



Each Certificate represents a fractional undivided interest in one of the four Continental Airlines 1996 Pass Through Trusts (the "Class A Trust", the "Class B Trust", the "Class C Trust" and the "Class D Trust" and, collectively, the "Trusts") formed pursuant to four separate pass through trust agreements (the "Pass Through Trust Agreements") between Continental and Wilmington Trust Company (the "Trustee"), as trustee under each Trust. Pursuant to an Intercreditor Agreement (as defined herein), (i) the Certificates of the Class B Trust are subordinated in right of payment to the Certificates of the Class A Trust, (ii) the Certificates of the Class C Trust are subordinated in right of payment to the Certificates of the Class B Trust and (iii) the Certificates of the Class D Trust are subordinated in right of payment to the Certificates of the Class C Trust. Payments of interest on the Certificates issued by each Trust (other than the Class D Trust) are supported by separate liquidity facilities for the benefit of the holders of such Certificates, each such facility provided initially by Credit Suisse, acting through its New York branch, in an amount sufficient to pay interest thereon at the applicable interest rate for such Trust on six successive quarterly distribution dates. The Certificates issued by the Class D Trust were acquired by the Owner Participant (as defined herein) or its affiliate.

The property of the Trusts includes, among other things, equipment notes (the "Equipment Notes") issued on a nonrecourse basis by the trustees of separate owner trusts (each, an "Owner Trustee") in connection with 18 separate leveraged lease transactions that refinanced the indebtedness of such Owner Trustees, originally incurred to finance the purchase of nine Boeing 737-524 aircraft and nine Boeing 757-224 aircraft (collectively, the "Aircraft") which have been leased to Continental. The Equipment Notes in respect of each Aircraft were issued in four series. Each Trust has purchased one series of the Equipment Notes issued with respect to each of the Aircraft such that all of the Equipment Notes held in each Trust will have an interest rate corresponding to the interest rate applicable to the Certificates issued by such Trust. The maturity dates of the Equipment Notes acquired by each Trust will occur on or before the final expected distribution date applicable to the Certificates issued by such Trust. The Equipment Notes issued with respect to each Aircraft are secured by a security interest in such Aircraft and an assignment of the lease relating thereto, including the right to receive rentals payable with respect to such Aircraft by Continental. Although neither the Certificates nor the Equipment Notes are direct obligations of, or guaranteed by, Continental, the amounts unconditionally payable by Continental for lease of the Aircraft will be sufficient to pay in full when due all amounts required to be paid on the Equipment Notes held in the Trusts.

All of the Equipment Notes held in each Trust will accrue interest at the applicable rate per annum for such Trust, payable on January 15, April 15, July 15 and October 15 of each year commencing on April 15, 1996. Such interest will be passed through to Certificateholders (as defined herein) of such Trust on each such date, in each case subject to the Intercreditor Agreement. See "Description of New Certificates--General" and "--Payments and Distributions." The New Certificates will accrue interest at the applicable per annum rate for such Trust, from the last date on which interest was paid on the Old Certificates surrendered in exchange therefor. See "The Exchange Offer--Interest on New Certificates."

Scheduled principal payments on the Equipment Notes held in each Trust will be passed through to the Certificateholders of each such Trust on January 15, April 15, July 15 and October 15 in certain years, commencing on January 15, 1997, in the case of each of the Class A Trust, the Class B Trust and the Class C Trust and January 15, 1999, in the case of the Class D Trust, in accordance with the principal repayment schedule set forth below under "Description of New Certificates--Pool Factors" and "Description of the Equipment Notes--Principal and Interest Payments," in each case subject to the Intercreditor Agreement.

Under each Pass Through Trust Agreement, an Event of Default will occur if the Trustee fails to pay within 10 business days of the due date thereof: (i) the outstanding Pool Balance (as defined herein) of the applicable Class of Certificates on the Final Maturity Date (as defined herein) for such Class or (ii) interest due on such Certificates on any distribution date (unless the Subordination Agent (as defined herein) shall have made an Interest Drawing (as defined herein) in an amount sufficient to pay such interest and shall have distributed such amount to the Certificateholders entitled thereto).

Based on interpretations by the staff of the Securities and Exchange Commission (the "Commission"), as set forth in no-action letters issued to third parties, including Exxon Capital Holdings Corporation, SEC No-Action Letter (available April 13, 1989) (the "Exxon Capital Letter"), Morgan Stanley & Co. Incorporated, SEC No-Action Letter (available June 5, 1991) (the "Morgan Stanley Letter") and Shearman & Sterling, SEC No-Action Letter (available July 2, 1993) (the "Shearman & Sterling Letter") (collectively, the "Exchange Offer No-Action Letters"), the Company believes that the New Certificates issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by holders thereof (other than a broker-dealer who acquires such New Certificates directly from the Trustee for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any holder that is an "affiliate" of the Company as defined under Rule 405 of the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Certificates are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such New Certificates and have no arrangement with any person to participate in a distribution of such New Certificates. However, the staff of the Commission has not considered the Exchange Offer in the context of a no-action letter and there can be no assurance that the staff of the Commission would make a similar determination with respect to the Exchange Offer as in such other circumstances. By tendering the Old Certificates in exchange for New Certificates, each holder, other than a broker-dealer, will represent to the Company that: (1) it is not an

affiliate of the Company (as defined under Rule 405 of the Securities Act) nor a broker-dealer tendering Old Certificates acquired directly from the Company for its own account; (ii) any New Certificates to be received by it will be acquired in the ordinary course of its business; and (iii) it is not engaged in, and does not intend to engage in, a distribution of such New Certificates and has no arrangement or understanding to participate in a distribution of the New Certificates. If a holder of Series A Notes is engaged in or intends to engage in a distribution of the Series B Notes or has any arrangement or understanding with respect to the distribution of the Series B Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each broker-dealer that receives New Certificates for its own account pursuant to the Exchange Offer (a "Participating Broker-Dealer") must acknowledge that it will deliver a prospectus in connection with any resale of such New Certificates. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Certificates received in exchange for Old Certificates where such Old Certificates were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. Pursuant to the Registration Rights Agreement, the Company has agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, it will make this Prospectus available to any Participating Broker-Dealer for use in connection with any such resale. See "Plan of Distribution."

The Company will not receive any proceeds from this offering. The Company has agreed to pay the expenses of the Exchange Offer. No underwriter is being utilized in connection with the Exchange Offer.

THE EXCHANGE OFFER IS NOT BEING MADE TO, NOR WILL THE COMPANY ACCEPT SURRENDERS FOR EXCHANGE FROM, HOLDERS OF OLD CERTIFICATES IN ANY JURISDICTION IN WHICH THE EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE SECURITIES AND BLUE SKY LAWS OF SUCH JURISDICTION.

Prior to this Exchange Offer, there has been no public market for the Old Certificates or New Certificates. If such a market were to develop, the New Certificates could trade at prices that may be higher or lower than their principal amount. Neither Continental nor any Trust has applied or intends to apply for listing of the New Certificates on any national securities exchange or for quotation of the New Certificates through the National Association of Securities Dealers Automated Quotation System. One or more of CS First Boston Corporation, Morgan Stanley & Co. Incorporated, Lehman Brothers, Merrill Lynch & Co. and FIELDSTONE FPCG SERVICES, L.P. (the "Initial Purchasers") have previously made a market in the Old Certificates and Continental has been advised by the Initial Purchasers that one or more of them intends to make a market in the New Certificates, as permitted by applicable laws and regulations, after consummation of the Exchange Offer. None of the Initial Purchasers is obligated, however, to make a market in the Old Certificates or the New Certificates and any such market making activity may be discontinued at any time without notice at the sole discretion of each Initial Purchaser. There can be no assurance as to the liquidity of the public market for the New Certificates or that any active public market for the New Certificates will develop or continue. If an active public market does not develop or continue, the market prices and liquidity of the New Certificates may be adversely affected. See "Risk Factors--Absence of a Public Market for the New Certificates."

#### AVAILABLE INFORMATION

Continental is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information may be inspected and copied at the following public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; Seven World Trade Center, 13th Floor, New York, New York 10048; and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of prescribed rates. In addition, reports, proxy statements and other information concerning Continental may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Continental is the successor to Continental Airlines Holdings, Inc. ("Holdings"), which merged with and into Continental on April 27, 1993. Holdings had also been subject to the informational requirements of the Exchange Act.

This Prospectus constitutes a part of a registration statement on Form S-4 (together with all amendments and exhibits, the "Registration Statement") filed by Continental with the Commission under the Securities Act, with respect to the New Certificates offered hereby. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to Continental and Holdings and the securities offered hereby. Although statements concerning and summaries of certain documents are included herein, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. These documents may be inspected without charge at the office of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies may be obtained at fees and charges prescribed by the Commission.

#### REPORTS TO PASS THROUGH CERTIFICATEHOLDERS

Wilmington Trust Company, in its capacity as Pass Through Trustee under each of the Trusts, will provide the certificateholders of each Trust certain periodic reports concerning the distributions made from such Trust. See "Description of New Certificates -- Reports to Certificateholders."

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission (File No. 0-9781) are hereby incorporated by reference in this Prospectus: (i) Continental's Annual Report on Form 10-K for the year ended December 31, 1995 (as amended by Forms 10-K/A1 and 10-K/A2 filed on March 8, 1996 and April 10, 1996, respectively), (ii) Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996, (iii) Continental's Current Reports on Form 8-K, filed on January 31, 1996, March 26, 1996 and May 7, 1996.

All reports and any definitive proxy or information statements filed by Continental pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE THAT ARE NOT PRESENTED HEREIN OR DELIVERED HERewith. THESE DOCUMENTS ARE AVAILABLE WITHOUT CHARGE TO ANY PERSON TO WHOM A PROSPECTUS IS DELIVERED, UPON WRITTEN OR ORAL REQUEST OF SUCH PERSON, FROM CONTINENTAL AIRLINES, INC., 2929 ALLEN PARKWAY, SUITE 2010, HOUSTON, TEXAS 77019, ATTENTION: SECRETARY, TELEPHONE (713) 834-2950. IN ORDER TO ENSURE TIMELY DELIVER OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY \_\_\_\_\_, 1996.

CONTINENTAL AIRLINES, INC.  
CROSS-REFERENCE SHEET

PURSUANT TO ITEM 501(B) OF REGULATION S-K SHOWING LOCATION IN THE PROSPECTUS  
OF INFORMATION REQUIRED BY ITEMS IN FORM S-4

ITEM

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1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Facing Page of the Registration Statement; Cross Reference Sheet; Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Available Information; Outside Back Cover Page of Prospectus
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information.....	Prospectus Summary; Risk Factors; The Company; Selected Financial Data
4. Terms of the Transaction.....	Prospectus Summary; Risk Factors; The Exchange Offer; Description of New Certificates; Plan of Distribution; Certain Federal Income Tax Considerations
5. Pro Forma Financial Information.....	Not Applicable
6. Material Contracts With the Company Being Acquired.....	Not Applicable
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters.....	Not Applicable
8. Interests of Named Experts and Counsel.....	Not Applicable
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Not Applicable
10. Information with Respect to S-3 Registrants.....	Prospectus Summary; The Company; Recent Developments
11. Incorporation of Certain Information by Reference.....	Available Information; Incorporation of Certain Documents by Reference
12. Information with Respect to S-2 or S-3 Registrants.....	Not Applicable
13. Incorporation of Certain Information by Reference.....	Not Applicable
14. Information with Respect to Registrants Other Than S-3 or S-2 Registrants.....	Not Applicable
15. Information with Respect to S-3 Companies.....	Not Applicable

- 16. Information with Respect  
or S-2 to S-3 Companies..... Not Applicable
- 17. Information with Respect  
to Companies Other Than  
S-3 or S-2 Companies..... Not Applicable
- 18. Information if Proxies,  
Consents or Authorizations  
Are to be Solicited..... Not Applicable
- 19. Information if Proxies,  
Consents or Authorizations  
Are Not to be Solicited or  
in an Exchange Offer..... Prospectus Summary; The Exchange Offer; Description of  
New Certificates

INTRODUCTORY NOTE

This Registration Statement contains three forms of prospectus: (i) a prospectus relating to the offer to exchange Pass Through Certificates, Series 1996, (ii) a prospectus relating to the Offering of Pass Through Certificates and (iii) a prospectus relating to the Offering of Debt Securities. The Prospectuses described in (ii) and (iii) were previously included in Registration Statement (File No. 33-79688).

PROSPECTUS

Continental Airlines, Inc.

Offer to Exchange Pass Through Certificates, Series 1996, which have been registered under the Securities Act of 1933, as amended, for any and all outstanding Pass Through Certificates, Series 1996

The Exchange Offer will expire at 5:00 p.m., New York City time, on [\_\_\_\_\_], 1996, unless extended.

Pass Through Certificates, Series 1996 (the "New Certificates"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which this Prospectus is a part, are hereby offered, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying letter of transmittal (the "Letter of Transmittal" and, together with this Prospectus, the "Exchange Offer"), in exchange for an equal principal amount of outstanding Pass Through Certificates, Series 1996 (the "Old Certificates"), of which \$489,267,000 aggregate principal amount is outstanding as of the date hereof. The New Certificates and the Old Certificates are collectively referred to herein as the "Certificates."

Any and all Old Certificates that are validly tendered and not withdrawn on or prior to 5:00 P.M., New York City time, on the date the Exchange Offer expires, which will be [\_\_\_\_\_], 1996 (30 calendar days following the commencement of the Exchange Offer) unless the Exchange Offer is extended (such date, including as extended, the "Expiration Date") will be accepted for exchange. Tenders of Old Certificates may be withdrawn at any time prior to 5:00 P.M., New York City time on the Expiration Date. The Exchange Offer is not conditioned upon any minimum principal amount of Old Certificates being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions which may be waived by the Company and to the terms of the Registration Rights Agreement (as defined herein). Old Certificates may be tendered only in integral multiples of \$1,000. See "The Exchange Offer."

The New Certificates will be entitled to the benefits of the same Pass-Through Trust Agreements (as defined herein) which govern the Old Certificates and will govern the New Certificates. The form and terms of the New Certificates are the same in all material respects as the form and terms of the Old Certificates, except that the New Certificates do not contain terms with respect to the interest rate step-up provisions and the New Certificates have been registered under the Securities Act and therefore will not bear legends restricting the transfer thereof. See "The Exchange Offer" and "Description of New Certificates."

