonable prior notice. The Administrative Agent shall notify the Credit Parties reasonably promptly after receiving actual notice of the same if (i) any Person becomes a Lender and (ii) any Lender alters or modifies its name, or address, in each case by delivering to the Credit Parties a written update of the names and addresses of all Lenders.
- d. Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in clause (b) of this Section and any written consent to such assignment required by clause (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.
- e. Any Lender may, without the consent of any Credit Party or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Credit Parties, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.01 that affects such Participant. Subject to clause (f) of this Section, the Credit Parties agree that each Participant shall be entitled to the benefits of Sections 2.12, 2.15 and 2.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.
- f. A Participant shall not be entitled to receive any greater payment under Sections 2.12, 2.15 and 2.16 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant and shall be subject to the terms of Section 2.17(a). The Lender selling the participation to such Participant shall be subject to the terms of Section 2.17(b) if such Participant requests compensation or additional amounts pursuant to Section 2.12 or 2.16.
- g. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.
- h. If the Borrowers wish to replace Loans under any Facility with ones having different terms, they shall have the option, with the consent of the Administrative Agent and subject to at least three Business Days' advance notice to the Lenders, instead of prepaying the Loans, to (i) require the other Lenders to assign such Loans to the Administrative Agent or its designees and (ii) amend the terms thereof in accordance with Section 9.01. Pursuant to any such assignment, all Loans to be replaced shall be purchased at par (allocated among the other Lenders in the same manner as would be required if such Loans were being optionally prepaid), accompanied by payment of any accrued interest, premiums (including any premiums payable pursuant to Section 2.09, it being understood that any assignment pursuant to this Section 9.03(h) shall be deemed an optional prepayment under Section 2.09 for purposes of the payment of such premiums) and fees thereon and any amounts owing pursuant to Section 9.05. By receiving such purchase price, the Lenders shall automatically be deemed to have assigned their Loans pursuant to the terms of the Assignment and Acceptance, and accordingly no other action by such Lenders shall be required in connection therewith. The provisions of this paragraph are intended to facilitate the maintenance of the perfection and priority of existing security interests in the Collateral during any such replacement.

#### 4. No Waiver; Remedies.

No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder or any other Operative Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder and in the other Operative Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by Section 9.01 hereof, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

#### 5. Expenses; Indemnity; Damage Waiver.

- a. Continental shall pay, upon receipt of statements of account containing reasonable detail, (i) the Administrative Agent within 10 days of written request therefor, for all reasonable fees, charges and disbursements of its counsel incurred in connection with the negotiation, execution and delivery.

of this Agreement or any related documentation (including the Amendment Arranger Fee Letter) or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out of pocket expenses incurred during the continuance of an Event of Default by the Administrative Agent or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights under this Agreement or any of the other Operative Documents, including its rights under this Section, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred (x) during any workout, restructuring or negotiations in respect of such Loans, and (y) the custody or preservation of, or the sale of, collection from or other realization upon any of the Collateral.

- b. Continental shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from and against any and all losses, claims, damages, liabilities and related expenses incurred or suffered by any Indemnitee, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee (but excluding Taxes, which will be governed by Section 2.16), in any way arising out of, related to or as a result of (i) any actual or prospective claim, litigation, investigation or proceeding, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto (including any investigating, preparing for or defending any such claims, actions, suits, investigations or proceedings, whether or not in connection with pending or threatened litigation in which such Indemnitee is a party), relating to the execution or delivery of this Agreement or any of the other Operative Documents or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or the existence or consummation of the Transactions or any other transactions contemplated hereby, or (ii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by a Credit Party or any of its Subsidiaries, or any Environmental Liability related in any way to the Credit Parties; provided that Continental will not be responsible for any losses, claims, damages, expenses or liabilities of any Indemnitee to the extent they are judicially determined to have resulted from the willful misconduct or gross negligence of any Indemnitee, and the Administrative Agent shall cause each Indemnitee to repay Continental the amount of any expenses previously reimbursed by Continental in connection with any such loss, claims, damages, expenses or liability.

In case any action or proceeding shall be brought or asserted against an Indemnitee in respect of which indemnity may be sought against any Credit Party under the provisions of any Operative Document, such Indemnitee shall promptly notify such Credit Party in writing and such Credit Party shall, if requested by such Indemnitee or if such Credit Party desires to do so, assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnitee but only if (i) no Event of Default shall have occurred and be continuing and (ii) such action or proceeding does not involve any risk of criminal liability or material civil money penalties being imposed on such Indemnitee. A Credit Party shall not enter into any settlement of any such action or proceeding that admits any Indemnitee's misconduct or negligence. The failure to so notify a Credit Party shall not affect any obligations such Credit Party may have to such Indemnitee under the Operative Documents or otherwise other than to the extent that such Credit Party is adversely affected by such failure. The Indemnitees shall have the right to employ separate counsel in such action or proceeding and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnitees unless: (i) a Credit Party has agreed to pay such fees and expenses, (ii) a Credit Party has failed to assume the defense of such action or proceeding and employ counsel reasonably satisfactory to the Indemnitees or (iii) the Indemnitees shall have been advised in writing by counsel that under prevailing ethical standards there may be a conflict between the positions of the Credit Parties and the Indemnitees in conducting the defense of such action or proceeding or that there may be legal defenses available to the Indemnitees different from or in addition to those available to the Credit Parties, in which case, if the Indemnitees notify the Credit Parties in writing that they elect to employ separate counsel at the expense of the Credit Parties, the Credit Parties shall not have the right to assume the defense of such action or proceeding on behalf of the Indemnitees; provided, however, that the Credit Parties shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be responsible hereunder for the reasonable fees and expenses of more than one such firm of separate counsel, in addition to any local counsel. The Credit Parties shall not be liable for any settlement of any such action or proceeding effected without the written consent of the Credit Parties (which shall not be unreasonably withheld).

- c. To the extent that the Credit Parties fail to pay any amount required to be paid by it to the Administrative Agent under clauses (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's percentage of the total Loans represented by such Lender's Loans, giving effect to any assignments (such percentage shall be determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.
- d. To the extent permitted by applicable law, the Credit Parties shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential, punitive or exemplary damages (as opposed to direct or actual damages) arising out of or in any way related to this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.
- e. All amounts due under this Section shall be payable promptly after written demand therefor accompanied by invoices containing reasonable detail.

#### 6. Guarantee Provisions; Joint and Several Liability.

Each Credit Party hereby irrevocably guarantees the payment of all Obligations of each other Credit Party as set forth below:

(a) Guarantee. Each Credit Party hereby jointly and severally, absolutely, unconditionally and irrevocably guarantees the full and punctual payment when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, of all Obligations; provided, however, that each Credit Party shall only be liable under this Agreement for the maximum amount of such liability that can be hereby incurred without rendering this Agreement, as it relates to such Credit Party, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount. This guarantee constitutes a guaranty of payment when due and not of collection, and each Credit Party specifically agrees that it shall not be necessary or required that the Lenders exercise any right, assert any claim or demand or enforce any remedy whatsoever against any Obligor or any other Person before or as a condition to the obligations of such Credit Party hereunder.

(b) Guarantee Absolute, etc. The guarantee agreed to above shall in all respects be a continuing, absolute, unconditional and irrevocable guarantee of payment, and shall remain in full force and effect until the Termination Date. Each Credit Party jointly and severally guarantees that the Obligations shall be paid strictly in accordance with the terms of each Operative Document under which such Obligations arise, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Lender with respect thereto. The liability of each Credit Party under this Section 9.06 shall be joint and several, absolute, unconditional and irrevocable irrespective of (i) any lack of validity, legality or enforceability of any Operative Document; (ii) the failure of the Lenders (A) to assert any claim or demand or to enforce any right or remedy against any Obligor or any other Person (including any other guarantor) under the provisions of any Operative Document or otherwise, or (B) to exercise any right or remedy against any other guarantor (including any Obligor) of, or collateral securing, any Obligations; (iii) any change in the time, manner or place of payment of, or in any other term of, all or any part of the Obligations, or any other extension, compromise or renewal of any Obligation; (iv) any reduction, limitation, impairment or termination of any Obligations for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and each Credit Party hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, any Obligations or otherwise, other than payment in full in cash in accordance with the terms thereof; (v) any amendment to, rescission, waiver, or other modification of, or any consent to or departure from, any of the terms of any Operative Document; (vi) any addition, exchange, release, surrender or non-perfection of any collateral, or any amendment to or waiver or release or addition of, or consent to or departure from, any other guarantee held by the Lenders securing any of the Obligations; or (vii) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, any Obligor, any surety or any guarantor (other than payment in full in cash in accordance with the terms thereof).

(c) Reinstatement, etc. Each Credit Party agrees that its guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment (in whole or in part) of any of the Obligations is rescinded or must otherwise be restored by the Lenders, upon the insolvency, bankruptcy or reorganization of any other Credit Party, any other Obligor or otherwise, all as though such payment had not been made.

(d) Waiver, etc. Each Credit Party hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Agreement for purposes of this Section 9.06 and any requirement that the Lenders protect, secure, perfect or insure any Lien, or any property subject thereto, or exhaust any right or take any action against any other Obligor or any other Person (including any other guarantor) or entity or any collateral securing the Obligations, as the case may be.

(e) Postponement of Subrogation, etc. Each Credit Party agrees that it shall not exercise any rights which it may acquire by way of rights of subrogation under any Operative Document to which it is a party, nor shall any Credit Party seek or be entitled to seek any contribution or reimbursement from any Obligor, in respect of any payment made hereunder, under any other Operative Document or otherwise, until following the Termination Date. Any amount paid to any Credit Party on account of any such subrogation rights prior to the Termination Date shall be held in trust for the benefit of the Lenders and shall immediately be paid and turned over to the Lenders in the exact form received by such Credit Party (duly endorsed in favor of the Lenders, if required), to be credited and applied against the Obligations, whether matured or unmatured; provided, however, that if (i) any Credit Party has made payment to the Lenders of all or any part of the Obligations; and (ii) the Termination Date has occurred; then at such Credit Party's request, the Lenders shall, at the expense of such Credit Party, execute and deliver to such Credit Party appropriate documents (without recourse and without representation or warranty) necessary to evidence the transfer by subrogation to such Credit Party of an interest in the Obligations resulting from such payment. In furtherance of the foregoing, at all times prior to the Termination Date, each Credit Party shall refrain from taking any action or commencing any proceeding against any Obligor (or its successors or assigns, whether in connection with a bankruptcy proceeding or otherwise) to recover any amounts in the respect of payments made under any Operative Document to the Lenders.

(f) Right of Contribution. Each Credit Party hereby agrees that, to the extent that a Credit Party shall have paid more than its proportionate share of any payment made hereunder or in respect of the Obligations, such Credit Party shall be entitled to seek and receive contribution from and against the other Credit Party hereunder which has not paid its proportionate share of such payment. The provisions of this Section shall in no respect limit the obligations and liabilities of any Credit Party to the Lenders, and each Credit Party shall remain liable to the Lenders for the full amount guaranteed by it hereunder.

## 7. Consent to Jurisdiction.

- a. **EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER OPERATIVE DOCUMENTS, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH 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. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT ANY PARTY HERETO MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST ANY OTHER PARTY HERETO OR THEIR PROPERTIES IN THE COURTS OF ANY JURISDICTION.**
- b. **EACH OF THE PARTIES TO THIS AGREEMENT IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN PARAGRAPH (A) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.**
- c. **EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.**

## 8. Binding Effect.

This Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

## 9. Survival.

All covenants, agreements, representations and warranties made by the Credit Parties herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect until the Termination Date. The provisions of Sections 2.12, 2.15, 2.16 and 9.05 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans or the termination of this Agreement or a ny provision hereof.

## 10. Captions.

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

## 11. Severability.

To the fullest extent permitted by law, any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof, and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

## 12. Execution in Counterparts.

This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

## 13. Confidentiality.

Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel, internal or independent auditors and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of

any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Credit Parties or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than any Credit Party. For the purposes of this Section, "Information" means all information received from any Credit Party, any Subsidiary of a Credit Party or any of their agents relating to any Credit Party or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any such Person. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

14. WAIVER OF JURY TRIAL.

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

15. Entire Agreement.

This Agreement and the Operative Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

16. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

17. Right of Setoff.

If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Credit Party against any of and all the obligations of such Credit Party now or hereafter existing under any Operative Document held by such Lender, provided such Lender shall have made any demand under such Operative Document and such obligations shall be matured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

18. Acknowledgments.

Each Credit Party hereby acknowledges that:

- a. it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Operative Documents;
- b. neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Credit Party arising out of or in connection with this Agreement or any of the other Operative Documents, and the relationship between the Credit Parties, on one hand, and Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and
- c. no joint venture is created hereby or by the other Operative Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Credit Parties and the Lenders.

19. Effect of Amendment and Restatement.

On the Amendment and Restatement Effective Date, the Existing Credit Agreement shall be amended, restated and superseded in its entirety. The parties hereto acknowledge and agree that (a) this Agreement and the other Operative Documents, whether executed and delivered in connection herewith or otherwise, do not constitute a novation, payment and reborrowing, or termination of the Obligations under the Existing Credit Agreement as in effect prior to the Amendment and Restatement Effective Date and (b) such Obligations are in all respects continuing (as amended and restated hereby) with only the terms thereof being modified as provided in this Agreement. Each Credit Party hereby reaffirms its duties and obligations under each Operative Document to which it is a party (such reaffirmation is solely for the convenience of the parties hereto and is not required by the terms of the Existing Credit Agreement). Each reference to the Credit and Guaranty Agreement in any Operative Document shall be deemed to be a reference to the Credit and Guaranty Agreement as amended and restated hereby.

20. Delivery of Lender Addenda.

Each Lender shall be deemed to have duly executed and delivered this Agreement by delivering to the Administrative Agent a Lender Addendum duly executed by such Lender, and on the Amendment and Restatement Effective Date shall hold the Loans listed as such on Schedule 1 to its Lender Addendum.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered in the State of New York by their respective officers thereunto duly authorized as of the date first above written.

CONTINENTAL AIRLINES, INC.

By: /s/ Jacques Lapointe  
Name: Jacques Lapointe

Title: Vice President - Finance

CONTINENTAL MICRONESIA, INC.

By: /s/ Mark A. Erwin

Name: Mark A. Erwin  
Title: President and Chief Executive Officer

AIR MICRONESIA, INC.

By: /s/ Mark A. Erwin

Name: Mark A. Erwin  
Title: President and Chief Executive Officer

By: /s/ Peter M. Carter

Name: Peter M. Carter  
Title: Authorized Signatory.

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Schedule 1  
to the Amended and Restated  
Credit and Guaranty Agreement

**Permitted Investments**

At any date of determination, any investment in: (i) marketable securities (a) issued or directly and unconditionally guaranteed as to interest and principal by the United States Government or (b) issued by any agency of the United States of America the obligations of which are backed by the full faith and credit of the United States of America; (ii) commercial paper issued by corporations, sovereigns or special purpose entities (i.e., asset-backed commercial paper) having, at the time of the acquisition thereof, a rating of at least A 2 from S&P or at least P 2 from Moody's, provided that a minimum of 90% of such commercial paper has a rating of not lower than A-1 from S&P and not lower than P 1 from Moody's, or if rated by only one of Moody's and S&P, not lower than the foregoing applicable rating; (iii) certificates of deposit, time deposits and bank notes of any bank or trust company rated not less than A by S&P and A2 by Moody's; (iv) corporate or municipal securities rated not less than A by S&P and A2 by Moody's; (v) mortgage backed and asset backed securities rated not less than A by S&P and A2 by Moody's; (vi) auction rate securities rated AAA by both S&P and Moody's that otherwise are treated on the balance sheet of Continental and under GAAP as short term investments; (vii) shares of any money market mutual fund having a rating of at least AA by S&P or Aa2 by Moody's; and (viii) overnight repurchase agreements at least 102% secured by collateral which otherwise are permitted investments under this definition of Permitted Investments; provided in the case of each of the investments referred to in clauses (i) through (vii) above, such investment matures within eighteen months from the date of such determination.

Schedule 2(a)  
to the Amended and Restated  
Credit and Guaranty Agreement

**Description of Trans-Pacific Routes**

- o Houston (IAH) - Tokyo Narita (NRT)
- o Newark (EWR) - Tokyo Narita (NRT)
- o Newark (EWR) - Hong Kong (HKG)

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Schedule 2(b)  
to the Amended and Restated  
Credit and Guaranty Agreement

**Description of Narita Slots**

**(i) Slots at Narita Airport, Tokyo, Japan - Summer 2006 IATA Schedule\***

Holder	Runway	Arrival	Departure	Frequency
Continental	A	13:50	-	Daily
Continental	A	13:55	-	Sat
Continental	A	14:20	-	Mon, Tues, Wed, Thurs, Fri, Sun
Continental	A	-	15:45	Daily
Continental	A	-	16:20	Mon, Wed, Thurs, Fri, Sat, Sun
Continental	A	-	16:30	Tues

\* Subject to change.

**(ii) Slots at Narita Airport, Tokyo, Japan - Winter 2006 IATA Schedule\***

Holder	Runway	Arrival	Departure	Frequency
Continental	A	15:05	-	Daily
Continental	A	15:25	-	Tues
Continental	A	15:35	-	Mon, Wed, Thurs, Fri, Sat, Sun
Continental	A	17:05	-	Daily

<u>Continental</u>	<u>A</u>	-	<u>17:30</u>	<u>Daily</u>
<u>Continental</u>	<u>A</u>	-	<u>17:30</u>	<u>Daily</u>

\* Subject to change.