(continued on next page)

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 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PARTICIPANTS IN THE EXCHANGE OFFER, SEE "RISK FACTORS" BEGINNING ON PAGE 28 OF THIS PROSPECTUS.  
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Pass Through Certificates	Principal Amount	Interest Rate	Final Expected Distribution Date
1996-A.....	\$269,518,000	6.94%	October 15, 2013
1996-B.....	\$ 94,332,000	7.82%	October 15, 2013
1996-C.....	\$ 74,117,000	9.50%	October 15, 2013
1996-D.....	\$ 51,300,000	12.48%	October 15, 2013
TOTAL	\$489,267,000		

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is \_\_\_\_\_, 1996

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 + INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +  
 + REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
 + SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
 + OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
 + BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
 + THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
 + SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
 + UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS +  
 + OF ANY SUCH STATE. +  
 +++++

## PROSPECTUS SUMMARY

The following summary information is qualified in its entirety by the detailed information and financial statements (including the notes thereto) appearing elsewhere or incorporated by reference in this Prospectus. Prospective investors should consider carefully the matters discussed under the caption "Risk Factors." Unless otherwise stated or unless the context otherwise requires, references to "Continental" or the "Company" include Continental Airlines, Inc. and its predecessors and subsidiaries. All route, fleet, traffic and similar information appearing in this Prospectus is as of or for the period ended April 30, 1996, unless otherwise stated herein.

### THE COMPANY

Continental Airlines, Inc. is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by revenue passenger miles in the first three months of 1996) and, together with its wholly owned subsidiary, Continental Express, Inc. ("Express"), and its 91%-owned subsidiary, Continental Micronesia, Inc. ("CMI"), serves 190 airports worldwide.

The Company operates its route system primarily through domestic hubs at Newark, Houston Intercontinental and Cleveland, and a Pacific hub on Guam and Saipan. Each of Continental's three U.S. hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic. The Guam/Saipan hub is strategically located to provide service from Japanese and other Asian cities to popular resort destinations in the western Pacific. Continental is the primary carrier at each of these hubs, accounting for 52%, 79%, 53% and 72% of all daily jet departures, respectively.

Continental directly serves 131 U.S. cities, with additional cities (principally in the western and southwestern United States) connected to Continental's route system under agreements with America West Airlines, Inc. ("America West"). Internationally, Continental flies to 59 destinations and offers additional connecting service through alliances with foreign carriers. Continental operates 66 weekly departures to six European cities and markets service to eight other cities through code-sharing agreements. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations in Mexico than any other United States airline. In addition, Continental flies to four cities in South America, including service between Newark and Bogota, Colombia, with service on to Quito, Ecuador which began in June 1996. Through its Guam/Saipan hub, Continental provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

The Company is a Delaware corporation. Its executive offices are located at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and its telephone number is (713) 834-2950.

### THE EXCHANGE OFFER

#### Registration Rights Agreement

The Old Certificates were issued on January 31, 1996 to the Initial Purchasers and the Owner Participant. The Initial Purchasers placed the Old Certificates with institutional investors. In connection therewith, the Company, the Trustee, as trustee under each of the Trusts, and the Initial Purchasers entered into the Registration Rights Agreement providing, among other things, for the Exchange Offer. See "The Exchange Offer."

#### The Exchange Offer

New Certificates are being offered in exchange for an equal principal amount of Old Certificates. As of the date hereof, \$489,267,000 aggregate principal amount of Old Certificates are outstanding. Old Certificates may be tendered only in integral

multiples of \$1000.

#### Resale of New Certificates

Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, including the Exchange Offer No-Action Letters, the Company believes that the New Certificates issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by holders thereof (other than a broker-dealer who acquires such New Certificates directly from the Trustee for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any holder that is an "affiliate" of the Company as defined under Rule 405 of the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Certificates are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such New Certificates and have no arrangement with any person to participate in a distribution of such New Certificates. However, the staff of the Commission has not considered the Exchange Offer in the context of a no-action letter and there can be no assurance that the staff of the Commission would make a similar determination with respect to the Exchange Offer as in such other circumstances. By tendering the Old Certificates in exchange for New Certificates, each holder, other than a broker-dealer, will represent to the Company that: (i) it is not an affiliate of the Company (as defined under Rule 405 of the Securities Act) nor a broker-dealer tendering Old Certificates acquired directly from the Company for its own account; (ii) any New Certificates to be received by it were acquired in the ordinary course of its business; and (iii) it is not engaged in, and does not intend to engage in, a distribution of such New Certificates and has no arrangement or understanding to participate in a distribution of the New Certificates. If a holder of Series A Notes is engaged in or intends to engage in a distribution of the Series B Notes or has any arrangement or understanding with respect to the distribution of the Series B Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each Participating Broker-Dealer that receives New Certificates for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Certificates. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Certificates received in exchange for Old Certificates where such Old Certificates were acquired by such Participating Broker-Dealer as a result of market-making activities

or other trading activities. The Company has agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, it will make this Prospectus available to any Participating Broker-Dealer for use in connection with any such resale. See "Plan of Distribution." To comply with the securities laws of certain jurisdictions, it may be necessary to qualify for sale or register the New Certificates prior to offering or selling such New Certificates. The Company has agreed, pursuant to the Registration Rights Agreement and subject to certain specified limitations therein, to register or qualify the New Certificates for offer or sale under the securities or "blue sky" laws of such jurisdictions as may be necessary to permit the holders of New Certificates to trade the New Certificates without any restrictions or limitations under the securities laws of the several states of the United States.

#### Consequences of Failure to Exchange Old Certificates

Upon consummation of the Exchange Offer, subject to certain exceptions, holders of Old Certificates who do not exchange their Old Certificates for New Certificates in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Certificates, unless such Old Certificates are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Company will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See "Risk Factors--Consequences of Failure to Exchange" and "The Exchange Offer--Terms of the Exchange Offer."

#### Expiration Date

5:00 p.m., New York City time, on \_\_\_\_\_, 1996 (30 calendar days following the commencement of the Exchange Offer), unless the Exchange Offer is extended, in which case the term "Expiration Date" means the latest date and time to which the Exchange Offer is extended.

#### Interest on the New Certificates

The New Certificates will accrue interest at the applicable per annum for such Trust set forth on the cover page of this Prospectus, from the last date on which interest was paid on the Old Certificates surrendered in exchange therefor. Interest on the New Certificates is payable on January 15, April 15, July 15 and October 15 of each year commencing April 15, 1996, subject to the terms of the Intercreditor Agreement.

#### Conditions to the Exchange Offer

The Exchange Offer is not conditioned upon any minimum principal amount of Old Certificates being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions, which may be waived by the Company. See "The Exchange Offer--Conditions." Except for the requirements of applicable Federal and state securities laws, there are no Federal or state regulatory requirements to be complied with or obtained by the Company in connection with the Exchange Offer.

#### Procedures for Tendering Old

## Certificates

Each holder of Old Certificates wishing to accept the Exchange Offer must complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with the Old Certificates to be exchanged and any other required documentation to the Exchange Agent (as defined herein) at the address set forth herein or effect a tender of Old Certificates pursuant to the procedures for book-entry transfer as provided for herein. See "The Exchange Offer--Procedures for Tendering" and "--Book Entry Transfer."

## Guaranteed Delivery Procedures

Holders of Old Certificates who wish to tender their Old Certificates and whose Old Certificates are not immediately available or who cannot deliver their Old Certificates and a properly completed Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date may tender their Old Certificates according to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures."

## Withdrawal Rights

Tenders of Old Certificates may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old Certificates, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth herein under "The Exchange Offer--Exchange Agent" prior to 5:00 p.m., New York City time, on the Expiration Date.

## Acceptance of Old Certificates and Delivery of New Certificates

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

## Certain Tax Considerations

The exchange of New Certificates for Old Certificates should not be a sale or exchange or otherwise a taxable event for Federal income tax purposes. See "Certain Federal Income Tax Considerations."

## Exchange Agent

Wilmington Trust Company is serving as exchange agent (the "Exchange Agent") in connection with the Exchange Offer

## Fees and Expenses

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

## Use of Proceeds

There will be no cash proceeds payable to Continental from the issuance of the New Certificates pursuant to the Exchange Offer. The proceeds from the sale of the Old Class A, B and C Certificates were used to purchase the Series A, B and C Equipment Notes issued by the related Owner Trustees in connection with the refinancing of the indebtedness incurred by the Owner Trustees to finance the purchase of each Aircraft. Such Equipment Notes, together with the Series D Equipment Notes contributed to the Class D Trust by the Owner Participant, represent in the aggregate the entire debt portion currently outstanding of the leveraged lease transactions relating to all of the Aircraft. Continental did not receive any of the proceeds from the original sale of the Old Certificates. See "Use of Proceeds."

## SUMMARY OF TERMS OF NEW CERTIFICATES

The Exchange Offer relates to the exchange of up to \$489,267,000 aggregate principal amount of Old Certificates for up to an equal aggregate principal amount of New Certificates. The New Certificates will be entitled to the benefits of the same Indenture which governs the Old Certificates and will govern the New Certificates. The form and terms of the New Certificates are the same in all material respects as the form and terms of the Old Certificates, except that the New Certificates do not contain terms with respect to the interest rate step-up provisions and the New Certificates have been registered under the Securities Act and therefore will not bear legends restricting the transfer thereof. See "Description of New Certificates."

For additional information concerning the New Certificates, see "Description of New Certificates."

## Trusts

Each of the Continental Airlines 1996-A Pass Through Trust, the Continental Airlines 1996-B Pass Through Trust, the Continental Airlines 1996-C Pass Through Trust and the Continental Airlines 1996-D Pass Through Trust was formed pursuant to one of the four separate Pass Through Trust Agreements entered into between the Company and Wilmington Trust Company, as trustee under each Trust. Each Trust is a separate entity.

## Certificates Offered

Pass Through Certificates issued by each Trust, representing fractional undivided interests in such Trust. The Certificates issued by the Class A Trust, the Class B Trust, the Class C Trust and the Class D Trust are referred to herein as "Class A Certificates", "Class B Certificates", "Class C Certificates", and "Class D Certificates", respectively.

## Subordination Agent

Wilmington Trust Company, as subordination agent under the Intercreditor Agreement (the "Subordination Agent").

## Liquidity Provider

Initially, Credit Suisse, a bank organized under the laws of Switzerland, acting through its New York branch ("Credit Suisse"). Credit Suisse has provided three separate liquidity facilities for the benefit of the holders of Class A Certificates, Class B Certificates and Class C Certificates, respectively.

## Trust Property

The property of each Trust (the "Trust Property") consists of (i) Equipment Notes issued on a nonrecourse basis by each of the Owner Trustees in 18 separate leveraged lease transactions that refinanced the indebtedness of the related Owner Trustee, originally incurred to finance the purchase of each of nine Boeing 737-524 Aircraft and nine Boeing 757-224 Aircraft leased by the related Owner Trustee to Continental, (ii) the rights of such Trust under the Intercreditor Agreement (including all monies receivable in respect of such rights), (iii) except for the Class D Trust, all monies receivable under the Liquidity Facility for such Trust and (iv) funds from time to time deposited with the Trustee in accounts relating to such Trust. The Equipment Notes with respect to each Aircraft were issued in four series under an Indenture (each, an "Indenture") between the applicable Owner Trustee and the indenture trustee thereunder (the "Loan Trustee"). Each Trust has acquired, pursuant to certain Refunding Agreements (each, a "Refunding Agreement"), those Equipment Notes having an interest rate equal to the interest rate applicable to the Certificates to be issued by such Trust. The maturity dates of the Equipment Notes acquired by each Trust will occur on or before the final expected Regular Distribution Date applicable to the Certificates to be issued by such Trust. The aggregate original principal amount of the Equipment Notes held in each Trust is the same as the aggregate original face amount of the Certificates issued by such Trust.

SUMMARY OF TERMS OF CERTIFICATES

	CLASS A CERTIFICATES -----	CLASS B CERTIFICATES -----	CLASS C CERTIFICATES -----	CLASS D CERTIFICATES -----
Aggregate Face Amount	\$269,518,000	\$94,332,000	\$74,117,000	\$51,300,000
Initial Loan to Aircraft Value (cumulative)(1)	39.9%	53.9%	64.8%	72.4%
Expected Principal Distribution Window (in years)	1.0-17.7	1.0-17.7	1.0-17.7	3.0-17.7
Initial Average Life (in years)	10.0	10.0	10.0	11.4
Regular Distribution Dates	January 15, April 15, July 15 & October 15	January 15, April 15 July 15 & October 15	January 15, April 15 July 15 & October 15	January 15, April 15 July 15 & October 15
Final Expected Regular Distribution Date	October 15, 2013	October 15, 2013	October 15, 2013	October 15, 2013
Final Maturity Date	April 15, 2015	April 15, 2015	April 15, 2015	April 15, 2015
Minimum Denomination	\$100,000	\$100,000	\$100,000	\$100,000
(S) 1110 Protection (2)	Yes	Yes	Yes	Yes
Liquidity Facility Coverage	6 quarterly interest payments	6 quarterly interest payments	6 quarterly interest payments	None
Initial Liquidity Facility Amount (3)	\$30,078,208.80	\$11,772,633.60	\$11,117,550.00	None

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- (1) Assumes an aggregate appraised Aircraft Value of \$675,428,333.
- (2) The benefits of Section 1110 of the Bankruptcy Code are available to the Loan Trustees.
- (3) For each Class of Certificates (other than the Class D Certificates), the initial amount of the Liquidity Facility covers the first six quarterly interest payments (without regard to any future payments of principal on such Certificates). In aggregate for Class A, B and C Certificates, the initial amount of Liquidity Facilities is \$52,968,392.40.

## EQUIPMENT NOTES AND THE AIRCRAFT

Set forth below is certain information about the Equipment Notes held in the Trusts and the Aircraft securing such Equipment Notes:

AIRCRAFT REGISTRATION NUMBER	AIRCRAFT TYPE	AIRCRAFT DELIVERY DATE	MATURITY DATE	OUTSTANDING PRINCIPAL AMOUNT OF EQUIPMENT NOTES	APPRAISED VALUE
N17104	Boeing 757-224	July 1994	October 2013	\$ 34,831,833	\$ 48,690,000
N17105	Boeing 757-224	August 1994	October 2013	34,950,567	48,839,333
N14106	Boeing 757-224	September 1994	October 2013	35,069,083	48,988,333
N14107	Boeing 757-224	October 1994	October 2013	35,185,433	49,134,000
N21108	Boeing 757-224	November 1994	October 2013	35,303,950	49,283,000
N12109	Boeing 757-224	December 1994	October 2013	35,422,683	49,432,333
N13110	Boeing 757-224	December 1994	October 2013	35,422,683	49,432,333
N18112	Boeing 757-224	February 1995	October 2013	35,670,768	49,730,668
N13113	Boeing 757-224	April 1995	October 2013	35,915,850	50,025,333
N17620	Boeing 737-524	February 1995	October 2012	18,910,750	25,555,000
N19623	Boeing 737-524	January 1995	October 2012	18,875,000	25,441,000
N13624	Boeing 737-524	February 1995	October 2012	18,910,750	25,555,000
N46625	Boeing 737-524	January 1995	October 2012	18,875,000	25,441,000
N32626	Boeing 737-524	April 1995	April 2013	19,058,950	25,783,000
N17627	Boeing 737-524	April 1995	April 2013	19,058,950	25,783,000
N62631	Boeing 737-524	June 1995	July 2013	19,207,150	26,011,000
N16632	Boeing 737-524	July 1995	July 2013	19,281,250	26,125,000
N24633	Boeing 737-524	August 1995	July 2013	19,316,350	26,179,000
				\$ 489,267,000	\$ 675,428,333

The appraised value of each Aircraft set forth above is based upon the lesser of the average or median fair market value of such Aircraft as appraised by three independent appraisal and consulting firms: Aircraft Information Services, Inc. ("AISI"), BK Associates, Inc. ("BK") and Morten Beyer and Associates, Inc. ("MBA") (collectively, the "Appraisers") as of January 3, 1996. See "Risk Factors--Appraisals and Realizable Value of Aircraft" and "Description of the Aircraft and the Appraisals".

LOAN TO AIRCRAFT VALUE RATIOS

The following table sets forth loan to Aircraft value ratios ("LTVs") for each Class of Certificates as of the Regular Distribution Dates specified therein. The LTVs for each Class of Certificates were obtained for each such Regular Distribution Date by dividing (i) the expected Pool Balance of such Class of Certificates together in each case with the expected Pool Balance of all other Classes of Certificates senior in right of payment to such Class of Certificates under the Intercreditor Agreement determined immediately after giving effect to the distributions expected to be made on such Regular Distribution Date, by (ii) the assumed value of all of the Aircraft (the "Assumed Aggregate Aircraft Value") on such Regular Distribution Date based on the assumptions set forth below.

The table is based on the assumption that the value of each Aircraft included in the Assumed Aggregate Aircraft Value opposite January 1996 depreciates by 2% per year until the fifteenth year after the year of delivery of such Aircraft and 4% per year thereafter. Other rates or methods of depreciation would result in materially different LTVs and no assurance can be given (i) that the depreciation rates and method assumed for the purpose of the table are the ones most likely to occur or (ii) as to the actual future value of any Aircraft. Although the table is compiled on an aggregate basis, it should be noted that, since the Equipment Notes are not cross-collateralized with respect to the Aircraft, the excess proceeds realized from the disposition of any particular Aircraft would not be available to offset shortfalls on the Equipment Notes relating to any other Aircraft. Therefore, upon the occurrence of an Indenture Default, even if the Aircraft as a group could be sold for more than the total amounts payable in respect of all of the outstanding Equipment Notes, if certain Aircraft were sold for less than the total amount payable in respect of the related Equipment Notes, there would not be sufficient proceeds to pay all Classes of Certificates in full. See "Description of the Equipment Notes--Security" for additional information regarding LTVs for the Equipment Notes issued in respect of each Aircraft which may be more relevant in a default situation than the aggregate values shown in the following table. Thus, the table should not be considered a forecast or prediction of expected or likely LTVs but simply a mathematical calculation based on one set of assumptions.

Regular Distribution Date	Assumed Aggregate Aircraft Value (1)	Class A Certificates Pool Balance	Class A Certificates LTV	Class B Certificates Pool Balance	Class B Certificates LTV	Class C Certificates Pool Balance	Class C Certificates LTV	Class D Certificates Pool Balance	Class D Certificates LTV
January 1996	\$675,428,333	\$269,518,000	39.90%	\$94,332,000	53.87%	\$74,117,000	64.84%	\$51,300,000	72.44%
January 1997	661,919,767	264,233,332	39.92	92,482,354	53.89	72,663,725	64.87	51,300,000	72.62
January 1998	648,411,200	259,032,772	39.95	90,662,145	53.93	71,233,578	64.92	51,300,000	72.83
January 1999	634,902,633	250,794,034	39.50	87,778,554	53.33	68,967,944	64.19	47,793,051	71.72
January 2000	621,394,067	239,121,593	38.48	83,693,163	51.95	65,758,043	62.53	46,536,115	70.02
January 2001	607,885,500	225,745,475	37.14	79,011,491	50.13	62,079,627	60.35	46,536,115	68.00
January 2002	594,376,933	206,221,031	34.70	72,177,883	46.84	56,710,436	56.38	46,536,115	64.21
January 2003	580,868,367	185,903,625	32.00	65,066,737	43.21	51,123,181	52.01	46,536,115	60.02
January 2004	567,359,800	169,515,666	29.88	59,330,915	40.34	46,616,514	48.55	46,536,115	56.75
January 2005	553,851,233	152,042,236	27.45	53,215,176	37.06	41,811,345	44.61	45,865,832	52.89
January 2006	540,342,667	135,415,490	25.06	47,395,782	33.83	37,239,014	40.72	35,083,602	47.22
January 2007	526,834,100	118,271,350	22.45	41,395,298	30.31	32,524,401	36.48	22,943,184	40.84
January 2008	513,325,533	91,294,275	17.78	31,953,260	24.01	25,105,747	28.90	17,160,335	32.24
January 2009	499,816,967	69,099,185	13.82	24,184,899	18.66	19,002,151	22.47	13,255,258	25.12
January 2010	479,432,413	56,341,836	11.75	19,719,786	15.86	15,493,909	19.10	11,198,303	21.43
January 2011	452,415,280	39,790,496	8.80	13,926,766	11.87	10,942,324	14.29	9,210,679	16.33
January 2012	426,420,347	20,863,519	4.89	7,302,266	6.61	5,737,445	7.95	7,471,052	9.70
January 2013	337,185,813	2,189,921	0.65	766,473	0.88	602,228	1.06	3,284,825	2.03

(1) The Assumed Aggregate Aircraft Value set forth opposite January 1996 (but not the Assumed Aggregate Aircraft Values for subsequent periods) was determined based upon the lesser of the average or median fair market value of all Aircraft as appraised by the Appraisers as of January 1996 (see "Description of the Aircraft and the Appraisals"). No assurance can be given that such value represents the realizable value of any Aircraft. See "Risk Factors--Appraisals and Realizable Value of Aircraft" and "Description of the Aircraft and the Appraisals".

CASH FLOW STRUCTURE

Set forth below is a diagram illustrating the structure for the offering of the Certificates and certain cash flows.

[Chart appears here]

\* Each Aircraft is subject to a separate Lease and the related Indenture.

#### Certificates; Denominations

The new Certificates of each Trust will be issued in a minimum denomination of \$1000 and in integral multiples thereof. See "Description of New Certificates--General".

#### Regular Distribution Dates

January 15, April 15, July 15 and October 15, commencing April 15, 1996.

#### Special Distribution Dates

Any Business Day on which Special Payment is to be distributed.

#### Record Dates

The fifteenth day preceding a Regular Distribution Date or a Special Distribution Date.

#### Distributions

All payments of principal, premium (if any) and interest received by the Trustee on the Equipment Notes held in each Trust will be distributed by the Trustee to the holders of the Certificates (the "Certificateholders") of such Trust on the Regular Distribution Dates referred to above, subject to the provisions of the Intercreditor Agreement. Payments on the Equipment Notes held in each Trust are scheduled to be received in specified amounts by the Trustee of such Trust on January 15, April 15, July 15 and October 15, commencing on April 15, 1996, and to be distributed to the Certificateholders of such Trust on the corresponding Regular Distribution Date, subject to the provisions of the Intercreditor Agreement. Payments of principal, premium (if any) and interest resulting from the early redemption or purchase (if any) of the Equipment Notes held in any Trust will be distributed on a Special Distribution Date after not less than 20 days' notice from the Trustee to the Certificateholders of such Trust, subject to the provisions of the Intercreditor Agreement. For a discussion of distributions upon an Indenture Default, see "Description of New Certificates--Indenture Defaults and Certain Rights Upon an Indenture Default".

#### Events of Default

Events of Default under each Pass Through Trust Agreement (each, a "PTC Event of Default") are the failure to pay within 10 Business Days of the due date thereof: (i) the outstanding Pool Balance of the applicable Class of Certificates on the Final Maturity Date for such Class or (ii) interest due on such Certificates on any distribution date (unless in the case of the Class A, B or C Certificates the Subordination Agent shall have made an Interest Drawing with respect thereto in an amount sufficient to pay such interest and shall have distributed such amount to the Certificateholders entitled thereto). The Final Maturity Dates for each of the Class A, B, C and D Certificates is April 15, 2015. Any failure to make expected principal distributions on any Class of Certificates on any Regular Distribution Date (other than the Final Maturity Date) will not constitute a PTC Event of Default with respect to such Certificates.

#### Purchase Rights of Certificateholders

Upon the occurrence and during the continuation of a Triggering Event (as defined below), (i) the Class B Certificateholders shall

have the right to purchase all, but not less than all, of the Class A Certificates, (ii) the Class C Certificateholders shall have the right to purchase all, but not less than all, of the Class A Certificates and the Class B Certificates and (iii) the Class D Certificateholders shall have the right to purchase all, but not less than all, of the Class A Certificates, the Class B Certificates and the Class C Certificates, in each case at a purchase price equal to the Pool Balance of the relevant Class or Classes of Certificates plus accrued and unpaid interest thereon to the date of purchase without premium but including any other amounts due to the Certificateholders of such Class or Classes.

"Triggering Event" means (x) the occurrence of an Indenture Default under all Indentures resulting in a PTC Event of Default with respect to the most senior Class of Certificates then outstanding, (y) the acceleration of all of the outstanding Equipment Notes or (z) certain bankruptcy or insolvency events involving Continental.

Equipment Notes  
(a) Interest

The Equipment Notes held in each Trust accrue interest at the applicable rate per annum for such Trust, payable on January 15, April 15, July 15 and October 15 of each year commencing on April 15, 1996, and such interest payments will be passed through to Certificateholders of such Trust on each such date until the final distribution date for such Certificates, in each case, subject to the Intercreditor Agreement. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. See "Description of New Certificates--General" and "--Payments and Distributions". The interest rates for the Equipment Notes are subject to increases under certain circumstances described in "The Exchange Offer--Terms of the Exchange Offer" to the same extent as the interest rates for the Old Certificates. The New Certificates do not contain terms with respect to interest rate step-up provisions of the Old Certificates.

(b) Principal

Scheduled principal payments on the Equipment Notes held in each Trust will be passed through to the Certificateholders of each such Trust on January 15, April 15, July 15 and October 15 in certain years, commencing on January 15, 1997, in the case of each of the Class A Trust, the Class B Trust and the Class C Trust and January 15, 1999, in the case of the Class D Trust, in accordance with the principal repayment schedule set forth below under "Description of New Certificates--Pool Factors" and "Description of the Equipment Notes--Principal and Interest Payments", in each case, subject to the Intercreditor Agreement.

(c) Redemption and Purchase

- (i) The Equipment Notes issued with respect to an Aircraft will be redeemed in whole upon the occurrence of an Event of Loss with respect to such Aircraft if such Aircraft is not replaced by Continental under the related Lease, in each case at a price equal to the aggregate unpaid principal

thereof, together with accrued interest thereon to, but not including, the date of redemption, but without any premium.

- (ii) All of the Equipment Notes issued with respect to any Aircraft may be redeemed prior to maturity at a price equal to the aggregate unpaid principal thereof, together with accrued interest thereon to, but not including, the date of redemption, plus a Make-Whole Premium (as defined herein). See "Description of the Equipment Notes--Redemption" for a description of the manner of computing such Make-Whole Premium and the circumstances under which the Equipment Notes may be so redeemed.
- (iii) If, with respect to an Aircraft, (x) one or more Lease Events of Default shall have occurred and be continuing, (y) the Loan Trustee with respect to such Equipment Notes shall take action or notify the applicable Owner Trustee that it intends to take action to foreclose the lien of the related Indenture or otherwise commence the exercise of any significant remedy under such Indenture or the related Lease or (z) the Equipment Notes with respect to such Aircraft shall have been accelerated, then in each case the Equipment Notes issued with respect to such Aircraft may be purchased by the Owner Trustee or Owner Participant on the applicable purchase date at a price equal to the aggregate unpaid principal thereof, together with accrued interest thereon to, but not including, the purchase date, but without any premium (provided that a premium shall be payable if such Equipment Notes are to be purchased pursuant to clause (x) above when (A) a Lease Event of Default shall have occurred and be continuing for less than 120 days or (B) the only Lease Event of Default under the related Lease arises from the cross-default provisions of such Lease).

(d) Security

The Equipment Notes issued with respect to each Aircraft are secured by a security interest in such Aircraft and an assignment to the related Loan Trustee of certain of the related Owner Trustee's rights under the Lease with respect to such Aircraft, including the right to receive payments of rent thereunder, with certain exceptions. The Equipment Notes are not cross-collateralized and, consequently, the Equipment Notes issued in respect of any one Aircraft are not secured by any of the other Aircraft or the Leases related thereto. There are no cross-default provisions in the Indentures. Consequently, events resulting in an Indenture Default under any particular Indenture may or may not result in an Indenture Default occurring under any other Indenture. However, a Lease Event of Default under any particular Lease will constitute a Lease Event of Default under all Leases due to the cross-default provisions in the Leases, and will consequently result in an Indenture Default under all Indentures. If the Equipment Notes issued with

respect to one or more Aircraft are in default and the Equipment Notes issued with respect to the remaining Aircraft are not in default, no remedies will be exercisable under the Indentures with respect to such remaining Aircraft. See "Description of the Equipment Notes--Security" and "--Indenture Defaults, Notice and Waiver".

Although the Equipment Notes are not obligations of, or guaranteed by, Continental, the amounts unconditionally payable by Continental for lease of the Aircraft will be sufficient to pay in full when due all amounts required to be paid on the Equipment Notes. See "Description of the Equipment Notes--General".

(e) Section 1110 Protection

Cleary, Gottlieb, Steen & Hamilton, counsel to Continental, has advised the Loan Trustees that the Owner Trustee, as lessor under the Lease relating to each Aircraft, and the related Loan Trustee, as assignee of such Owner Trustee's rights under such Lease pursuant to the related Indenture, are entitled to the benefits of 11 U.S.C. (S)1110 with respect to the airframe and engines comprising the related Aircraft. See "Description of the Equipment Notes--Remedies" for a description of that opinion and certain assumptions contained therein.

The Bankruptcy Reform Act of 1994 (the "Act") amended Section 1110 by, among other things, providing that the lessor under a lease of aircraft first placed in service prior to the date of the enactment of the Act will be entitled to the benefits of Section 1110 if the lessor and the lessee have expressed in the applicable agreement or in a substantially contemporaneous writing that the applicable agreement is to be treated as a lease for Federal income tax purposes. Each of the Leases relating to the four Aircraft placed in service prior to the enactment of the Act contains such a written statement.

(f) Ranking

Series B Equipment Notes issued in respect of any Aircraft are subordinated in right of payment to Series A Equipment Notes issued in respect of such Aircraft; Series C Equipment Notes issued in respect of such Aircraft are subordinated in right of payment to such Series B Equipment Notes; and Series D Equipment Notes issued in respect of such Aircraft are subordinated in right of payment to such Series C Equipment Notes. On each Distribution Date, (i) payments of interest and principal due on Series A Equipment Notes issued in respect of any Aircraft will be made prior to payments of interest and principal due on Series B Equipment Notes issued in respect of such Aircraft, (ii) payments of interest and principal due on such Series B Equipment Notes will be made prior to payments of interest and principal due on Series C Equipment Notes issued in respect of such Aircraft and (iii) payments of interest and principal due on such Series C Equipment Notes will be made prior to payments of interest and principal due on Series D Equipment Notes issued in respect of such Aircraft.