Schedule 3(a)  
to the Amended and Restated  
Credit and Guaranty Agreement

**Description of CMI Routes**

**(Currently Operated)**

<b><u>Japan</u></b>	<u>Guam - Tokyo</u> <u>Guam - Nagoya</u> <u>Guam - Fukuoka</u> <u>Guam - Sendai</u> <u>Guam - Sapporo</u> <u>Guam - Okayama</u> <u>Guam - Niigata</u> <u>Guam - Hiroshima</u>
<b><u>Hawaii</u></b>	<u>Honolulu - Guam</u> <u>Honolulu - Nagoya</u> <u>Honolulu - Majuro</u> <u>Honolulu - Kwajalein</u>
<b><u>Micronesian Islands</u></b>	<u>Guam - Koror</u> <u>Guam - Kwajalein</u> <u>Guam - Truk</u> <u>Guam - Saipan</u> <u>Guam - Yap</u> <u>Pohnpei - Truk</u> <u>Kwajalein - Majuro</u> <u>Kosrae - Pohnpei</u> <u>Kosrae - Kwajalein</u> <u>Koror - Yap</u>
<b><u>Philippines</u></b>	<u>Manila - Guam</u> <u>Manila - Saipan</u> <u>Manila - Koror</u>
<b><u>Other Pacific Rim</u></b>	<u>Guam - Denpasar-Bali</u>
<u>Indonesia</u>	<u>Guam - Cairns</u>
<u>Australia</u>	
<u>Hong Kong</u>	<u>Guam - Hong Kong</u>

Note: Excludes routes served via code-share with Cape Air.

Schedule 3(b)  
to the Amended and Restated  
Credit and Guaranty Agreement

**Description of CMI Narita Slots**

**i. Slots at Narita Airport, Tokyo, Japan - Summer 2006 IATA Schedule\***

<u>Holder</u>	<u>Runway</u>	<u>Arrival</u>	<u>Departure</u>	<u>Frequency</u>
<u>CMI</u>	<u>B</u>	<u>8:55</u>	-	<u>Thurs, Fri</u>
<u>CMI</u>	<u>B</u>	<u>9:10</u>	-	<u>Mon, Tues, Wed, Sat, Sun</u>
<u>CMI</u>	<u>A</u>	<u>13:25</u>	-	<u>Fri</u>
<u>CMI</u>	<u>A</u>	<u>14:45</u>	-	<u>Mon, Tues, Wed, Thurs, Sat, Sun</u>
<u>CMI</u>	<u>B</u>	<u>19:15</u>	-	<u>Mon, Wed, Thurs, Sat</u>
<u>CMI</u>	<u>A</u>	<u>19:15</u>	-	<u>Tues, Fri, Sun</u>
<u>CMI</u>	<u>B</u>	-	<u>10:30</u>	<u>Mon, Wed, Thurs, Sat, Sun</u>
<u>CMI</u>	<u>B</u>	-	<u>11:30</u>	<u>Tues, Fri</u>
<u>CMI</u>	<u>A</u>	-	<u>15:50</u>	<u>Daily</u>
<u>CMI</u>	<u>B</u>	-	<u>20:25</u>	<u>Mon, Wed, Thurs, Sat</u>
<u>CMI</u>	<u>A</u>	-	<u>20:25</u>	<u>Tues, Fri, Sun</u>

\* Subject to change.

**(ii) Slots at Tokyo Narita, Japan - Winter 2006 IATA Schedule\***

<u>Holder</u>	<u>Runway</u>	<u>Arrival</u>	<u>Departure</u>	<u>Frequency</u>
CMI	B	9:25	-	Fri
CMI	B	9:55	-	Mon, Tues, Wed, Thurs, Sat, Sun
CMI	A	15:25	-	Daily
CMI	B	19:25	-	Wed
CMI	A	19:30	-	Tues, Fri, Sun
CMI	B	19:30	-	Mon, Thurs
CMI	B	20:00	-	Sat
CMI	B	-	11:05	Mon, Wed, Thurs, Fri, Sat, Sun
CMI	B	-	11:30	Tues
CMI	A	-	16:55	Fri
CMI	A	-	17:15	Tues, Wed, Thurs, Sat, Sun
CMI	A	-	17:30	Mon
CMI	A	-	20:40	Tues, Fri, Sun
CMI	B	-	20:40	Mon
CMI	B	-	20:40	Wed, Sat
CMI	B	-	21:00	Thurs

\* Subject to change.

Schedule 4  
to the Amended and Restated  
Credit and Guaranty Agreement

**Description of AMI Routes**

**(Currently Operated)**

<b>Micronesian Islands</b>	Guam - Koror
<b>Philippines</b>	Manila - Guam Manila - Saipan Manila - Koror

Schedule 5  
to the Amended and Restated  
Credit and Guaranty Agreement

**Existing Affiliate Transactions of AMI and CMI**

None.

Schedule 6  
to the Amended and Restated  
Credit and Guaranty Agreement

**CMI Cash Management Practices**

CMI Concentration Account: The CMI Concentration account is used as a mechanism to concentrate certain CMI cash flows. Any surplus or deficit of funds in this account is swept daily to and from Continental Airlines main concentration account at JP Morgan Chase. CMI's Local USD bank accounts all concentrate to this main CMI concentration account. The concentration account is used to fund certain expenses such as payroll and expenses processed via EDI in Houston and taxes.

Local Bank Accounts (USD): The local USD bank accounts are primarily used for local USD collections via ticket sales, excess baggage fees, and freight at the airports CMI services. The exception is the USD accounts residing at the Bank of Guam. The Bank of Guam account is used to issues payroll checks and cover local expenses. Any surplus or deficits are swept to or from the CMI concentration account.

Local Bank Accounts (FCY): The local foreign currency (FCY) accounts are used to collect and disburse funds in the specific country CMI provides services. Local deposits for ticket sales, excess baggage fees, and freight are used to fund local expenses for items such as ground handling, catering, local payroll, and rents. Any deficits or surplus in the FCY accounts are transferred to or from the CMI concentration account via FX transfers.

IATA Currency Clearance Services (ICCS): ICCS is a service provided by IATA to clear foreign currency remittances from the BSP, CASS, and in some cases the GSA. The local currency is either converted to USD by Citibank London or transferred back to the local account to cover future expenses. The USD is transferred to Continental Airlines per pre-established instructions.

**BSP: Billing & Settlement Plan**

The method of providing and issuing standard traffic documents and other accountable forms, and of accounting and settling accounts for the issuance of such documents between certain airlines (and any other persons provided with BSP facilities) and IATA accredited agents in accordance with the applicable sales agency rules of IATA as established and managed by IATA in various countries or areas.

CASS: Cargo account settlement system

The equivalent of the BSP system (see definition above), but for airlines' cargo sales

GSA: General Sales Agent

An organization appointed by an airline, with delegated general authority for the promotion and sale of passenger air transportation for that Airline in a given country/territory.

**CMI Banking Overview**

**(000's)**

Schedule 7  
to the Amended and Restated  
Credit and Guaranty Agreement

Existing Indebtedness

<u>Obligation</u>	<u>Balance @ 12/31/04 (000s)</u>	<u>Rate</u>	<u>Maturity</u>
<u>Aloha Note</u>	<u>\$668</u>	<u>12%</u>	<u>December 2011</u>
<u>Payable to CAL</u>	<u>\$34,373</u>	<u>0%</u>	<u>n.a.</u>

Schedule 8  
to the Amended and Restated  
Credit and Guaranty Agreement

General Parameters Relating to Allocable Share of Internal Costs

Major allocation drivers for Continental charges to AMI and CMI for G&A:

1. Actual expense if determinable
2. Allocation of estimated full time equivalent (employee)
3. Estimated support costs
4. Number of enplanements or onboards
5. Number of employees or participants in certain benefits systems and programs
6. % of available seat miles
7. % of revenue passenger miles
8. % of fuel volume
9. % of technology systems or devices utilized

Enplanements only count a passenger at their point of origin. A second enplanement is not counted for the connecting flight. Onboards are the number of passengers on the aircraft. The passenger is counted for each segment flown.

Exhibit A  
to the Amended and Restated  
Credit and Guaranty Agreement

FORM OF TRANCHE A-1 AND A-2 NOTES

Exhibit B  
to the Amended and Restated  
Credit and Guaranty Agreement

FORM OF ASSIGNMENT AND ACCEPTANCE

Exhibit C  
to the Amended and Restated  
Credit and Guaranty Agreement

FORM OF COLLATERAL CERTIFICATE

Exhibit D  
to the Amended and Restated  
Credit and Guaranty Agreement

FORM OF SECTION 2.16 CERTIFICATE

Exhibit E  
to the Amended and Restated  
Credit and Guaranty Agreement

FORM OF LENDER ADDENDUM

Supplemental Agreement No. 39

to

Purchase Agreement No. 1951

between

The Boeing Company

and

Continental Airlines, Inc.Relating to Boeing Model 737 Aircraft

—  
 —  
 THIS SUPPLEMENTAL AGREEMENT, entered into as of

August 3, 2006, by and between THE BOEING COMPANY (Boeing) and Continental Airlines, Inc. (Buyer);

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

WHEREAS, Buyer wishes to purchase the 737-900ER Aircraft; thus Boeing and Buyer agree to add this Aircraft model type to the Agreement;

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

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

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

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

WHEREAS, Boeing agrees to provide to Buyer certain training and promotional elements in support of Buyers introduction of the 737-900ER Aircraft; and

WHEREAS, as Boeing no longer manufactures the 737-900 Aircraft, the 737-900 Aircraft shall no longer be available for Buyer to purchase under the Agreement.