(g) Owner Participant

General Electric Company is currently the owner participant ("Owner Participant") with respect to all of the eighteen leveraged

leases for the Aircraft. The Owner Participant or its affiliate acquired all of the Class D Certificates at the time of their issuance. The Owner Participant and certain of its affiliates have various business relationships with Continental, including as a secured lender and a supplier of certain equipment and services to Continental. Due to such relationships and GE's capacities as both the Owner Participant and the Class D Certificateholder, interests of GE may not be consistent with, or may conflict with, interests of other Certificateholders. General Electric Company has the right to sell, assign or otherwise transfer its interests as Owner Participant in any or all of such leveraged leases, subject to the terms and conditions of the relevant Participation Agreement and related documents, and the Class D Certificateholder will have the right to sell any or all Class D Certificates, subject to the terms and conditions of the Pass Through Trust Agreement for the Class D Trust.

#### Liquidity Facilities

The Subordination Agent and the Liquidity Provider have entered into a revolving credit agreement (each, a "Liquidity Facility") with respect to each Trust (other than the Class D Trust). Under each of the Liquidity Facilities, the Liquidity Provider will, if necessary, make advances ("Interest Drawings") in an aggregate amount sufficient to pay interest on the Class A, B or C Certificates, as the case may be, on up to six successive quarterly Regular Distribution Dates (without regard to any future payments of principal on such Certificates) at the respective interest rates (without any penalty or default margin but after giving pro forma effect to adjustments arising from Registration Defaults, provided that such adjustments shall cease to apply at such time as the interest rate borne by such Certificates is no longer subject to increase pursuant to the terms of the Registration Rights Agreement) on such Certificates (the "Stated Interest Rates"). The initial amount available under the Liquidity Facilities for the Class A Certificates, the Class B Certificates and the Class C Certificates will be \$30,078,208.80, \$11,772,633.60 and \$11,117,550.00, respectively. An Interest Drawing under the relevant Liquidity Facility will be made promptly after any Regular Distribution Date if, after giving effect to the subordination provisions of the Intercreditor Agreement, there are insufficient funds available to the Subordination Agent to pay interest on any Class A, B or C Certificates; provided, however, that on any date the maximum amount available under such Liquidity Facility to fund any shortfall in interest due on such Certificates will not exceed an amount equal to the then stated amount of such Liquidity Facility. The Liquidity Facility for any Class of Certificates does not provide for drawings thereunder to pay for principal of or premium on the Certificates of such Class, any interest on the Certificates of such Class in excess of the Stated Interest Rates, or principal of or interest or premium on the Certificates of any other Class.

Upon each Interest Drawing under any Liquidity Facility, the Subordination Agent will be obligated to reimburse (to the extent that the Subordination Agent has available funds therefor) the

Liquidity Provider for the amount of such drawing. Such reimbursement obligation and any other amounts owing to the Liquidity Provider under each Liquidity Facility or certain other agreements (the "Liquidity Obligations") will rank pari passu with the Liquidity Obligations relating to all other Liquidity Facilities and will rank senior to the Certificates in right of payment. Upon reimbursement in full of the Interest Drawings (but not other Drawings), together with any accrued interest thereon, under any Liquidity Facility, the amount available under such Liquidity Facility will be reinstated to the then stated amount of such Liquidity Facility; provided that the amount will not be so reinstated if (i) a Triggering Event shall have occurred and be continuing and (ii) less than 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes.

If at any time the short-term unsecured debt rating of any Liquidity Provider issued by either Rating Agency is lower than the Threshold Rating, the Liquidity Facility for the related Class of Certificates will be required to be replaced by another similar facility to be provided by a financial institution having unsecured short-term debt ratings issued by both Rating Agencies which are equal to or higher than the Threshold Rating. If such Liquidity Facility is not replaced within 10 days after notice of the downgrading, such Liquidity Facility will be drawn in full (the "Downgrade Drawing") and the proceeds will be deposited into the Cash Collateral Account for the related Class of Certificates and used for the same purposes and under the same circumstances and subject to the same conditions as cash payments of Interest Drawings under such Liquidity Facility would be used. In addition, the Intercreditor Agreement will provide for the replacement or extension of the Liquidity Facility for any Class of Certificates which is scheduled to expire prior to the date that is fifteen days after the Final Maturity Date for such Class. If such Liquidity Facility cannot be so replaced or extended by the date that is 25 days prior to the then scheduled expiration date of such Liquidity Facility, such Liquidity Facility will be drawn in full (the "Non-Extension Drawing") and the proceeds will be deposited in the Cash Collateral Account for the related Class of Certificates and used for the same purposes and under the same circumstances and subject to the same conditions as cash payments of Interest Drawings under such Liquidity Facility would be used. Each initial Liquidity Facility is scheduled to expire on January 29, 1997, subject to annual extensions by mutual agreement.

Continental, in consultation with the Subordination Agent, may direct the Owner Participants (which shall follow such direction unless they have a bona fide, good faith reason not to) to arrange for a replacement facility at any time to replace the Liquidity Facility for any Trust. If such replacement facility is provided at any time after a Downgrade Drawing or Non-Extension Drawing under such Liquidity Facility, the funds on deposit in the Cash Collateral Account for such Trust will be returned to the Liquidity Provider

being replaced.

Notwithstanding the subordination provisions of the Intercreditor Agreement, the holders of the Certificates to be issued by each Trust (other than the Class D Trust) will be entitled to receive and retain the proceeds of drawings under the Liquidity Facility for such Trust. See "Description of the Liquidity Facilities".

Intercreditor Agreement  
(a) Subordination

The Trusts, the Liquidity Providers and the Subordination Agent have entered into an agreement (the "Intercreditor Agreement") which provides as follows:

- (i) All payments made in respect of the Equipment Notes and certain other payments will be made to the Subordination Agent which will distribute such payments in accordance with the provisions of paragraphs (ii) through (iv) below.
- (ii) On any Regular Distribution Date or Special Distribution Date (each, a "Distribution Date"), so long as no Triggering Event shall have occurred (whether or not continuing), all payments received by the Subordination Agent in respect of the Equipment Notes and certain other payments will be distributed in the following order: (1) payment of the Liquidity Obligations; (2) payment of Expected Distributions to the holders of Class A Certificates; (3) payment of Expected Distributions to the holders of Class B Certificates; (4) payment of Expected Distributions to the holders of Class C Certificates; (5) payment of Expected Distributions to the holders of Class D Certificates; and (6) payment of certain fees and expenses of the Subordination Agent and the Trustees.

"Expected Distributions" means, with respect to the Certificates of any Trust on any Distribution Date (the "Current Distribution Date") the sum of (x) accrued and unpaid interest on such Certificates and (y) the difference between (A) the Pool Balance of such Certificates as of the immediately preceding Distribution Date and (B) the Pool Balance of such Certificates as of the Current Distribution Date, calculated on the basis that the principal of the Equipment Notes held in such Trust has been paid when due (whether at stated maturity, upon redemption, prepayment or acceleration or otherwise) and such payments have been distributed to the holders of such Certificates.

- (iii) Upon the occurrence of a Triggering Event and at all times thereafter, subject to the provisions of paragraph (iv) below, all payments received by the Subordination Agent in respect of the Equipment Notes and certain other payments will be distributed in the following order: (1) to the Liquidity Provider

in payment of the Liquidity Obligations and certain other parties in payment of the Administration Expenses (as defined herein); (2) to the holders of Class A Certificates in payment of Final Distributions; (3) to the holders of Class B Certificates in payment of Final Distributions; (4) to the holders of Class C Certificates in payment of Final Distributions; and (5) to the holders of Class D Certificates in payment of Final Distributions.

"Final Distributions" means, with respect to the Certificates of any Trust on any Distribution Date, the sum of (x) accrued and unpaid interest on such Certificates and (y) the Pool Balance of such Certificates as of the immediately preceding Distribution Date.

(iv) Notwithstanding the foregoing paragraph, after the occurrence of a Triggering Event (whether or not continuing), so long as no PTC Event of Default shall have occurred and be continuing with respect to the most senior Class of Certificates outstanding, any regularly scheduled payment received on any Equipment Notes (the "Performing Equipment Notes") with respect to which there is no payment default (without giving effect to any acceleration thereof) shall be distributed as follows:

(x) interest paid on all of the Performing Equipment Notes (the "Performing Equipment Notes Interest Payment") will be distributed in the following order: (1) to the Liquidity Providers in payment of the Liquidity Obligations and certain other parties in payment of the Administration Expenses (as defined herein); (2) to the holders of Class A Certificates in payment of accrued and unpaid interest on the Class A Certificates; (3) to the holders of Class B Certificates in payment of accrued and unpaid interest on the Class B Certificates; (4) to the holders of Class C Certificates in payment of accrued and unpaid interest on the Class C Certificates; and (5) to the holders of Class D Certificates; provided that the provisions of this paragraph (x) will be given effect before distribution of any funds received in respect of any Equipment Notes other than the Performing Equipment Notes (the "Non-Performing Equipment Notes");

(y) principal paid in respect of the Performing Equipment Notes (after paying in full the Liquidity Obligations and the Administration Expenses) (the "Performing Equipment Notes Principal Payment") will be distributed in the following order: (1) to the holders of Class A Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such

Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; (2) to the holders of Class B Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; (3) to the holders of Class C Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; and (4) to the holders of Class D Certificates; provided that the provisions of this paragraph (y) will be given effect after distributing any funds received in respect of any Non-Performing Equipment Notes;

provided that if the aggregate amount of future scheduled payments in respect of the Performing Equipment Notes, together with the Performing Equipment Notes Principal Payment as of such Distribution Date, will be (assuming the distribution of such amount as contemplated by paragraphs (x) and (y) and that no further payment will be received at any time from the Non-Performing Equipment Notes) insufficient to pay interest on any Class of Certificates and reduce the Pool Balance of such Class of Certificates to zero before the Final Maturity Date thereof, the amount of distributions to be made to the holders of such Class of Certificates on such Distribution Date will be increased by the amount necessary to eliminate such insufficiency prior to making any distributions to the holders of any Class of Certificates junior to such Class of Certificates and such increase shall be taken into account for the purpose of applying this proviso to the holders of any such junior Class of Certificates.

"Adjusted Expected Distribution" for the Certificates of any Trust means, with respect to any Distribution Date, the sum of (x) accrued and unpaid interest on such Certificates (after taking into account the distribution of the Performing Equipment Notes Interest Payment and any funds received in respect of Non-Performing Equipment Notes on such Distribution Date) plus (y) the amount (which shall not be less than zero) equal to (A) the Adjusted Pool Balance of such Trust as of such Distribution Date minus (B) the Pool Balance of such Trust as of such Distribution Date, calculated on the basis that all payments on the Equipment Notes held in such Trust have been paid when due (but without giving effect to any acceleration of Performing Equipment Notes held in such Trust) and such payments have been distributed to the holders of such Certificates.

"Adjusted Pool Balance" of any Trust means, with respect to any Current Distribution Date, the Pool Balance of such Trust as of the immediately preceding Distribution Date minus any amounts received in respect of any Non-Performing Equipment Notes distributed to the holders of the Certificates of such Trust on the Current Distribution Date other than in respect of interest or premium thereon.

(b) Intercreditor Rights

Pursuant to the Intercreditor Agreement, the Trustees and the Liquidity Provider have agreed that, with respect to any Indenture at any given time, the Loan Trustee will be directed (a) in taking, or refraining from taking, any action thereunder by the holders of at least a majority of the outstanding principal amount of the Equipment Notes issued thereunder as long as no Indenture Default has occurred and is continuing thereunder and (b) subject to certain conditions, in exercising remedies thereunder (including acceleration of such Equipment Notes or foreclosing the lien on the Aircraft securing such Equipment Notes) by the Controlling Party insofar as an Indenture Default thereunder has occurred and is continuing.

"Controlling Party" with respect to any Indenture means: (w) the Class A Trustee; (x) upon payment of Final Distributions to the holders of Class A Certificates, the Class B Trustee; (y) upon payment of Final Distributions to the holders of Class B Certificates, the Class C Trustee; and (z) upon payment of Final Distributions to the holders of Class C Certificates, the Class D Trustee. See "Description of New Certificates--Indenture Defaults and Certain Rights Upon an Indenture Default" for a description of the rights of the Certificateholders of each Trust to direct the respective Trustees.

Notwithstanding the foregoing, subject to certain limitations, the Liquidity Provider shall have the right to direct such Loan Trustee at any time after 18 months from the acceleration of the Equipment Notes under such Indenture, if at the time of such election the Liquidity Obligations have not been paid in full; provided that if there is more than one Liquidity Provider, the Liquidity Provider with the greatest amount of unreimbursed Liquidity Obligations shall have such right. For purposes of giving effect to the foregoing, the Trustees (other than the Controlling Party) shall irrevocably agree (and the Certificateholders (other than the Certificateholders represented by the Controlling Party) shall be deemed to agree by virtue of their purchase of Certificates) to exercise their voting rights as directed by the Controlling Party.

- (i) Upon the occurrence and during the continuation of any Indenture Default under any Indenture, the Controlling Party may accelerate and sell all (but not less than all) of the Equipment Notes issued under such Indenture to any person, subject to the provisions of paragraph (ii) below. The proceeds of such sale will be distributed pursuant to the provisions of the Intercreditor Agreement.

- (ii) So long as any Certificates are outstanding, during nine months after the earlier of (x) the acceleration of the Equipment Notes under any Indenture or (y) the bankruptcy or insolvency of Continental, without the consent of each Trustee, (a) no Aircraft subject to the lien of such Indenture or such Equipment Notes may be sold, if the net proceeds from such sale would be less than the Minimum Sale Price for such Aircraft or such Equipment Notes, and (b) the amount and payment dates of rentals payable by Continental under the Lease for such Aircraft may not be adjusted, if, as a result of such adjustment, the discounted present value of all such rentals would be less than 75% of the discounted present value of the rentals payable by Continental under such Lease before giving effect to such adjustment, in each case, using the weighted average interest rate of the Equipment Notes issued under such Indenture as the discount rate.

"Minimum Sale Price" means, with respect to any Aircraft or the Equipment Notes issued in respect of such Aircraft, at any time, the lesser of (1) 75% of the appraised value of such Aircraft based upon the most recent appraisal and (2) the aggregate outstanding principal amount of such Equipment Notes, plus accrued and unpaid interest thereon.

#### Certificates; Book-Entry Registration

Each New Certificate to be issued will be represented by one or more permanent global Certificates registered in the name of Cede & Co. ("Cede"), as nominee of The Depository Trust Company ("DTC"). See "Description of New Certificates-- Book Entry; Delivery and Form".

#### Method of Distribution

The persons in whose names the Certificates are registered will be treated as the owners of such Certificates for the purpose of receiving payments of principal of and interest on such Certificates and for all other purposes whatsoever. Therefore, none of the Trustee, Continental, the Loan Trustee, the Owner Participant or the Owner Trustee has any direct responsibility or liability for distributions or payments to owners of beneficial interests in the Certificates (the "Certificate Owners"). Distributions by the Trustee in respect of Certificates registered in the name of Cede, as nominee of DTC, including the final distribution of principal with respect to such Certificates of any Trust, will be made in same-day funds to DTC. DTC will in turn make distributions in same-day funds to those participants in DTC who are credited with ownership of such Certificates ("DTC Participants") in amounts proportionate to the amount of each such DTC Participant's respective holdings of beneficial interests in such Certificates. Corresponding payments by the DTC Participants to beneficial owners of such Certificates will be the responsibility of such DTC Participants and will be made in accordance with customary industry practices. Distributions by the Trustee to Certificateholders in respect of Certificates issued in

definitive form, other than the final distribution, will be made by check mailed to each such Certificateholder of record on the applicable record date at its address appearing on the register. The final distribution with respect to the Certificates of any Trust will be made only upon surrender and presentation thereof to the Trustee. See "Description of New Certificates--Book-Entry; Delivery and Form".

#### Absence of a Public Market for the Certificates

Prior to this Exchange Offer, there has been no public market for the Old Certificates or the New Certificates. Neither Continental nor any Trust has applied or intends to apply for listing of the New Certificates on any national securities exchange or for quotation of the New Certificates through the National Association of Securities Dealers Automated Quotation System. [Describe market making by Initial Purchasers in the Old Certificates, and Continental has been advised by the Initial Purchasers that one or more of them intends to make a market in the New Certificates, as permitted by applicable laws and regulations, after consummation of the Exchange Offer. None of the Initial Purchasers is obligated, however, to make a market in the Old Certificates or the New Certificates and any such market making activity may be discontinued at any time without notice at the sole discretion of each Initial Purchaser. There can be no assurance as to the liquidity of the public market for the Certificates or that any active public market for the Certificates will develop. If an active public market does not develop, the market price and liquidity of the Certificates may be adversely affected.]

#### Trustee

Wilmington Trust Company will act as Trustee and as paying agent and registrar for the Certificates of each Trust. Wilmington Trust Company will also act as Loan Trustee, as paying agent and registrar for each Series of Equipment Notes and as Subordination Agent under the Intercreditor Agreement.

#### Federal Income Tax Consequences

The exchange of New Certificates for Old Certificates should not be a sale or exchange or otherwise a taxable event for Federal income tax purposes.

#### ERISA Considerations

A fiduciary of any employee benefit plan which is subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or of a "plan" subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), or of any governmental plan which is subject to any federal, state or local law which is substantially similar to the foregoing provisions of ERISA or the Code which proposes to hold any Class A Certificates should consult with its own legal counsel with respect to the applicability of ERISA and the Code to such investment and the transactions contemplated by the Exchange Offer, including the availability of any statutory or administrative

prohibited transaction exemption. See "ERISA Considerations".

The Class B Certificates, Class C Certificates and Class D Certificates may not be held by any Plan or any entity that is using the assets of a Plan to hold its interest in a Class B Certificate, a Class C Certificate or a Class D Certificate, and holders of Class B Certificates, Class C Certificates and Class D Certificates that tender such Old Certificates in exchange for a New Certificate will be required to make certain representations to that effect. Notwithstanding the foregoing, the Class B Certificates, the Class C Certificates and the Class D Certificates may be held with the assets of an insurance company general account, provided that the conditions of Prohibited Transaction Class Exemption ("PTCE") 95-60 have been satisfied. Any insurance company that uses general account assets to hold Class B Certificates, Class C Certificates or Class D Certificates that tenders such Old Certificates in exchange for New Certificates will be required to represent that PTCE 95-60 applies to its tender and the holding of such Class B Certificates, Class C Certificates or Class D Certificates. See "ERISA Considerations".

## RISK FACTORS

Holders of New Certificates should carefully consider the following risk factors, as well as other information set forth in this Prospectus, before tendering their New Certificates in the Exchange Offer. The risk factors set forth below (other than "--Risk Factors Relating to the Certificates--Consequences of Failure to Exchange") are generally applicable to the Old Certificates as well as the New Certificates.

### Risk Factors Relating to the Company

#### Continental's History of Operating Losses

Although Continental recorded net income of \$224 million in 1995 and \$88 million in the three months ended March 31, 1996, it had experienced significant operating losses in the previous eight years. In the long term, Continental's viability depends on its ability to sustain profitable results of operations.

#### Leverage and Liquidity

Continental has successfully negotiated a variety of agreements to increase its liquidity during 1995 and 1996. Nevertheless, Continental remains more leveraged and has significantly less liquidity than certain of its competitors, several of whom have available lines of credit and/or significant unencumbered assets. Accordingly, Continental may be less able than certain of its competitors to withstand a prolonged recession in the airline industry.

As of March 31, 1996, Continental and its consolidated subsidiaries had approximately \$1.7 billion (including current maturities) of long-term indebtedness and capital lease obligations and had approximately \$702 million of minority interest, preferred securities of trust, redeemable preferred stock and common stockholders' equity. Common stockholders' equity reflects the adjustment of the Company's balance sheet and the recording of assets and liabilities at fair market value as of April 27, 1993 in accordance with fresh start reporting.

During the first and second quarters of 1995, in connection with negotiations with various lenders and lessors, Continental ceased or reduced contractually required payments under various agreements, which produced a significant number of events of default under debt, capital lease and operating lease agreements. Through agreements reached with the various lenders and lessors, Continental has cured all of these events of default. The last such agreement was put in place during the fourth quarter of 1995.

As of March 31, 1996, Continental had approximately \$657 million of cash and cash equivalents, including restricted cash and cash equivalents of \$124 million. Continental does not have general lines of credit and has no significant unencumbered assets.

Continental has firm commitments with The Boeing Company ("Boeing") to take delivery of 43 new jet aircraft during the years 1997 through 2002. The estimated aggregate cost of these aircraft is \$2.6 billion. The Company is in the process of negotiating a revised aircraft order from Boeing, which is expected to change the product mix and timing of delivery of aircraft without a significant change in the aggregate cost of such order. In addition, the Company took delivery of one Beech 1990-D aircraft in May 1996 and an additional five such aircraft are scheduled to be delivered later in 1996. The Company currently anticipates that the firm financing commitments available to it with respect to its acquisition of new aircraft from Beech Acceptance Corporation ("Beech") will be sufficient to fund all deliveries scheduled during 1996, and that it will have remaining financing commitments from aircraft manufacturers of \$676 million for jet aircraft deliveries beyond 1996. However, the Company believes that further financing will be needed to satisfy the remaining amount of such capital commitments. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments.

For 1996, Continental expects to incur cash expenditures under operating leases of approximately \$586 million, compared with \$521 million for 1995, relating to aircraft and approximately \$229 million relating to facilities and other rentals, the same amount as for 1995. In addition, Continental has capital requirements relating to compliance with regulations that are discussed below. See "--Regulatory Matters."

Continental and CMI have secured borrowings from certain affiliates of General Electric Company (General Electric Company and affiliates, collectively, "GE") which aggregated \$373 million as of March 31, 1996. CMI's secured loans contain significant financial covenants, including requirements to maintain a minimum cash balance and consolidated net worth, restrictions on unsecured borrowings and mandatory prepayments on the sale of most assets. These financial covenants limit the ability of CMI to pay dividends to Continental. In addition, Continental's secured loans require Continental to, among other things, maintain a minimum cumulative operating cash flow, a minimum monthly cash balance and a minimum ratio of operating cash flow to fixed charges. Continental also is prohibited generally from paying cash dividends on its capital stock, from purchasing or prepaying indebtedness and from incurring certain additional secured indebtedness.

#### Aircraft Fuel

Since fuel costs constitute a significant portion of Continental's operating costs (approximately 12.5% for the year ended December 31, 1995 and 12.9% for the three months ended March 31, 1996), significant changes in fuel costs would materially affect the Company's operating results. Fuel prices continue to be susceptible to international events, and the Company cannot predict near or longer-term fuel prices. The Company has entered into petroleum option contracts to provide some short-term protection (currently approximately seven months) against a sharp increase in jet fuel prices. In the event of a fuel supply shortage resulting from a disruption of oil imports or otherwise, higher fuel prices or curtailment of scheduled service could result.

#### Certain Tax Matters

The Company's United States federal income tax return reflects net operating loss carryforwards ("NOLs") of \$2.5 billion, subject to audit by the Internal Revenue Service, of which \$1.2 billion are not subject to the limitations of Section 382 of the Internal Revenue Code ("Section 382"). As a result, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional \$1.2 billion of taxable income following December 31, 1995. For financial reporting purposes, Continental will be required to begin accruing tax expense on its income statement once it has realized an additional \$122 million of taxable income following March 31, 1996. Section 382 imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. The sale of the Company's common stock in the Secondary Offering (as defined herein) as described under "Recent Developments" gave rise to an increase in percentage ownership by certain stockholders for this purpose. Based upon the advice of its counsel, Cleary, Gottlieb, Steen and Hamilton, the Company believes that such percentage increase will not give rise to an ownership change under Section 382 as a result of the Secondary Offering. However, no assurance can be given that future transactions, whether within or outside the control of the Company, will not cause a change in ownership, thereby substantially limiting the potential utilization of the NOLs in a given future year. In the event that an ownership change should occur, utilization of Continental's NOLs would be subject to an annual limitation under Section 382. This Section 382 limitation for any post-change year would be determined by multiplying the value of the Company's stock (including both common and preferred stock) at the time of the ownership change by the applicable long-term tax exempt rate (which is 5.78% for June 1996). Unused annual limitation may be carried over to later years, and the limitation may under certain circumstances be increased by the built-in gains in assets held by the Company at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, Continental's NOL utilization would be limited to a minimum of approximately \$100 million per year.

In connection with the Company's 1993 reorganization under Chapter 11 of the U.S. bankruptcy code effective April 27, 1993 (the "Reorganization") and the recording of assets and liabilities at fair market value under the American Institute of Certified Public Accountants' Statement of Position 90-7-- "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"), the Company recorded a deferred tax liability at April 27, 1993, net of the amount of the Company's estimated realizable NOLs as required by Statement of Financial Accounting Standards No. 109--"Accounting for Income Taxes." Realization of a substantial portion of the Company's NOLs will require the completion during the five-year period following the Reorganization of transactions resulting in recognition of built-in gains for federal income tax purposes. The Company has consummated one such transaction, which had the effect of realizing approximately 40% of the built-in gains required to be realized over the five-year period, and currently intends to consummate one or more additional transactions. If the Company were to determine in the future that not all such transactions will be completed, an adjustment to the net deferred tax liability of up to \$116 million would be charged to income in the period such determination was made.

#### CMI

CMI's operating profit margins have consistently been greater than the Company's margins overall. In addition to its non-stop service between Honolulu and Tokyo, CMI's operations focus on the neighboring islands of Guam and Saipan, resort destinations that cater primarily to Japanese travelers. Because the majority of CMI's traffic originates in Japan, its results of operations are substantially affected by the Japanese economy and changes in the value of the yen as compared to the dollar. Appreciation of the yen against the dollar during 1993 and 1994 increased CMI's profitability and a decline of the yen against the dollar may be expected to decrease it. To reduce the potential negative impact on CMI's dollar earnings, CMI from time to time purchases average rate options as a hedge against a portion of its expected net yen cash flow position. Any significant and sustained decrease in traffic or yields to and from Japan could materially adversely affect Continental's consolidated profitability.

#### Principal Stockholders

After the Secondary Offering (as defined herein), which was completed on May 14, 1996 and the conversion by Air Canada of its Class A common stock into Class B common stock, Air Canada holds approximately 10.0% of the common equity interests and 4.0% of the general voting power of the Company, and Air Partners holds approximately 9.8% of the common equity interests and 39.4% of the general voting power of the Company. In addition, assuming exercise of all of the warrants held by Air Partners, approximately 23.4% of the common equity interests and 52.1% of the general voting power would be held by Air Partners. At any time after January 1, 1997, shares of Class A common stock will become freely convertible into an equal number of stock shares of Class B common stock. Such conversion would effectively increase the relative voting power of those Class A stockholders who do not convert. See "Recent Developments" and "Description of Capital Stock."

Various provisions in the Company's Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") and Bylaws ("Bylaws") currently provide Air Partners with the right to elect one-third of the directors in certain circumstances; these provisions could have the effect of delaying, deferring or preventing a change in control of the Company. See "Recent Developments" and "Description of Capital Stock."

#### RISK FACTORS RELATING TO THE AIRLINE INDUSTRY Industry Conditions and Competition

The airline industry is highly competitive and susceptible to price discounting. The Company has in the past both responded to discounting actions taken by other carriers and initiated significant discounting

actions itself. Continental's competitors include carriers with substantially greater financial resources, as well as smaller carriers with lower cost structures. Airline profit levels are highly sensitive to, and during recent years have been severely impacted by, changes in fuel costs, fare levels (or "average yield") and passenger demand. Passenger demand and yields have been adversely affected by, among other things, the general state of the economy, international events and actions taken by carriers with respect to fares. From 1990 to 1993, these factors contributed to the domestic airline industry's incurring unprecedented losses. Although fare levels have increased recently, significant industry-wide discounts could be reimplemented at any time, and the introduction of broadly available, deeply discounted fares by a major United States airline would likely result in lower yields for the entire industry and could have a material adverse effect on the Company's operating results.

The airline industry has consolidated in past years as a result of mergers and liquidations and may further consolidate in the future. Among other effects, such consolidation has allowed certain of Continental's major competitors to expand (in particular) their international operations and increase their market strength. Furthermore, the emergence in recent years of several new carriers, typically with low cost structures, has further increased the competitive pressures on the major United States airlines. In many cases, the new entrants have initiated or triggered price discounting. Aircraft, skilled labor and gates at most airports continue to be readily available to start-up carriers. Although management believes that Continental is better able than some of its major competitors to compete with fares offered by start-up carriers because of its lower cost structure, competition with new carriers or other low cost competitors on Continental's routes could negatively impact Continental's operating results.

#### Regulatory Matters

In the last several years, the United States Federal Aviation Administration (the "FAA") has issued a number of maintenance directives and other regulations relating to, among other things, retirement of older aircraft, collision avoidance systems, airborne windshear avoidance systems, noise abatement, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft. The Company expects to continue incurring expenses for the purpose of complying with the FAA's noise and aging aircraft regulations. In addition, several airports have recently sought to increase substantially the rates charged to airlines, and the ability of airlines to contest such increases has been restricted by federal legislation, U.S. Department of Transportation regulations and judicial decisions.