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

1. Table of Contents, Articles, Tables and Exhibits:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 39.

1.2 Remove and replace, in its entirety, Article 1 "Subject Matter of Sale", with the Article 1 attached hereto, to reflect the changes made by this Supplemental Agreement No. 39 for inclusion of the 737-900ER Aircraft.

1.3 Remove and replace, in its entirety, Article 3 "Price of Aircraft", with the Article 3 attached hereto, to reflect the changes made by this Supplemental Agreement No. 39 for inclusion of the 737-900ER Aircraft.

1.4 Remove and replace, in its entirety, Article 7 "Changes to the Detail Specification", with the Article 7 attached hereto, to reflect the changes made by this Supplemental Agreement No. 39 for inclusion of the 737-900ER Aircraft.

1.5 Remove and replace, in its entirety, Article 8 "Federal Aviation Requirements and Certificates and Export License", with the Article 8 attached hereto, to reflect the changes made by this Supplemental Agreement No. 39 for inclusion of the 737-900ER Aircraft.

1.6 Remove and replace, in its entirety, Article 14 "Contractual Notices and Requests", with the Article 14 attached hereto.

1.7 Remove and replace, in its entirety, page T-2-2 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-700 Aircraft", with the revised page T-2-2 of Table 1 attached hereto.

1.8 Remove and replace, in its entirety, pages T-2-3 and T-2-4 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-700 Aircraft", with the revised pages T-2-3 and T-2-4 of Table 1 attached hereto.

1.9 Remove and replace, in its entirety, pages T-3-4 and T-3-5 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-800 Aircraft", with the revised page T-3-4 of Table 1 attached hereto. Page T-3-5 is deleted as all related aircraft are now listed on page T-3-4.

1.10 Remove and replace, in its entirety, page T-5-2 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-900 Aircraft", with the revised page T-5-2 of Table 1 attached hereto.

1.11 Add page T-6-1 of Table 1 entitled, "Aircraft Deliveries and Descriptions, Model 737-900ER Aircraft", attached hereto.

1.12 Add Exhibit A-9, "Aircraft Configuration - Model 737-900ER", to reflect 2005 base pricing for Aircraft.

1.13 Remove and replace, in its entirety, Exhibit C1 entitled the "Customer Support Document - Code Three - Minor Model Differences", with the revised Exhibit C1 attached hereto, to reflect the changes made by this Supplemental Agreement No. 39 for inclusion of the 737-900ER Aircraft.

1.14 Remove and replace, in its entirety, Exhibit E entitled the "Buyer Furnished Equipment Provisions Document", with the revised Exhibit E attached hereto, to reflect the changes made by this Supplemental Agreement No. 39 for inclusion of the 737-900ER Aircraft.

## 2. Letter Agreements:

2.1 Remove and replace, in its entirety, Letter Agreement 1951-2R3, "Seller Purchased Equipment", with the revised Letter Agreement 1951-2R4 attached hereto.

2.2 Remove and replace, in its entirety, Letter Agreement 1951-5R2 "Promotional Support - Next Generation Aircraft", with the revised Letter Agreement 1951-5R3 attached hereto.

2.3 Add Letter Agreement 1951-15 "Configuration Matters -Generation Aircraft (1995 Base Price Model 737-924ER", attached hereto.

2.4 Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-308R3 "Disclosure of Confidential Information", with the revised Letter Agreement 6-1162-MMF-308R4 attached hereto.

2.5 Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-311R4 "Lease of Additional Gross Weight for Model 737 Aircraft", with the revised Letter Agreement 6-1162-MMF-311R5 attached hereto.

2.6 Remove and replace, in its entirety, Letter Agreement 6-1162-GOC-131R5 "Special Matters", with the revised Letter Agreement 6-1162-GOC-131R6 attached hereto.

2.7 Add Letter Agreement 6-1162-MSA-768 "Performance Guarantees - Model 737-924ER Aircraft", attached hereto.

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The Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

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THE BOEING COMPANY Continental Airlines, Inc.

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

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

Finance and Treasurer

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#### **ARTICLE 1. Subject Matter of Sale.**

1.1 The Aircraft. Boeing will manufacture and deliver to Buyer and Buyer will purchase and accept delivery from Boeing the Model 737 aircraft (the Aircraft) described below in the quantities of the model types shown in Table 1, Aircraft Deliveries and Descriptions for Model 737 Aircraft, to this Agreement and manufactured in accordance with the detail specifications identified below (Detail Specification).

##### **1.1.1 Current Generation Aircraft.**

Model 737-524 Aircraft (the Current Generation Aircraft) which will be manufactured in accordance with the Boeing detail specification as described in Exhibit A-4, and as modified from time to time in accordance with this Agreement.

##### **1.1.2 Next Generation Aircraft.**

Model 737-724, Model 737-824, Model 737-624, Model 737-924 and Model 737-924ER Aircraft (the Next Generation Aircraft) which will be manufactured in accordance with the Boeing detail specifications described in Exhibits A-1, A-2, A-3, A-5, A-6, A-7, A-8 and A-9, respectively, and as modified from time to time in accordance with this Agreement.

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

1.3 Performance Guarantees. Any performance guarantees applicable to the Aircraft will be expressly included in this Agreement. Where performance guarantees are included in this Agreement other than within the Detail Specification, such guarantees will be treated as being incorporated in the Detail Specification by this reference.

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

### ARTICLE 3. Price of Aircraft.

#### 3.1 Definitions.

##### 3.1.1 Current Generation Aircraft.

3.1.1.1 Special Features are the features listed in Exhibit A-4 which Buyer has selected for incorporation in Current Generation Aircraft.

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

3.1.1.3 Engine Price is the price established by the Engine manufacturer for the Engines installed on the Aircraft including all accessories, equipment and parts set forth in Exhibit D-1.

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

3.1.1.5 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airframe, Engine and Special Features) as calculated pursuant to Exhibit D-1.

3.1.1.6 Base Airplane Price is the Aircraft Basic Price excluding the price of Special Features, but including Engines.

##### 3.1.2 Next Generation Aircraft [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

3.1.2.1 Special Features are the features listed in Exhibits A-1, A-2, A-3, and A-5, which Buyer has selected for incorporation in Next Generation Aircraft.

3.1.2.2 Base Airplane Price is the Aircraft Basic Price excluding the price of Special Features, but including Engines.

3.1.2.3 Aircraft Basic Price is comprised of the Base Airplane Price and the price of the Special Features.

3.1.2.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airplane and Special Features) as calculated pursuant to Exhibit D for Aircraft expressed in July 1995 dollars and Exhibit D-2 for Aircraft expressed in July 1997 dollars.

##### 3.1.3 Next Generation Aircraft [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

3.1.3.1 Special Features are the features listed in Exhibits A-6, A-7, A-8 and A-9, which Buyer has selected for incorporation in Next Generation Aircraft.

3.1.3.2 Base Airplane Price is the Aircraft Basic Price excluding the price of Special Features, but including Engines.

3.1.3.3 Aircraft Basic Price is comprised of the Base Airplane Price and the price of the Special Features.

3.1.3.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airplane and Special Features) as calculated pursuant to Exhibit D-3 for Aircraft expressed in July 2003 dollars, except for 737-924ER Aircraft that are expressed in 2005 dollars.

#### 3.2 Aircraft Basic Price.

##### 3.2.1 Current Generation Aircraft:

###### 3.2.1.1 Model 737-524 Aircraft.

The Aircraft Basic Price of each 737-524 Aircraft, expressed in July 1995 dollars, is set forth below:

Base Airframe Price: [CONFIDENTIAL MATERIAL OMITTED

Special Features AND FILED SEPARATELY WITH THE

Engine Price SECURITIES AND EXCHANGE

COMMISSION PURSUANT TO A

Aircraft Basic Price REQUEST FOR CONFIDENTIAL

TREATMENT]

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

3.2.2.1 Model 737-624 Aircraft.

The Aircraft Basic Price of each 737-624 Aircraft, expressed in July 1995 dollars, is set forth below:

Base Airplane Price: [CONFIDENTIAL MATERIAL OMITTED]

Special Features AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE

Aircraft Basic Price COMMISSION PURSUANT TO A

REQUEST FOR CONFIDENTIAL

TREATMENT]

Special Features \$ 1,350,000

Aircraft Basic Price \$29,327,000

3.2.2.2 Model 737-724 Aircraft.

The Aircraft Basic Price of each 737-724 Aircraft, expressed in July 1995 dollars, is set forth in Table 1 page T-2-1.

3.2.2.3 Model 737-824 Aircraft.

The Aircraft Basic Price of each 737-824 Aircraft, expressed in July 1995 dollars, is set forth in Table 1 pages T-3-1, T-3-2 and T-3-3.

3.2.2.4 Model 737-924 Aircraft.

The Aircraft Basic Price of each 737-924 Aircraft, expressed in July 1997 dollars, is set forth in Table 1 page T-5-1.

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

3.2.3.1 Model 737-724 Aircraft.

The Aircraft Basic Price of each 737-724 Aircraft, expressed in July 2003 dollars, is set forth in Table 1 page T-2-2, T-2-3 and T-2-4.

3.2.3.2 Model 737-824 Aircraft.

The Aircraft Basic Price of each 737-824 Aircraft, expressed in July 2003 dollars, is set forth in Table 1 pages T-3-4.

3.2.2.4 Model 737-924ER Aircraft.

The Aircraft Basic Price of each 737-924 Aircraft, expressed in 2005 dollars, is set forth in Table 1 page T-6-1.

3.3 Aircraft Price. The total amount that Buyer is to pay for the Aircraft at the time of delivery (Aircraft Price) will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, set forth in Table 1; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibits D or D-1 or D-2 or D3, as applicable; plus

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

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the estimated delivery prices of the Aircraft have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth in Table 1.

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

#### ARTICLE 7. Changes to the Detail Specification.

7.1 Development Changes. Boeing may, at its own expense and without Buyer's consent, incorporate Development Changes in the Detail Specification and the Aircraft prior to delivery to Buyer. Development Changes are defined as changes

to the basic specification for Model 737-500/-600/-700/-800/-900/-900ER aircraft that do not affect the Aircraft Purchase Price or adversely affect Aircraft delivery, guaranteed weight, guaranteed performance or compliance with the interchangeability or replaceability requirements set forth in the Detail Specification. If Boeing makes changes Pursuant to this paragraph, Boeing will promptly notify Buyer of such changes.

ARTICLE 8. Federal Aviation Requirements and Certificates.

8.1 FAA Certificates.

8.1.1 Boeing will obtain from the Federal Aviation Administration (FAA):

8.1.1.1 a Type Certificate (transport category) issued pursuant to Part 21 of the Federal Aviation Regulations for the type of aircraft covered by this Agreement, and

8.1.1.2 a Standard Airworthiness Certificate for each Aircraft issued pursuant to Part 21 of the Federal Aviation Regulations, which will be provided to Buyer with delivery of the Aircraft.

8.1.2 Boeing will not be obligated to obtain any other certificates or approvals for the Aircraft.

8.1.3 If the use of either FAA certificate is discontinued prior to delivery of an Aircraft, references in this Agreement to such discontinued certificate will be deemed references to its superseding FAA certificate. If the FAA does not issue a superseding certificate, Boeing's only obligation under this paragraph will be to comply with the Detail Specification.

8.2 FAA Manufacturer Changes.

8.2.1 If the FAA, or any other governmental agency having jurisdiction, requires any change to the Aircraft, data relating to the Aircraft, or testing of the Aircraft in order to obtain the Standard Airworthiness Certificate (Manufacturer Change), such Manufacturer Change will be made prior to delivery of such Aircraft.

8.2.2 If prior to Aircraft delivery a Manufacturer Change is required to be incorporated in an Aircraft, it will be incorporated [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

8.3 FAA Operator Changes.

8.3.1 Boeing will deliver each Aircraft with the changes in equipment incorporated (or, at Boeing's sole discretion, with suitable provisions for the incorporation of such equipment) that is required by Federal Aviation Regulations which (i) are generally applicable with respect to transport category aircraft to be used in United States certified air carriage and (ii) have to be complied with on or before the date of delivery of such Aircraft (Operator Changes).

8.3.2 If Operator Changes are incorporated in an Aircraft, Buyer will pay Boeing's charge applicable to such Aircraft.

8.4 Delays; Changes to this Agreement. If delivery of an Aircraft is delayed due to the incorporation of a Manufacturer Change or an Operator Change, the delivery of the Aircraft will be appropriately revised to reflect such delay. This Agreement will also be revised to reflect appropriate changes in the Aircraft Price, design, performance, weight and balance due to the incorporation of a Manufacturer Change or an Operator Change.

ARTICLE 14. Contractual Notices and Requests.

All notices and requests relating to this Agreement will be in English, and may be transmitted by any customary means of written communication addressed as follows:

Buyer: Continental Airlines, Inc.

1600 Smith Street HQSFN

Houston, TX 77002

Attention: Sr. V.P. Finance & Treasurer

Boeing: Boeing Commercial Airplane Group  
P.O. Box 3707  
Seattle, Washington 98124-2207  
U.S.A.

Attention: Vice President - Contracts

Mail Stop 21-34

or to such other address as specified elsewhere herein or as otherwise directed in writing by either party. The effective date of any such notice or request will be the date on which it is received by the addressee.

Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-700 Aircraft

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

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

Continental Airlines, Inc.

-

Exhibit A-9 to Purchase Agreement Number 1951

(737-924ER Aircraft)

AIRCRAFT CONFIGURATION

Dated August 3, 2006

relating to

BOEING MODEL 737-924ER AIRCRAFT

Exhibit A-9

The Aircraft Basic Price in Table 1 page T-6-1 was established utilizing the Boeing Specification D019A00, Revision J, dated June 21, 2006, and features of:

- Engines CFM56-7B26
- Features and change of last 737-924 delivered

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

- following letter 6-1162-MSA-766 Attachment 1 features:

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

NOTE: With respect to the Galley and Lav. (balance of listed items in the Attachment 1), Buyer has opportunity to alter the selection up to Final Configuration. As such, the Galley and Lav. pricing is based on 737-924 delivered Aircraft YD612, and is subject to change based on Final Configuration.

- Maximum Landing Weight (MLW) - [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- Maximum Zero Fuel Weight (MZFW) - [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

The content of this Exhibit A-9 will be defined pursuant to the provisions of Letter Agreement 1951-15, Configuration Matters, to the Purchase Agreement.

Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment (BFE), Seller Purchased Equipment (SPE) or Inflight Entertainment/Cabin Communications Systems (IFE/CCS) Equipment.

CUSTOMER SUPPORT DOCUMENT NO. 1951

Dated \_\_\_\_\_

Relating to

BOEING MODEL 737-524/-924/-924ER AIRCRAFT

-

This Customer Support Document is Exhibit C1 to and forms a part of Purchase Agreement No. 1951 between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to the purchase of Boeing Model 737-524, Model 737-924 and Model 737-924ER aircraft. This Customer Support Document consists of the following parts:

Part A Boeing Maintenance Training Program

Part B Boeing Customer Support Services

Part C Boeing Flight Training Program

Part D Technical Data and Documents

Part E Buyer's Indemnification of Boeing and Insurance

Part F Alleviation or Cessation of Performance

1951PA/CALCONTINENTAL AIRLINES, INC.

-

-

-

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit E to Purchase Agreement Number 1951

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

Dated August 3, 2006

Relating to

BOEING MODEL 737 AIRCRAFT

This Buyer Furnished Equipment Provisions Document is Exhibit E to and forms a part of Purchase Agreement No. 1951, between The Boeing Company (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to the purchase of Boeing Model 737 aircraft.

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

1. General.

Certain equipment to be installed in the Aircraft is furnished to Boeing by Buyer at Buyer's expense. This equipment is designated "Buyer Furnished Equipment" (BFE) and is listed in the Detail Specification. On or before April 4, 1997 for Model 737-724, July 3, 1997 for Model 737-824, August 31, 2000 for Model 737-924, and [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for Model 737-924ER, Boeing will provide to Buyer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth in the attachment to this Exhibit.

2. Supplier Selection.

Buyer will:

2.1 Select and notify Boeing of the suppliers of the following BFE items by the following dates should these items not be selected as SPE by Buyer:

Model 737-724 Model 737-824

Galley System Complete Complete

Seats (passenger) Complete Complete

Model 737-924 Model 737-524

Galley System Complete Complete

Seats (passenger) Complete Complete

Model 737-924ER

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

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

2.2 Meet with Boeing and such selected BFE suppliers promptly after such selection to:

2.2.1 complete BFE configuration design requirements for such BFE; and

2.2.2 confirm technical data submittal dates for BFE certification.