Management believes that the Company benefited significantly from the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995, although the amount of any such benefit resulting directly from the expiration of the ticket tax cannot precisely be determined. Reinstatement of the ticket tax will result in higher costs to consumers, which may have an adverse effect on passenger traffic, revenue and margins. The Company is unable to predict when or in what form the ticket tax may be reenacted.

Additional laws and regulations have been proposed from time to time that could significantly increase the cost of airline operations by imposing additional requirements or restrictions on operations. Laws and regulations have also been considered that would prohibit or restrict the ownership and/or transfer of airline routes or takeoff and landing slots. Also, the availability of international routes to United States carriers is regulated by treaties and related agreements between the United States and foreign governments that are amendable. Continental cannot predict what laws and regulations may be adopted or their impact, but there can be no assurance that laws or regulations currently enacted or enacted in the future will not adversely affect the Company.

#### RISK FACTORS RELATING TO THE CERTIFICATES

##### Consequences of Failure to Exchange

Holders of Old Certificates who do not exchange their Old Certificates for New Certificates pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Certificates as set forth

in the legend thereon as a consequence of the issuance of the Old Certificates pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Certificates may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register the Old Certificates under the Securities Act. To the extent that Old Certificates are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Certificates could be adversely affected.

#### Appraisals and Realizable Value of Aircraft

Appraisals in respect of the Aircraft (without physical inspection thereof) have been prepared by AISI, BK and MBA. According to the appraisals of the three firms, the Aircraft had an aggregate appraised value of \$711,760,000, \$652,500,000, and \$687,989,000, respectively, in each case as of January 3, 1996. See "Description of the Aircraft and the Appraisals". However, an appraisal is only an estimate of value and should not be relied upon as a measure of realizable value; the proceeds realized upon a sale of any Aircraft may be less than the appraised value thereof. The value of the Aircraft in the event of the exercise of remedies under the applicable Indenture will depend on market and economic conditions, the availability of buyers, the condition of the Aircraft and other factors. Accordingly, there can be no assurance that the proceeds realized upon any such exercise with respect to the Equipment Notes and the Aircraft pursuant to the applicable Pass Through Trust Agreement and the applicable Indenture would be sufficient to satisfy in full payments due on the Certificates.

#### Priority of Distributions; Subordination

Pursuant to the Intercreditor Agreement to which the Trusts, the Subordination Agent and the Liquidity Providers shall be parties, on each Distribution Date, so long as no Triggering Event shall have occurred, all payments received by the Subordination Agent will be distributed in the following order: (1) payment of the Liquidity Obligations to the Liquidity Providers; (2) payment of Expected Distributions to the holders of Class A Certificates; (3) payment of Expected Distributions to the holders of Class B Certificates; (4) payment of Expected Distributions to the holders of Class C Certificates; (5) payment of Expected Distributions to the holders of Class D Certificates; and (6) payment of certain fees and expenses of the Subordination Agent and the Trustees.

In addition, upon the occurrence of a Triggering Event and at all times thereafter, subject to the provisions of the next paragraph, all payments received by the Subordination Agent in respect of the Equipment Notes and certain other payments will be distributed under the Intercreditor Agreement in the following order: (1) to the Liquidity Providers in payment of the Liquidity Obligations and certain other parties in payment of the Administration Expenses; (2) to the holders of Class A Certificates in payment of Final Distributions; (3) to the holders of Class B Certificates in payment of Final Distributions; (4) to the holders of Class C Certificates in payment of Final Distributions; and (5) to the holders of Class D Certificates in payment of Final Distributions.

Notwithstanding the provisions of the foregoing paragraph, after the occurrence of a Triggering Event but so long as no PTC Event of Default shall have occurred and be continuing with respect to the most senior Class of Certificates outstanding, any regularly scheduled payment received on the Performing Equipment Notes shall be distributed as follows:

(x) the Performing Equipment Notes Interest Payment will be distributed in the following order: (1) to the Liquidity Providers in payment of the Liquidity Obligations and certain other parties in payment of the Administration Expenses; (2) to the holders of Class A Certificates in payment of accrued and unpaid interest on the Class A Certificates; (3) to the holders of Class B Certificates in payment of accrued and unpaid interest on the Class B Certificates; (4) to the holders of Class C Certificates in payment of accrued and unpaid interest on the Class C Certificates; and (5) to the holders of Class D Certificates; provided that

the provisions of this paragraph (x) will be given effect before distribution of any funds received in respect of any Non-Performing Equipment Notes;

(y) the Performing Equipment Notes Principal Payment will be distributed in the following order: (1) to the holders of Class A Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; (2) to the holders of Class B Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; (3) to the holders of Class C Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; and (4) to the holders of Class D Certificates; provided that the provisions of this paragraph (y) will be given effect after distributing any funds received in respect of any Non-Performing Equipment Notes;

provided that if the aggregate amount of future scheduled payments in respect of the Performing Equipment Notes, together with the Performing Equipment Notes Principal Payment as of such Distribution Date, will be (assuming the distribution of such amount as contemplated by paragraphs (x) and (y) and that no further payment will be received at any time from the Non-Performing Equipment Notes) insufficient to pay interest on any Class of Certificates and reduce the Pool Balance of such Class of Certificates to zero before the Final Maturity Date thereof, the amount of distributions to be made to the holders of such Class of Certificates on such Distribution Date will be increased by the amount necessary to eliminate such insufficiency prior to making any distributions to the holders of any Class of Certificates junior to such Class of Certificates and such increase shall be taken into account for the purpose of applying this proviso to the holders of any such junior Class of Certificates.

#### Control over Collateral; Sale of Collateral

Pursuant to the Intercreditor Agreement, the Trustees and the Liquidity Provider shall agree that, with respect to any Indenture at any given time, the Loan Trustee will be directed (a) in taking, or refraining from taking, any action thereunder by the holders of at least a majority of the outstanding principal amount of the Equipment Notes issued thereunder as long as no Indenture Default has occurred and is continuing thereunder and (b) subject to certain conditions, in exercising remedies thereunder (including acceleration of such Equipment Notes or foreclosing the lien on the Aircraft securing such Equipment Notes) insofar as an Indenture Default has occurred and is continuing by the Controlling Party. See "Description of New Certificates--Indenture Defaults and Certain Rights Upon an Indenture Default" for a description of the rights of the Certificateholders of each Trust to direct the respective Trustees. Notwithstanding the foregoing, subject to certain limitations, the Liquidity Provider shall have the right to direct such Loan Trustee at any time after 18 months from the acceleration of the Equipment Notes under such Indenture, if at the time of such election the Liquidity Obligations have not been paid in full. For purposes of giving effect to the foregoing, the Trustees (other than the Controlling Party) shall irrevocably agree (and the Certificateholders (other than the Certificateholders represented by the Controlling Party) shall be deemed to agree by virtue of their purchase of Certificates) to exercise their voting rights as directed by the Controlling Party.

Upon the occurrence and during the continuation of any Indenture Default under any Indenture, the Controlling Party may accelerate and, subject to the provisions of the immediately following sentence, sell all (but not less than all) of the Equipment Notes issued under such Indenture to any person. So long as any Certificates are outstanding, during nine months after the earlier of (x) the acceleration of the Equipment Notes under any Indenture or (y) the bankruptcy or insolvency of Continental, without the consent of each Trustee, (a) no Aircraft subject to the lien of such Indenture or such Equipment Notes may be sold, if the net proceeds from such sale would be less than the Minimum Sale Price for such Aircraft or such Equipment Notes, and (b) the

amount and payment dates of rentals payable by Continental under the Lease for such Aircraft may not be adjusted, if, as a result of such adjustment, the discounted present value of all such rentals would be less than 75% of the discounted present value of the rentals payable by Continental under such Lease before giving effect to such adjustment, in each case, using the weighted average interest rate of the Equipment Notes issued under such Indenture as the discount rate.

#### Potential Conflict of Interest

General Electric Company is currently the Owner Participant with respect to all of the eighteen leveraged leases for the Aircraft. The Owner Participant or its affiliate will also acquire all of the Class D Certificates contemporaneously with the consummation of the Offering. The Owner Participant and certain of its affiliates have various business relationships with Continental, including as a lender and a supplier of certain equipment and services to Continental. Certain of the obligations of Continental to the Owner Participant with respect to the Aircraft are currently secured by a pledge of unrelated assets, most of which assets are also pledged to GE to secure unrelated obligations. Due to such relationships and GE's capacities as both the Owner Participant and the Class D Certificateholder, interests of GE may not be consistent with, or may conflict with, interests of other Certificateholders. General Electric Company has the right to sell, assign or otherwise transfer its interests as Owner Participant in any or all of such leveraged leases, subject to the terms and conditions of the relevant Participation Agreement and related documents, and the Class D Certificateholder will have the right to sell any or all Class D Certificates, subject to the terms and conditions of the Pass Through Trust Agreement for the Class D Trust.

#### Absence of a Public Market for the Certificates

Prior to the Exchange Offer, there has been no public market for the Old Certificates or the New Certificates. Neither Continental nor any Trust has applied or intends to apply for listing of the New Certificates on any national securities exchange or for quotation of the New Certificates through the National Association of Securities Dealers Automated Quotation System. Certain of the Initial Purchasers have previously made a market in the Old Certificates, and Continental has been advised by the Initial Purchasers that one or more of them presently intends to make a market in the New Certificates, as permitted by applicable laws and regulations, after consummation of the Exchange Offer. None of the Initial Purchasers is obligated, however, to make a market in the Old Certificates or the New Certificates and any such market making activity may be discontinued at any time without notice at the sole discretion of each Initial Purchaser. There can be no assurance as to the liquidity of the public market for the Certificates or that any active public market for the Certificates will develop or continue. If an active public market does not develop or continue, the market prices and liquidity of the Certificates may be adversely affected.

## RECENT DEVELOPMENTS

### STOCK SPLIT

On June 26, 1996, the Company announced a 2-for-1 stock split with respect to the Company's Class A common stock and Class B common stock, which will be distributed on July 16, 1996 to stockholders of record as of July 2, 1996.

### CORPORATE GOVERNANCE

On June 26, 1996, at the Company's annual meeting of stockholders (the "Annual Meeting"), the Company's stockholders approved changes proposed by the Company to the Company's Certificate of Incorporation, which together with amendments to the Company's Bylaws previously approved by the Company's Board of Directors (collectively, the "Amendments"), generally eliminate special classes of directors (except for Air Partners' right to elect one-third of the directors in certain circumstances as described below) and supermajority provisions, and make a variety of other modifications aimed at streamlining the Company's corporate governance structure. The amendments to the Company's Certificate of Incorporation included elimination of Class C common stock, \$.01 par value (the "Class C common stock"), of the Company as an authorized class of capital stock and changed the rights of holders of Class D common stock, \$.01 par value (the "Class D common stock") with respect to election of directors--holders of Class D common stock are now entitled to elect one-third of the directors. Pursuant to the Certificate of Incorporation, Class D common stock is solely issuable to Air Partners and certain of its affiliates. There is currently no Class D common stock outstanding. The Amendments, as a whole, reflect the reduction of Air Canada's equity interest in the Company, as described below, and the decision of the former directors designated by Air Canada not to stand for reelection, along with the expiration of various provisions of the Company's Certificate of Incorporation and Bylaws specifically included at the time of the Company's reorganization.

The Amendments also provide that, at any time after January 1, 1997, shares of Class A common stock will become freely convertible into an equal number of Class B common stock. Under agreements put in place at the time of the Company's reorganization in 1993, and designed in part to ensure compliance with the foreign ownership limitations applicable to United States air carriers in light of the substantial stake in the Company then held by Air Canada, holders of Class A common stock were not permitted under the Company's Certificate of Incorporation to convert their shares to Class B common stock. In recent periods, the market price of Class A common stock has generally been below the price of Class B common stock, which the Company believes is attributable in part to the reduced liquidity present in the trading market for Class A common stock. A number of Class A stockholders requested that the Company provide for free convertibility of Class A common stock into Class B common stock, and in light of the reduction of Air Canada's equity stake, the Company determined that the restriction was no longer necessary. Any such conversion would effectively increase the relative voting power of those Class A stockholders who do not convert.

On April 19, 1996, the Company's Board of Directors approved certain agreements (the "Agreements") with its two major stockholders, Air Canada and Air Partners. The Agreements contain a variety of arrangements intended generally to reflect the intention that Air Canada has expressed to the Company of divesting its investment in Continental by early 1997, subject to market conditions. Air Canada has indicated to the Company that its original investment in Continental has become less central to Air Canada in light of other initiatives it has undertaken -- particularly expansion within Canada and exploitation of the 1995 Open Skies agreement to expand Air Canada's own flights into the U.S. Because of these initiatives Air Canada has determined it appropriate to redeploy the funds invested in the Company into other uses in Air Canada's business. The Agreements also reflect the recent distribution by Air Partners, effective March 29, 1996, to its investors (the "AP Investors") of all of the shares of the Class B common stock held by Air Partners and the desire of some of the AP Investors to realize the increase in value of their investment in the Company by selling all or a portion of their shares of Class B common stock.

Among other things, the Agreements required the Company to file a registration statement under the Securities Act to permit the sale by Air Canada of 2,200,000 shares of Class B common stock held by it and by certain of the AP Investors of an aggregate of 1,730,240 such shares pursuant to an underwritten public offering arranged by the Company (the "Secondary Offering"). The Secondary Offering was completed on May 14, 1996. The Agreements provided for the following additional steps to be taken in connection with the completion of the Secondary Offering:

- . in light of its then-reduced has caused equity stake in the Company, Air Canada is no longer entitled to designate nominees to the Board of Directors of the Company, has caused the four present or former members of the Air Canada board who served as directors of Continental to decline nomination for reelection as directors (except in limited circumstances), and converted all of its Class A common stock to Class B common stock;
- . Air Canada and Air Partners have entered into a number of agreements restricting, prior to December 16, 1996, further disposition of the common stock of the Company held by either of them; and
- . each of the existing Stockholders' Agreement and the registration rights agreement (the ("Original Registration Rights Agreement") among the parties were modified in a number of respects to reflect, among other matters,

the changing composition of the respective equity interests of the parties.

After such sale and the conversion by Air Canada of its Class A common stock into Class B common stock, Air Canada holds approximately 10.0% of the common equity interests and 4.0% of the general voting power of the Company, and Air Partners holds approximately 9.8% of the common equity interests and 39.4% of the general voting power of the Company. In addition, assuming exercise of all of the warrants held by Air Partners, approximately 23.3% of the common equity interests and 52.1% of the general voting power would be held by Air Partners.

The Company and Air Canada also expect to enter into discussions regarding modifications to the Company's existing "synergy" agreements with Air Canada, covering items such as maintenance and ground facilities, with a view to resolving certain outstanding commercial issues under the agreements and otherwise modifying the agreements to reflect Continental's and Air Canada's current needs. The Company has entered into an agreement with Air Partners for the sale by Air Partners to the Company from time to time at Air Partners' election for the one-year period beginning August 15, 1996, of up to an aggregate of \$50 million in intrinsic value (then-current Class B common stock price minus exercise price) of Air Partners' Class B common stock warrants. The purchase price would be payable in cash. The Board of Directors has authorized the Company to publicly issue up to \$50 million of Class B common stock in connection with any such purchase. In connection with this agreement, the Company has reclassified \$50 million from common equity to redeemable warrants.

Because certain aspects of the Agreements raised issues under the change in control provisions of certain of the Company's employment agreements and employee benefit plans, these agreements and plans were modified to provide a revised change of control definition that the Company believes is appropriate in light of the prospective changes to its equity ownership structure. In connection with the modifications, payments were made to certain employees, benefits were granted to certain employees and options equal to 10% of the amount of the options previously granted to each optionee were granted (subject to certain conditions) to substantially all employees holding outstanding options.

#### USE OF PROCEEDS

There will be no cash proceeds payable to Continental from the issuance of the New Certificates pursuant to the Exchange Offer. The proceeds from the sale of the Old Certificates were used to purchase the Series A, B and C Equipment Notes issued by the related Owner Trustees in connection with the refinancing of the indebtedness incurred by the Owner Trustees to finance the purchase of each of the Aircraft. Such Equipment Notes, together with the Series D Equipment Notes contributed to the Class D Trust by the Owner Participant, represent in the aggregate the entire debt portion currently outstanding of the leveraged lease transactions relating to all of the Aircraft. Continental did not receive any of the proceeds from the sale of the Old Certificates.

#### RATIOS OF EARNINGS TO FIXED CHARGES

The following information for the years ended December 31, 1991 and 1992 and for the period January 1, 1993 through April 27, 1993 relates to Continental's predecessor, Holdings. Information for the period April 28, 1993 through December 31, 1993, for the two years ended December 31, 1994 and 1995 and for the three months ended March 31, 1995 and 1996 relates to Continental. The information as to Continental has not been prepared on a consistent basis of accounting with the information as to Holdings due to Continental's adoption, effective April 27, 1993, of fresh start reporting in accordance with SOP 90-7.

For the years ended December 31, 1991 and 1992, for the periods January 1, 1993 through April 27, 1993 and April 28, 1993 through December 31, 1993, for the year ended December 31, 1994 and for the three months ended March 31, 1995, earnings were not sufficient to cover fixed charges. Additional earnings of \$316 million, \$131 million, \$979 million, \$60 million, \$667 million and \$28 million, respectively, would have been required to achieve ratios of earnings to fixed charges of 1.0. The ratio of earnings to fixed charges for the year ended December 31, 1995 was 1.53. The ratio of earnings to fixed charges for the three months ended March 31, 1996 was 1.70. For purposes of calculating this ratio, earnings consist of earnings before taxes, minority interest and extraordinary items plus interest expense (net of capitalized interest), the portion of rental expense deemed representative of the interest expense and amortization of previously capitalized interest. Fixed charges consist of interest expense and the portion of rental expense representative of interest expense.

SELECTED FINANCIAL DATA

The following tables set forth selected financial data of (i) the Company for the three months ended March 31, 1996 and 1995, the two years ended December 31, 1995 and 1994 and for the period from April 28, 1993 through December 31, 1993 and (ii) Holdings for the period from January 1, 1993 through April 27, 1993. The consolidated financial data of both the Company, for the two years ended December 31, 1995 and 1994 and for the period from April 28, 1993 through December 31, 1993, and Holdings, for the period from January 1, 1993 through April 27, 1993, are derived from their respective audited consolidated financial statements. On April 27, 1993, in connection with the Reorganization, the Company adopted fresh start reporting in accordance with SOP 90-7. A vertical black line is shown in the table below to separate Continental's post-reorganized consolidated financial data from the pre-reorganized consolidated financial data of Holdings since they have not been prepared on a consistent basis of accounting. The consolidated financial data of the Company for the three months ended March 31, 1996 and 1995 are derived from its unaudited consolidated financial statements, which include all adjustments (consisting solely of normal recurring accruals) that the Company considers necessary for the presentation of the financial position and results of operations for these periods. Operating results for the three months ended March 31, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. The Company's selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements, including the notes thereto, incorporated by reference herein.

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		PERIOD FROM REORGANIZATION (APRIL 28, 1993) THROUGH DECEMBER 31, 1993	PERIOD FROM JANUARY 1, 1993 THROUGH APRIL 27, 1993
	1996	1995	1995	1994		
STATEMENT OF OPERATIONS DATA:						
(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)						
(unaudited)						
Operating Revenue:						
Passenger.....	\$1,375	\$1,240	\$5,302	\$5,036	\$3,493	\$1,622
Cargo, mail and other.....	114	169	523	634	417	235
	-----	-----	-----	-----	-----	-----
	1,489	1,409	5,825	5,670	3,910	1,857
	-----	-----	-----	-----	-----	-----
Operating Expenses:						
Wages, salaries and related costs.....	364	366	1,432(1)	1,532	1,000	502
Aircraft fuel.....	177	169	681	741	540	272
Aircraft rentals.....	124	123	497	433	261	154
Commissions.....	126	119	489	439	378	175
Maintenance, materials and repairs.....	112	97	429	495	363	184
Other rentals and landing fees.....	84	92	356	392	258	120
Depreciation and amortization.....	65	64	253	258	162	77
Other.....	317	351	1,303	1,391	853	487
	-----	-----	-----	-----	-----	-----
	1,369	1,381	5,440	5,681	3,815	1,971
	-----	-----	-----	-----	-----	-----
Operating Income (Loss).....	120	28	385	(11)	95	(114)
	-----	-----	-----	-----	-----	-----
Nonoperating Income (Expense):						
Interest expense.....	(47)	(53)	(213)	(241)	(165)	(52)
Interest capitalized.....	1	1	6	17	8	2
Interest income.....	9	6	31	23	14	-
Gain on System One transactions.....	-	-	108	-	-	-
Reorganization items, net.....	-	-	-	-	-	(818)
Other, net.....	12	(10)	(7)	(439)(2)	(4)	5
	-----	-----	-----	-----	-----	-----
	(25)	(56)	(75)	(640)	(147)	(863)
	-----	-----	-----	-----	-----	-----

Income (Loss) before Income Taxes, Minority Interest and Extraordinary Gain.....	95	(28)	310	(651)	(52)	(977)
Net Income (Loss).....	\$ 88	\$ (30)	\$ 224	\$ (613)	\$ (39)	\$2,640(3)
Earnings (Loss) per Common and Common Equivalent Share(4).....	\$ 1.35	\$(0.60)	\$ 3.60	\$ 11.88	\$(1.17)	N.M.(5)
	=====	=====	=====	=====	=====	=====
Earnings (Loss) per Common Share Assuming Full Dilution(4).....	\$ 1.18	\$(0.60)	\$ 3.15	\$(11.88)	\$(1.17)	N.M.(5)
	=====	=====	=====	=====	=====	=====

	AS OF	AS OF
	MARCH 31,	DECEMBER 31,
	-----	-----
	1996	1995
	-----	-----

(In millions of dollars)  
(unaudited)

BALANCE SHEET DATA:

Cash and Cash Equivalents, including restricted Cash and Cash Equivalents of \$124 and \$144, respectively(6).....	\$ 657	\$ 747
Other Current Assets.....	655	568
Total Property and Equipment, Net.....	1,410	1,461
Routes, Gates and Slots, Net.....	1,517	1,531
Other Assets, Net.....	507	514
	-----	-----
Total Assets.....	\$4,746	\$4,821
	=====	=====
Current Liabilities.....	\$2,040	\$1,984
Long-term Debt and Capital Leases.....	1,462	1,658
Deferred Credits and Other Long-term Liabilities...	542	564
Minority Interest.....	28	27
Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust(6).....	242	242
Redeemable Preferred Stock.....	42	41
Common Stockholders' Equity.....	390	305
	-----	-----
Total Liabilities and Stockholders' Equity....	\$4,746	\$4,821
	=====	=====

- (1) Includes a \$20 million cash payment in 1995 by the Company in connection with a 24-month collective bargaining agreement entered into by the Company and the Independent Association of Continental Pilots.
- (2) Includes a provision of \$447 million recorded in the fourth quarter of 1994 associated with the planned early retirement of certain aircraft and closed or underutilized airport and maintenance facilities and other assets.
- (3) Reflects a \$3.6 billion extraordinary gain from extinguishment of debt.
- (4) On June 26, 1996, the Company announced a 2-for-1 stock split with respect to the Company's Class A common stock and Class B common stock. Accordingly, the earnings per share information has been restated to give effect to the stock split.
- (5) Historical per share data for Holdings is not meaningful since the Company has been recapitalized and has adopted fresh start reporting as of April 27, 1993.
- (6) Restricted cash and cash equivalents agreements relate primarily to workers' compensation claims and the terms of certain other agreements. In addition, CMI is required by its loan agreement with GE to maintain certain minimum cash balances and net worth levels, which effectively restrict the amount of cash available to Continental from CMI.
- (7) The sole assets of the Trust are convertible debentures which are expected to be repaid by 2020. Upon repayment, the Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust will be mandatorily redeemed.

## THE EXCHANGE OFFER

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and reference is made to the provisions of the Registration Rights Agreement, which has been filed as an exhibit to the Registration Statement and a copy of which is available upon request to the Trustee.

### TERMS OF THE EXCHANGE OFFER

#### General

In connection with the issuance of the Old Certificates pursuant to a Purchase Agreement dated as of January 28, 1996, between the Company and the Initial Purchasers, the Initial Purchasers and the Owner Participant and their respective assignees became entitled to the benefits of the Registration Rights Agreement.

Under the Registration Rights Agreement, the Company is obligated to (i) file the Registration Statement of which this Prospectus is a part for a registered exchange offer with respect to an issue of new certificates identical in all material respects to the Old Certificates within 120 calendar days after January 31, 1996, the date the Old Certificates were issued (the "Issue Date"), (ii) use its best efforts to cause the Registration Statement to become effective within 60 days after filing of the Registration Statement and (iii) to consummate the Exchange Offer within 30 calendar days after the date the Registration Statement is declared effective by the Commission. The Company will keep the Exchange Offer open for a period of not less than 30 calendar days. The Exchange Offer being made hereby, if commenced and consummated within the time periods described in this paragraph, will satisfy those requirements under the Registration Rights Agreement.

Upon the terms and subject to the conditions set forth in this Prospectus and in the Letter of Transmittal (which together constitute the Exchange Offer), all Old Certificates validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. New Certificates of the same class will be issued in exchange for an equal principal amount of outstanding Old Certificates accepted in the Exchange Offer. As of the date of this Prospectus, \$489,267,000 aggregate principal amount of Old Certificates is outstanding. Old Certificates may be tendered only in integral multiples of \$1000. This Prospectus, together with the Letter of Transmittal, is being sent to all registered holders as of , 1996. The Exchange Offer is not conditioned upon any minimum principal amount of Old Certificates being tendered for exchange. However, the obligation to accept Old Certificates for exchange pursuant to the Exchange Offer is subject to certain conditions as set forth herein under "--Conditions."

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

Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, including the Exchange Offer No-Action Letters, the Company believes that the New Certificates issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by holders thereof (other than a broker-dealer who acquires such New Certificates directly from the Trustee for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any holder that is an "affiliate" of the Company as defined under Rule 405 of the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Certificates are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such New Certificates and have no arrangement with any person to participate in a distribution of such New Certificates. However, the staff of the Commission has not considered the Exchange

Offer in the context of a no-action letter and there can be no assurance that the staff of the Commission would make a similar determination with respect to the Exchange Offer as in such other circumstances. By tendering the Old Certificates in exchange for New Certificates, each holder, other than a broker-dealer, will represent to the Company that: (i) it is not an affiliate of the Company (as defined under Rule 405 of the Securities Act) nor a broker-dealer tendering Old Certificates acquired directly from the Company for its own account; (ii) any New Certificates to be received by it will be acquired in the ordinary course of its business; and (iii) it is not engaged in, and does not intend to engage in, a distribution of such New Certificates and has no arrangement or understanding to participate in a distribution of the New Certificates. If a holder of Series A Notes is engaged in or intends to engage in a distribution of the Series B Notes or has any arrangement or understanding with respect to the distribution of the Series B Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each Participating Broker-Dealer that receives New Certificates for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Certificates. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Certificates received in exchange for Old Certificates where such Old Certificates were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, it will make this Prospectus available to any Participating Broker-Dealer for use in connection with any such resale. See "Plan of Distribution."

In the event that (i) any changes in law or the applicable interpretations of the staff of the Commission do not permit Continental to effect the Exchange Offer, (ii) for any reason the Registration Statement is not declared effective within 60 calendar days after the filing thereof with the Commission or the Exchange Offer is not consummated within 30 days after the Registration Statement is declared effective, (iii) any holder of Old Certificates (other than an Initial Purchaser) is not eligible to participate in the Exchange Offer or (iv) an Initial Purchaser (with respect to Old Certificates which it acquired directly from the Company), following consummation of the Exchange Offer, is not permitted, in the opinion of counsel to such Initial Purchaser, to participate in the Exchange Offer (and upon request of such Initial Purchaser), Continental will, at its cost, (a) as promptly as practicable, file with the Commission a shelf registration statement covering resales of the Old Certificates (the "Shelf Registration Statement"), (b) use its best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act by the 210th calendar day after the Issue Date and (c) use its best efforts to keep effective the Shelf Registration Statement for a period of three years after the Issue Date (or for such shorter period as shall end when all of the Old Certificates covered by the Shelf Registration Statement have been sold pursuant thereto or may be freely sold pursuant to Rule 144 under the Securities Act).

In the event that either (i) (x) the Registration Statement was not filed with the Commission on or prior to the 120th calendar day following the Issue Date, or (y) the Registration Statement has not been declared effective on or prior to the 60th calendar day following the filing thereof with the Commission or (z) the Exchange Offer is not consummated on or prior to the 30th calendar day following the effectiveness of the Registration Statement or (ii) a Shelf Registration Statement is required to be filed with the Commission pursuant to the Registration Rights Agreement and such Shelf Registration Statement is not declared effective on or prior to the 210th calendar day following the Issue Date (each, a "Registration Default"), the interest rate per annum borne by the Equipment Notes and passed through to holders of Old Certificates shall be increased by (1) 0.25% from and including the day following such Registration Default to but excluding the 90th day following such Registration Default and (2) 0.50% thereafter; provided, however, that such increase shall cease to be in effect from and including the date on which such Registration Default has been cured. In the event that the Shelf Registration Statement ceases to be effective at any time, during the period the Company is required to keep such Shelf Registration Statement effective, for more than 60 days, whether or not consecutive, during any 12-month

period, the interest rate per annum borne by the Equipment Notes shall be increased by 0.50% from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective until such time as the Shelf Registration Statement again becomes effective.

Upon consummation of the Exchange Offer, subject to certain exceptions, holders of Old Certificates who do not exchange their Old Certificates for New Certificates in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Certificates, unless such Old Certificates are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Company will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See "Risk Factors--Risk Factors Relating to the Certificates--Consequences of Failure to Exchange."