### 3. Buyer's Obligations.

Buyer will:

3.1 comply with and cause the supplier to comply with the provisions of the BFE Document or BFE Report;

3.1.1 deliver technical data (in English) to Boeing as required to support installation and FAA certification in accordance with the schedule provided by Boeing or as mutually agreed upon during the BFE meeting referred to above;

3.1.2 deliver BFE including production and/or flight training spares to Boeing in accordance with the quantities and schedule provided therein; and

3.1.3 deliver appropriate quality assurance documentation to Boeing as required with each BFE part (D6-56586, "BFE Product Acceptance Requirements");

3.2 authorize Boeing to discuss all details of the BFE directly with the BFE suppliers;

3.3 authorize Boeing to conduct or delegate to the supplier quality source inspection and supplier hardware acceptance of BFE at the supplier location;

3.3.1 require supplier's contractual compliance to Boeing defined source inspection and supplier delegation programs, including availability of adequate facilities for Boeing resident personnel; and

3.3.2 assure that Boeing identified supplier's quality systems be approved to Boeing document D1-9000;

3.4 provide necessary field service representation at Boeing's facilities to support Boeing on all issues related to the installation and certification of BFE;

3.5 deal directly with all BFE suppliers to obtain overhaul data, provisioning data, related product support documentation and any warranty provisions applicable to the BFE;

3.6 work closely with Boeing and the BFE suppliers to resolve any difficulties, including defective equipment, that arise;

3.7 be responsible for modifying, adjusting and/or calibrating BFE as required for FAA approval and for all related expenses;

3.8 warrant that the BFE will meet the requirements of the Detail Specification; and

3.9 be responsible for providing equipment which is FAA certifiable at time of Aircraft delivery, or for obtaining waivers from the applicable regulatory agency for non-FAA certifiable equipment.

### 4. Boeing's Obligations.

Other than as set forth below, Boeing will provide for the installation of and install the BFE and obtain certification of the Aircraft with the BFE installed.

### 5. Nonperformance by Buyer.

If Buyer's nonperformance of obligations in this Exhibit or in the BFE Document causes a delay in the delivery of the Aircraft or causes Boeing to perform out-of-sequence or additional work, Buyer will reimburse Boeing for all resulting expenses and be deemed to have agreed to any such delay in Aircraft delivery. In addition Boeing will have the right to:

5.1 provide and install specified equipment or suitable alternate equipment and increase the price of the Aircraft accordingly; and/or

5.2 deliver the Aircraft to Buyer without the BFE installed.

### 6. Return of Equipment.

BFE not installed in the Aircraft will be returned to Buyer in accordance with Buyer's instructions and at Buyer's expense.

### 7. Title and Risk of Loss.

Title to and risk of loss of BFE will at all times remain with Buyer or other owner. Boeing will have only such liability for BFE as a bailee for mutual benefit would have, but will not be liable for loss of use.

### 8. Indemnification of Boeing.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including any Aircraft, arising out of or in any way connected with [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. This indemnity will not apply with respect to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

### 9. Patent Indemnity.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims, suits, actions, liabilities, damages and costs arising out of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

### 10. Definitions.

For the purposes of the above indemnities, the term "Boeing" includes The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

Item Preliminary On-Dock Dates

Dates for 1st delivery of each model:

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

1951-2R4

August 3, 2006

-  
Continental Airlines, Inc.  
1600 Smith St.

Houston, TX 77002

-  
Subject: Letter Agreement No. 1951-2R4 to  
Purchase Agreement No. 1951 -  
Seller Purchased Equipment

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996(the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-2R3 dated May 21, 1998.

For purposes of this Letter Agreement the following definitions apply:

Seller Purchased Equipment (SPE) is Buyer Furnished Equipment (BFE) that Boeing purchases for Buyer.

Developmental Buyer Furnished Equipment (DBFE) is all BFE not previously certified for installation on the Aircraft.

This Letter Agreement does not include developmental avionics. Developmental avionics are avionics that have not been previously certified for installation on the Aircraft.

All other terms used herein and in the Agreement, and not defined above, will have the same meaning as in the Agreement.

Buyer has requested and Boeing hereby agrees that Boeing will purchase as SPE certain BFE identified by Buyer pursuant to Change Requests. Accordingly, Boeing and Buyer agree with respect to such SPE as follows:

1. Price.

Advance Payments. An estimated SPE price will be included in the Aircraft Advance Payment Base Price for the purpose of establishing the advance payments for each Aircraft. The estimated price of this SPE for each Aircraft, expressed in 1995 U.S. dollars, except for the 737-900, which is expressed in 1997 U. S. dollars, is listed below, and except for the 737-900ER, which is expressed in 2005 U. S. dollars, is listed below.

Model Estimated Price Base

for SPE Year \$s

737-500 [CONFIDENTIAL MATERIAL OMITTED

737-600 AND FILED SEPARATELY WITH THE

737-700 SECURITIES AND EXCHANGE

737-800 COMMISSION PURSUANT TO A REQUEST

737-900 FOR CONFIDENTIAL TREATMENT]

737-900ER

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

2. Responsibilities.

2.1 With respect to SPE, Buyer is responsible for:

(i) selecting the supplier and advising Boeing as to the price negotiated between Buyer and supplier on or before:

-                    Model            Model            Model            Model            Model  
737-924ER        737-924        737-624        737-724        737-824

-                    -                    -                    -                    -  
galleys        **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE**        complete        complete        complete        complete

COMMISSION  
PURSUANT TO A  
REQUEST FOR  
CONFIDENTIAL  
TREATMENT

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

(ii) selecting a FAA certifiable part; and

(iii) providing to Boeing the SPE part specification/Buyer requirements.

2.2. With respect to SPE, Boeing is responsible for:

(i) placing and managing the purchase order with the supplier;

(ii) coordinating with the suppliers on technical issues;

(iii) ensuring that the delivered SPE complies with the part specification;

(iv) obtaining certification of the Aircraft with the SPE installed; and

(v) obtaining for Buyer the supplier's standard warranty for the SPE. SPE is deemed to be BFE for purposes of Exhibit B, the Product Assurance Document, of the Agreement.

3. Supplier Selection For SPE Galleys and Seats.

In addition to those responsibilities described above, for SPE galleys and seats the following provisions apply with respect to Buyer's selection of suppliers:

Galley Requirements. Buyer will provide Boeing not later than August 7, 1996 the definitive galley configuration requirements for the Model 737-724. Buyer will provide Boeing not later than November 27, 1996 the definitive galley configuration requirements for the Model 737-824. Buyer will provide Boeing not later than May 1, 1997 the definitive galley configuration requirements for the Model 737-624. Buyer has provided Boeing the definitive galley configuration requirements for the Model 737-924. Buyer will provide Boeing not later than August 18, 2006 the definitive galley configuration requirements for the Model 737-924ER.

Bidder's List. Boeing has submitted to Buyer, for information purposes, a bidder's list of existing suppliers of seats and galleys.

Request for Quotation (RFQ). Boeing has issued its RFQ inviting such potential bidders to submit bids for the galleys and seats by July 15, 1996 for the Model 737-724 and -824 Aircraft. Boeing will advise such date for the Model 737-624, -924 and -924ER Aircraft.

Recommended Bidders. Boeing has submitted to Buyer a list of recommended bidders from which to choose a supplier for the galleys and seats. The recommendation is based on an evaluation of the bids submitted using price, weight, warranty and schedule as the criteria.

Supplier Selection. If Buyer selects a seat or galley supplier that is not on the Boeing recommended list, such seat or galley will become BFE and the provisions of Exhibit E, Buyer Furnished Equipment Provisions Document, of the Agreement will apply.

4. Changes.

After this Letter Agreement is signed, changes to SPE may only be made by and between Boeing and the suppliers. Buyer's contacts with SPE suppliers relating to design (including selection of materials and colors), weights, prices (except for price negotiation prior to the supplier selection date) or schedules are for informational purposes only. If Buyer wants changes made to any of the above, requests must be made directly to Boeing for negotiating with the supplier.

5. Proprietary Rights.

Boeing's obligation to purchase SPE will not impose upon Boeing any obligation to compensate Buyer or any supplier for any proprietary rights Buyer may have in the design of the SPE.

6. Remedies.

If Buyer does not comply with the obligations above, Boeing may:

(i) delay delivery of the Aircraft for the period of non-compliance;

(ii) deliver the Aircraft without installing the SPE;

(iii) substitute a comparable part and invoice Buyer for the cost; and/or

(iv) increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance.

7. Buyer Participation in Price Negotiations for SPE. Subject to the following conditions, Boeing agrees that Buyer may negotiate the price with vendors for certain items of BFE which have been changed to SPE pursuant to this Letter Agreement.

a. Number of Items. Boeing and Buyer have mutually agreed on a list of specific equipment (the SPE Item) for which Buyer shall negotiate directly with the vendors to establish the price for each SPE Item. The SPE Item list includes seats, galleys, and interior furnishings. Buyer shall provide the price of the SPE Item when Buyer notifies Boeing of the SPE Item vendor.

b. Required Dates. Boeing's agreement to permit Buyer to negotiate prices with vendors for SPE Items is subject to Buyer's agreement to meet all of Boeing's required dates with respect to each SPE Item.

c. Right to Approve Selected Vendors. Boeing shall retain the right to reasonably approve the list of vendors for each SPE Item.

8. Buyer's Indemnification of Boeing.

Buyer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any SPE and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing, whether active, passive or imputed. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the SPE.

Very truly yours,

THE BOEING COMPANY

-

By /s/ Michael S. Anderson  
Its Attorney-In-Fact

Its Attorney-In-Fact

-

ACCEPTED AND AGREED TO this

Date: August 3, 2006

CONTINENTAL AIRLINES, INC.

-

-

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

1951-5R3

August 3, 2006

Continental Airlines, Inc.  
1600 Smith Street  
Houston, TX 77002

Subject: Letter Agreement No. 1951-5R3 to

Purchase Agreement No. 1951 -

Promotional Support - Next Generation Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-624/-724/-824/-924/-924ER aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-5R2 dated May 21, 1996.

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

1. Planning Meeting.

Boeing will assist Buyer in the introduction of the Aircraft by providing to Buyer certain promotional support. Promptly after execution of the Agreement and before any funds are disbursed, a Boeing Airline Promotion representative will meet with Buyer's designated representatives to discuss the extent, selection, scheduling, and disbursement process for the promotion support to be provided.

2. Support Level.

Model 737-624/-724/-824/-924 Aircraft. Boeing will make available to Buyer [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Programs include marketing research; tourism development; corporate identity; direct marketing; video tape, film or still photography requirements; planning, design and production of collateral materials; management of promotion programs; and advertising campaigns.

-

Model 737-924ER Aircraft. In support of Buyers's marketing and promotion programs associated with the the Model 737-924ER and introduction of the Aircraft into service, Boeing **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. These programs may include marketing research; tourism development; corporate identity; direct marketing; video tape, or still photography; planning, design and production of collateral materials; management of promotion programs and advertising campaigns. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

### 3. Additional Support.

Additional promotional support may be provided by Boeing subject to the parties reaching mutual agreement as to the type of services, timing and price.

Buyer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

Very truly yours,

THE BOEING COMPANY

By /s/ Michael S. Anderson

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: August 3, 2006

CONTINENTAL AIRLINES, INC.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

1951-15

August 3, 2006

Continental Airlines, Inc.  
1600 Smith Street

Houston, Texas 77002

Subject: Letter Agreement No. 1951-15 to  
Purchase Agreement No. 1951 -  
Configuration Matters - Model 737-924ER

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-924ER aircraft (the Aircraft).

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

### 1. Aircraft Configuration.

1.1 Preliminary Configuration. Boeing and Buyer have established a preliminary configuration (Preliminary Configuration) for the Aircraft which is comprised of the Boeing Specification D019A00, Revision J, dated June, 21, 2006.

1.2 Selection of Change Requests for Final Configuration. On or before September 20, 2006, or unless otherwise previously agreed to between Boeing and Buyer, Boeing and Buyer will develop a complete list of change requests (Accepted Change Requests) selected for incorporation in the Aircraft. The Preliminary Configuration, and Buyer's list of Accepted Change Requests and master changes (Master Changes) will comprise the final configuration (Final Configuration) of the Aircraft.

1.3 Amendment to the Agreement. Prior to October 30, 2006, Boeing and Buyer shall execute a Supplemental Agreement amending the Agreement as required to reflect the Final Configuration.

1.4. Buyer's Detail Specification. Within 90 days after Final Configuration, Boeing will provide to Buyer the Detail Specification reflecting the Aircraft Final Configuration. This Detail Specification will also reflect changes made

to Boeing's basic Model 737-900ER aircraft specification between August 1, 2006 and the date of execution of the Supplemental Agreement referenced in paragraph 1.3 above.

2. Preliminary Pricing Estimates. Buyer understands that Boeing cannot establish the final Aircraft Basic Price and Advance Payment Base Price of the Aircraft until Final Configuration of the Aircraft is known. For Buyer's planning purposes, however, an estimate for the Aircraft Basic Price and Advance Payment Base Price of the Aircraft has been established using an estimated amount of Special Features, which may or may not accurately reflect Buyer's final selection of special features.

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

3.1 Final [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The performance guarantees applicable to the Aircraft are set forth in the Attachment to Letter Agreement No. 6-1162-MSA-768 and represent the guaranteed performance of the Aircraft as described in the Preliminary Configuration. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4. Cabin Systems Equipment. Buyer's Cabin Systems Equipment configuration for delivery on the Aircraft is to be finalized by October 4, 2006. Based on such configuration, if an Installation of Cabin Systems Equipment letter agreement is necessary, the letter agreement shall be completed by the parties by [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

5. Lease of Additional Gross Weight for Model 737-924ER Aircraft. Per Paragraph 3.1 of Letter Agreement 6-1162-MMF-311R5, the calculation set MTOW value in pounds for Model 737-924ER Aircraft is 'TBD' (to be determined). [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

—  
Very truly yours,

THE BOEING COMPANY

—  
—  
By /s/ Michael S. Anderson  
Its Attorney-In-Fact

—  
ACCEPTED AND AGREED TO this

Date: August 3, 2006

CONTINENTAL AIRLINES, INC.

—  
—  
By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

—  
—  
August 3, 2006

6-1162-MMF-308R4

—  
—  
CONTINENTAL AIRLINES, INC.

2929 Allen Parkway

Houston, Texas 77019

—  
Subject: Letter Agreement No. 6-1162-MMF-308R4 to  
Purchase Agreement No. 1951 -  
Disclosure of Confidential Information

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996(the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-308R3 dated May 21, 1998.

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

1. Boeing and Buyer each understand that certain commercial and financial information contained in the documents listed below and any documents that amend, supplement or supersede such documents (Confidential Documents) is considered by the other party to be confidential.

2. Boeing and Buyer agree that each party will treat the Confidential Documents and the information contained therein as confidential and will not, without the other party's prior written consent, disclose such Confidential Documents or any information contained therein to any other person or entity except as may be required by (i) applicable law or governmental regulations; or (ii) for financing the Aircraft in accordance with the provisions of Article 10 of the Agreement.

3. In connection with any such disclosure or filing of the Confidential Documents, or the information contained therein pursuant to any such applicable law or governmental regulation, Buyer or Boeing, as applicable, will request and use its best reasonable efforts to obtain confidential treatment of such Confidential Documents and the information contained therein. Boeing and Buyer agree to cooperate with each other in making and supporting any such request for confidential treatment.

Schedule of Confidential Documents

- 
1. Letter Agreement No. 6-1162-MMF-295.
  2. Letter Agreement No. 6-1162-MMF-296.
  3. Letter Agreement No. 6-1162-MMF-309R1.
  4. Letter Agreement No. 6-1162-MMF-311R5.
  5. Letter Agreement No. 6-1162-MMF-312R1.
  6. Letter Agreement No. 6-1162-MMF-319.
  7. Letter Agreement No. 6-1162-MMF-378R1
  8. Letter Agreement No. 6-1162-GOC-015R1
  9. Letter Agreement No. 6-1162-GOC-131R6
  10. Letter Agreement No. 6-1162-DMH-365
  11. Letter Agreement No. 6-1162-DMH-624
  12. Letter Agreement No. 6-1162-DMH-1020
  13. Letter Agreement No. 6-1162-DMH-1035
  14. Letter Agreement No. 6-1162-DMH-1054
  15. Letter Agreement No. 6-1162-CHL-048
  16. Letter Agreement No. 6-1162-CHL-195
  17. Letter Agreement No. 6-1162-MSA-768

—

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

—

—

By /s/ Michael S. Anderson

Its Attorney-In-Fact

—

ACCEPTED AND AGREED TO this

Date: August 3, 2006

CONTINENTAL AIRLINES, INC.

—

—

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

6-1162-MMF-311R5

August 3, 2006

—

Continental Airlines, Inc.  
1600 Smith Street  
Houston, TX 77002

—  
Subject: Letter Agreement No. 6-1162-MMF-311R5 to Purchase Agreement No. 1951 -  
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE  
COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

—  
Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1751 dated July 23, 1996(the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-311R4 dated May 23, 2001.

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

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

5. Confidential Treatment.

Boeing and Buyer agree that certain commercial and financial information contained in this Letter Agreement is confidential and subject to the confidentiality provisions of Letter Agreement 6-1162-MMF-308R4, "Disclosure of Confidential Information."

—  
If this Letter Agreement correctly states your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

—  
—  
—  
By /s/ Michael S. Anderson

Its Attorney-In-Fact

—  
ACCEPTED AND AGREED TO this

Date: August 3, 2006

CONTINENTAL AIRLINES, INC.

—  
—  
By /s/ Gerald Laderman

Its Senior Vice President - Finance

Date: \_\_\_\_\_

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Attention: Technical Department

Reference: Letter Agreement 6-1162-MMF-311R4 to Boeing/CAL Purchase Agreement 1951

Transmitted by Facsimile: TBD

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

Very truly yours,

THE BOEING COMPANY

—  
—  
By: \_\_\_\_\_

Its: \_\_\_\_\_

August 3, 2006

6-1162-GOC-131R6

—  
—  
Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 77002

—  
Subject: Letter Agreement No. 6-1162-GOC-131R6 to Purchase

Agreement No. 1951 - Special Matters

—  
Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-GOC-131R dated March 30, 2006.

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

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

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

Advance Payment Schedule.

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

2.2 Option Aircraft and follow-on Firm. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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

4. Option Aircraft.

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

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

6. Assignment of Credits.

Buyer may not assign the credit memoranda described in this Letter Agreement without Boeing's prior written consent [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

7. Confidential Treatment.

Boeing and Buyer understand that certain information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Notwithstanding the provisions of Letter Agreement 6-1162-MMF-308R4, Boeing and Buyer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

—  
—  
By /s/ Michael S. Anderson

Its Attorney-In-Fact

—  
ACCEPTED AND AGREED TO this

Date: August 3, 2006

CONTINENTAL AIRLINES, INC.

-  
-  
By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

-  
6-1162-MSA-768

August 3, 2006

-  
CONTINENTAL AIRLINES, INC.

1600 Smith Street

Houston, Texas 77002

-  
Subject: Letter Agreement No. 6-1162-MSA-768 to

Purchase Agreement No. 1951 - [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] - Model 737-924ER

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as July 23, 1996 (the Agreement) between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to Model 737-924ER aircraft (the Aircraft).

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

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

3. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement 6-1162-MMF-308R4.

Very truly yours,

THE BOEING COMPANY

-  
-  
By /s/ Michael S. Anderson

Its Attorney-In-Fact

-  
ACCEPTED AND AGREED TO this

Date: August 3, 2006

CONTINENTAL AIRLINES, INC.

-  
-  
By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

-  
Attachment

Attachment to Letter Agreement

No. 6-1162-MSA-768

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

Page 1

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

Supplemental Agreement No. 4

to

Purchase Agreement No. 2484

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 787-8 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of July 14, 2006, by and between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2484 dated December 29, 2004 (the Purchase Agreement), as amended and supplemented, relating to Boeing Model 787-8 aircraft (the Aircraft);

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

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

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

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

1. Table of Contents, Articles, Tables and Exhibits:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 4.

1.2 Remove and replace page 1 to Table 1 entitled "Purchase Agreement 2484 Aircraft Deliveries, Description, Price and Advance Payments", with Table 1 page 1 attached hereto, to reflect update to description information.

1.3 Remove and replace page 2 to Table 1 entitled "Purchase Agreement 2484 Aircraft Deliveries, Description, Price and Advance Payments", with Table 1 page 2 attached hereto, to reflect the acceleration of the delivery positions of Aircraft made by this Supplemental Agreement No. 4.

2. Letter Agreements:

2.1 Remove and replace, in its entirety, Letter Agreement 6-1162-MSA-547R2, "Option Aircraft", with the revised Letter Agreement 6-1162-MSA-547R3 attached hereto.

2.2 Remove and replace, in its entirety, Letter Agreement 6-1162-MSA-552R3, "Special Matters", with the revised Letter Agreement 6-1162-MSA-552R4 attached hereto.

The Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

THE BOEING COMPANY CONTINENTAL AIRLINES, INC.

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

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

Finance and Treasurer

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3. Price 2

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B. Aircraft Delivery Requirements and Responsibilities 1

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BFE1. Buyer Furnished Equipment Variables 1

CS1. Customer Support Document 3

EE1. Engine Escalation/Engine Warranty and Patent Indemnity 2

SLP1. Service Life Policy Components 1

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

6-1162-MSA-552R4 Special Matters 4

6-1162-MSA-553R1 Open Matters 1

6-1162-MSA-554R2 [CONFIDENTIAL MATERIAL OMITTED AND 3

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

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Supplemental Agreement No. 1 June 30, 2005

Supplemental Agreement No. 2 January 20, 2006

Supplemental Agreement No. 3 May 3, 2006

Supplemental Agreement No. 4 July 14, 2006

(787-7 / [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] / 2004 \$s / [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT])

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

July 14, 2006

6-1162-MSA-547R3

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Option Aircraft

Reference: Purchase Agreement 2484 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 787-8 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MSA-547R2 dated May 3, 2006. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

Boeing agrees to manufacture and sell to Customer up to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

additional Model 787-8 aircraft as **Option Aircraft**. The delivery months, number of aircraft, Advance Payment Base Price per aircraft and advance payment schedule are listed in the Attachment to this Letter Agreement (the Attachment).

### 1. Aircraft Description and Changes

1.1 Aircraft Description: The Option Aircraft are described by the Detail Specification listed in the Attachment, and subject to the items in section 1.2 below.

1.2 Changes: The Detail Specification will be revised to include:

- (i) Changes applicable to the basic Model 787 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of the definitive agreement to purchase the Option Aircraft;
- (ii) Changes required to obtain required regulatory certificates; and
- (iii) Changes mutually agreed upon.

### 2. Price

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

#### 2.2 Price Adjustments.

2.2.1 Optional Features. The Optional Features Prices selected for the Option Aircraft will be adjusted to Boeing's current prices as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. The Airframe Price and the Optional Features Prices for Option Aircraft will be escalated on the same basis as the Aircraft, and will be adjusted to Boeing's then-current escalation provisions as of the date of execution of the definitive agreement for the Option Aircraft.

The engine manufacturer's current escalation provisions, listed in Exhibit Supplement EE1 to the Purchase Agreement, have been estimated to the months of scheduled delivery using commercial forecasts to calculate the Advance Payment Base Price listed in the Attachment to this Letter Agreement. The engine escalation provisions will be revised if they are changed by the engine manufacturer prior to the signing of a definitive agreement for the Option Aircraft.

2.2.3 Base Price Adjustments. The Airframe Price and the Engine Price of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then current prices as of the date of execution of the definitive agreement for the Option Aircraft.

### 3. Payment.

3.1 Customer will pay a deposit to Boeing in the amount shown in the Attachment for each Option Aircraft (Option Deposit), on the date of this Letter Agreement. If Customer exercises an option, the Option Deposit will be credited against the first advance payment due. If Customer does not exercise an option, Boeing will retain the Option Deposit for that Option Aircraft.

3.2 If Customer exercises its option to acquire an Option Aircraft, advance payments in the amounts and at the times listed in the Attachment will be payable for that Option Aircraft. The remainder of the Aircraft Price for that Option Aircraft will be paid at the time of delivery.

4. Option Exercise.

4.1 Customer may exercise an option to acquire an Option Aircraft by giving written notice to Boeing on or before the date [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the first business day of the applicable delivery month listed in the Attachment (Option Exercise Date), specific to the following scheduled positions:

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

4.2 Customer may exercise an option to acquire an Option Aircraft by giving written notice to Boeing on or before the date [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the first business day of the applicable delivery month listed in the Attachment (Option Exercise Date), specific to the following scheduled positions:

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

5. Contract Terms.

Boeing and Customer will use their best efforts to reach a definitive agreement for the purchase of an Option Aircraft, including the terms and conditions contained in this Letter Agreement, in the Purchase Agreement, and other terms and conditions as may be agreed upon to add the Option Aircraft to the Purchase Agreement as an Aircraft. If the parties have not entered into a definitive agreement within 30 days following option exercise, either party may terminate the purchase of such Option Aircraft by giving written notice to the other within 5 days. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

-  
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-

Very truly yours,

THE BOEING COMPANY

-  
-

By /s/ Michael S. Anderson

Its Attorney-In-Fact

-

ACCEPTED AND AGREED TO this

Date: July 14, 2006

CONTINENTAL AIRLINES, INC.

-  
-

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

-

Attachment

-

Attachment to

Option Aircraft Letter Agreement 6-1162-MSA-547R3

Option Aircraft Delivery, Description, Price and Advance Payments

(787-8 / [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] / 2004\$ / [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT])

-

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

July 14, 2006

6-1162-MSA-552R4

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Continental Airlines, Inc.

1600 Smith Street

-

Subject: Special Matters

Reference: Purchase Agreement No. 2484 (the Purchase Agreement)

between The Boeing Company (Boeing) and Continental

Airlines, Inc. (Customer) relating to Model 787-8 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MSA-552R3 dated May 3, 2006. All terms used and not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

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

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

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

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

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

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

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

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

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

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

8. Aircraft Invoices.

Upon Customer request, at the time of Aircraft delivery Boeing agrees to provide a separate invoice addressed to the owner/trustee of such Aircraft specifying the dollar amount to be received at the time of delivery. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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

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

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

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12. Confidential Treatment.

Boeing and Customer understand that certain information contained in this Letter Agreement, including any attachments hereto, is considered by both parties to be confidential. Boeing and Customer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

-

Very truly yours,

THE BOEING COMPANY

-

-

By /s/ Michael S. Anderson

Its Attorney-In-Fact

-

ACCEPTED AND AGREED TO this

Date: July 14, 2006

CONTINENTAL AIRLINES, INC.

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By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

-

**CERTIFICATION**

I, Lawrence W. Kellner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 19, 2006

-

/s/ Lawrence W. Kellner \_\_\_\_\_

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

-

-

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**CERTIFICATION**

I, Jeffrey J. Misner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 19, 2006

-  
/s/ Jeffrey J. Misner \_\_\_\_\_

Jeffrey J. Misner  
Executive Vice President and  
Chief Financial Officer

-  
-  
-

**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Continental Airlines, Inc. and will be retained by Continental Airlines, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

-  
Dated: October 19, 2006

-  
/s/ Lawrence W. Kellner

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

-  
/s/ Jeffrey J. Misner

Jeffrey J. Misner

Executive Vice President and

Chief Financial Officer

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-