#### Expiration Date; Extensions; Amendments; Termination

The term "Expiration Date" shall mean \_\_\_\_\_, 1996 (30 calendar days following the commencement of the Exchange Offer), unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended. Notwithstanding any extension of the Exchange Offer, if the Exchange Offer is not consummated by \_\_\_\_\_, 1996, the interest rate borne by the Equipment Notes and passed through to the Certificateholders is subject to increase. See "--General."

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

The Company reserves the right (i) to delay acceptance of any Old Certificates, to extend the Exchange Offer or to terminate the Exchange Offer and not permit acceptance of Old Certificates not previously accepted if any of the conditions set forth herein under "-- Conditions" shall have occurred and shall not have been waived by the Company, by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or (ii) to amend the terms of the Exchange Offer in any manner deemed by it to be advantageous to the holders of the Old Certificates. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the Exchange Agent. If the Exchange Offer is amended in a manner determined by the Company to constitute a material change, the Company will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the Old Certificates of such amendment.

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

#### INTEREST ON THE NEW CERTIFICATES

The New Certificates will accrue interest at the applicable per annum for such Trust set forth on the cover page of this Prospectus, from the last date on which interest was paid on the Old Certificates surrendered in exchange therefor. Interest on the New Certificates is payable on January 15, April 15, July 15 and October 15 of each year commencing April 15, 1996, subject to the terms of the Intercreditor Agreement.

## PROCEDURES FOR TENDERING

To tender in the Exchange Offer, a holder must complete, sign and date the Letter of Transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the Letter of Transmittal and mail or otherwise deliver such Letter of Transmittal or such facsimile, together with any other required documents, to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. In addition, either (i) certificates for such Old Certificates must be received by the Exchange Agent along with the Letter of Transmittal, (ii) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Old Certificates, if such procedure is available, into the Exchange Agent's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date or (iii) the holder must comply with the guaranteed delivery procedures described below. THE METHOD OF DELIVERY OF OLD CERTIFICATES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDERS. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTERS OF TRANSMITTAL OR OLD CERTIFICATES SHOULD BE SENT TO THE COMPANY. Delivery of all documents must be made to the Exchange Agent at its address set forth below. Holders may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

The tender by a holder of Old Certificates will constitute an agreement between such holder and the Company in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

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

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

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by any member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Exchange Act (each an "Eligible Institution") unless the Old Certificates tendered pursuant thereto are tendered (i) by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution.

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

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

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

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

#### ACCEPTANCE OF OLD CERTIFICATES FOR EXCHANGE; DELIVERY OF NEW CERTIFICATES

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

In all cases, issuance of New Certificates for Old Certificates that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Old Certificates or a timely Book-Entry Confirmation of such Old Certificates into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Old Certificates are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Certificates are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or nonexchanged Old Certificates will be returned without expense to the tendering holder thereof (or, in the case of Old Certificates tendered by book-entry transfer procedures described below, such nonexchanged Old Certificates will be credited to an account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

## BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Old Certificates at the Book-Entry Transfer Facility for purposes of the Exchange Offer within two business days after the date of this Prospectus. Any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Old Certificates by causing the Book-Entry Transfer Facility to transfer such Old Certificates into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Certificates may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal or facsimile thereof with any required signature guarantees and any other required documents must, in any case, be transmitted to and received by the Exchange Agent at one of the addresses set forth below under "-- Exchange Agent" on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

## GUARANTEED DELIVERY PROCEDURES

If a registered holder of the Old Certificates desires to tender such Old Certificates, and the Old Certificates are not immediately available, or time will not permit such holder's Old Certificates or other required documents to reach the Exchange Agent before the Expiration Date, or the procedures for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Certificates and the amount of Old Certificates tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Certificates, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent and (iii) the certificates for all physically tendered Old Certificates, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the Letter of Transmittal are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

## WITHDRAWAL OF TENDERS

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

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent prior to 5:00 p.m., New York City time on the Expiration Date at one of the addresses set forth below under "--Exchange Agent." Any such notice of withdrawal must specify the name of the person having tendered the Old Certificates to be withdrawn, identify the Old Certificates to be withdrawn (including the principal amount of such Old Certificates) and (where certificates for Old Certificates have been transmitted) specify the name in which such Old Certificates are registered, if different from that of the withdrawing holder. If certificates for Old Certificates have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of such certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution unless such holder is an Eligible Institution. If Old Certificates have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Old Certificates and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility

(including time of receipt) of such notices will be determined by the Company, whose determination shall be final and binding on all parties. Any Old Certificates so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Certificates which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of Old Certificates tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described above, such Old Certificates will be credited to an account maintained with such Book-Entry Transfer Facility for the Old Certificates) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Certificates may be retendered by following one of the procedures described under "-- Procedures for Tendering" and "--Book-entry Transfer" above at any time on or prior to the Expiration Date.

#### CONDITIONS

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

#### EXCHANGE AGENT

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

By Mail, Overnight Delivery:  
Wilmington Trust Company  
1100 North Market Street  
Wilmington, Delaware 19890-0001  
Attention: Jill Rylee

By Hand:  
Wilmington Trust Company  
1105 North Market Street, 1st Floor  
Wilmington, Delaware 19890  
Attention: Corporate Trust Operations

Facsimile Transmission:  
(302) 651-1079

Confirm by Telephone:  
(302) 651-8869  
Jill Rylee

#### FEES AND EXPENSES

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

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

The expenses to be incurred in connection with the Exchange Offer will be paid by the Company, including fees and expenses of the Exchange Agent and Trustee (as hereinafter defined) and accounting, legal, printing and related fees and expenses.

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

## DESCRIPTION OF THE NEW CERTIFICATES

The Certificates have been issued pursuant to four separate Pass Through Trust Agreements. The following summary describes certain terms of the Certificates and the Pass Through Trust Agreements. The summary does not purport to be complete and reference is made to the provisions of the Certificates and the Pass Through Trust Agreements, which have been filed as exhibits to the Registration Statement. Except as otherwise indicated, the following summary relates to each of the Trusts and the Certificates issued by each Trust. The terms and conditions governing each of the Trusts will be substantially the same, except as described under "--Subordination" below and except that the principal amount, the interest rate, scheduled repayments of principal, and maturity date applicable to the Equipment Notes held by each Trust and the final Distribution Date applicable to each Trust will differ. Citations to the relevant sections of the Pass Through Trust Agreements appear below in parentheses unless otherwise indicated. Copies of the Pass Through Trust Agreements are filed as exhibits to the Registration Statement and are available from the Trustee.

### GENERAL

The Certificates of each Trust have been issued in fully registered form only. Each Certificate represents a fractional undivided interest in the Trust created by the Pass Through Trust Agreement pursuant to which such Certificate is issued. The Trust Property consists of (i) the Equipment Notes held in such Trust, all monies at any time paid thereon and all monies due and to become due thereunder, (ii) the rights of such Trust under the Intercreditor Agreement (including all monies receivable in respect of such rights), (iii) except for the Class D Trust, all monies receivable under the Liquidity Facility for such Trust and (iv) funds from time to time deposited with the Trustee in accounts relating to such Trust. Certificates represent pro rata shares of the Equipment Notes and other property held in the related Trust and have been issued only in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. (Section 3.01).

The Certificates represent interests in the respective Trusts and all payments and distributions thereon will be made only from the Trust Property. (Section 3.11) The Certificates do not represent an interest in or obligation of Continental, the Trustees, any of the Loan Trustees or Owner Trustees in their individual capacities, any Owner Participant, or any affiliate of any thereof. The existence of each Trust will not limit the liability that Certificate holders of such Trust would otherwise incur if such holders owned directly the corresponding Equipment Notes or incurred directly the obligations of such Trust.

### SUBORDINATION

Pursuant to the Intercreditor Agreement to which the Trusts, the Subordination Agent and the Liquidity Providers are parties, on each Distribution Date, so long as no Triggering Event shall have occurred, all payments received by the Subordination Agent will be distributed in the following order: (1) payment of the Liquidity Obligations to the Liquidity Providers; (2) payments of Expected Distributions to the holders of Class A Certificates; (3) payment of Expected Distributions to the holders of Class B Certificates; (4) payment of Expected Distributions to the holders of Class C Certificates; (5) payment of Expected Distributions to the holders of Class D Certificates; and (6) payment of certain fees and expenses of the Subordination Agent and the Trustees.

In addition, upon the occurrence of a Triggering Event and at all times thereafter, subject to the provisions set forth below, all payments received by the Subordination Agent in respect of the Equipment Notes and certain other payments will be distributed under the Intercreditor Agreement in the following order: (1) to the Liquidity Provider in payment of the Liquidity Obligations and certain other parties in payment of the Administration Expenses; (2) to the holders of Class A Certificates in payment of Final Distributions; (3) to the holders of Class B Certificates in payment of Final Distributions; (4) to the holders of Class C Certificates in payment of Final Distributions; and (5) to the holders of Class D Certificates in payment of Final Distributions.

For purposes of calculating Expected Distributions or Final Distributions, any premium paid on the Equipment Notes held in any Trust which has not been distributed to the Certificateholders of such Trust (other than such premium or a portion thereof applied to the payment of interest on the Certificates of such Trust or the reduction of the Pool Balance of such Trust) shall be added to the amount of Expected Distributions or Final Distributions.

Notwithstanding the foregoing provisions, after the occurrence of a Triggering Event but so long as no PTC Event of Default shall have occurred and be continuing with respect to the most senior Class of Certificates outstanding, any regularly scheduled payment received on the Performing Equipment Notes shall be distributed as follows:

(x) the Performing Equipment Notes Interest Payment will be distributed in the following order: (1) to the Liquidity Providers in payment of the Liquidity Obligations and certain other parties in payment of the Administration Expenses; (2) to the holders of Class A Certificates in payment of accrued and unpaid interest on the Class A Certificates; (3) to the holders of Class B Certificates in payment of accrued and unpaid interest on the Class B Certificates; (4) to the holders of Class C Certificates in payment of accrued and unpaid interest on the Class C Certificates; and (5) to the holders of Class D Certificates; provided that the provisions of this paragraph (x) will be given effect before distribution of any funds received in respect of any Non-Performing Equipment Notes;

(y) the Performing Equipment Notes Principal Payment will be distributed in the following order: (1) to the holders of Class A Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; (2) to the holders of Class B Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; (3) to the holders of Class C Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; and (4) to the holders of Class D Certificates; provided that the provisions of this paragraph (y) will be given effect after distributing any funds received in respect of any Non-Performing Equipment Notes;

provided that if the aggregate amount of future scheduled payments in respect of the Performing Equipment Notes, together with the Performing Equipment Notes Principal Payment as of such Distribution Date, will be (assuming the distribution of such amount as contemplated by paragraphs (x) and (y) and that no further payment will be received at any time from the Non-Performing Equipment Notes) insufficient to pay interest on any Class of Certificates and reduce the Pool Balance of such Class of Certificates to zero before the Final Maturity Date thereof, the amount of distributions to be made to the holders of such Class of Certificates on such Distribution Date will be increased by the amount necessary to eliminate such insufficiency prior to making any distributions to the holders of any Class of Certificates junior to such Class of Certificates and such increase shall be taken into account for the purpose of applying this proviso to the holders of any such junior Class of Certificates.

#### PAYMENTS AND DISTRIBUTIONS

Payments of principal, premium (if any) and interest with respect to the Equipment Notes or other Trust Property held in each Trust will be distributed by the Trustee to Certificateholders of such Trust on the date receipt of such payment is confirmed, except in the case of certain types of Special Payments (as defined herein).

The Equipment Notes held in each Trust will accrue interest at the applicable rate per annum for such Trust set forth on the cover page of this Prospectus, payable on January 15, April 15, July 15 and October 15 of

each year commencing on April 15, 1996 and such interest payments will be passed through to Certificateholders of such Trust on each such date until the final Distribution Date for such Trust, in each case, subject to the Intercreditor Agreement. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. The interest rates for the Certificates are subject to increases under certain circumstances. See "The Exchange Offer--General". Payments of interest on the Certificates to be issued by each Trust (other than the Class D Trust) will be supported by a separate Liquidity Facility to be provided by Credit Suisse (the "Liquidity Provider") for the benefit of the holders of such Certificates in an amount sufficient to pay interest thereon at the Stated Interest Rate for such Trust on six successive quarterly Distribution Dates. Notwithstanding the subordination provisions of the Intercreditor Agreement, the holders of the Certificates to be issued by each Trust (other than the Class D Trust) will be entitled to receive and retain the proceeds of drawings under the Liquidity Facility for such Trust. See "Description of the Liquidity Facilities".

Payments of principal on the Equipment Notes held in each Trust are scheduled to be received by the Trustee on January 15, April 15, July 15 or December 15, in certain years depending upon the terms of the Equipment Notes held in such Trust commencing January 15, 1997, in the case of each of the Class A Trust, the Class B Trust and the Class C Trust and January 15, 1999, in the case of the Class D Trust. Scheduled payments of interest and principal on the Equipment Notes are herein referred to as "Scheduled Payments", and January 15, April 15, July 15 and October 15 of each year are herein referred to as "Regular Distribution Dates". See "Description of the Equipment Notes--Principal and Interest Payments". The Final Maturity Date for each Certificate is April 15, 2015.

The Trustee of each Trust will distribute, subject to the Intercreditor Agreement, on each Regular Distribution Date to the Certificateholders of such Trust all Scheduled Payments, the receipt of which is confirmed by the Trustee on such Regular Distribution Date. Each Certificateholder of each Trust will be entitled to receive a pro rata share of any distribution in respect of Scheduled Payments of principal and interest made on the Equipment Notes held in such Trust. Each such distribution of Scheduled Payments will be made by the Trustee of each Trust to the Certificateholders of record of such Trust on the Record Date applicable to such Scheduled Payment subject to certain exceptions. (Sections 4.01 and 4.02) If a Scheduled Payment is not received by the Trustee on a Regular Distribution Date but is received within five days thereafter, it will be distributed to such holders of record on the date received. If it is received after such five-day period, it will be treated as a Special Payment (as defined below) and distributed as described below.

Any payment in respect of, or any proceeds of, any Equipment Note or the Trust Indenture Estate under (and as defined in) each Indenture (other than a Scheduled Payment) (each, a "Special Payment") will be distributed on, in the case of an early redemption or a purchase of the Equipment Notes relating to one or more Aircraft, the date of such early redemption or purchase (which shall be a Business Day), and otherwise on the Business Day specified for distribution of such Special Payment pursuant to a notice delivered by the Trustee as soon as practicable after the Trustee has received funds for such Special Payment, in each case subject to the Intercreditor Agreement. The Trustee will mail notice to the Certificateholders of the applicable Trust not less than 20 days prior to the Special Distribution Date on which any Special Payment is scheduled to be distributed by the Trustee stating such anticipated Special Distribution Date. (Section 4.02(c)) Each distribution of a Special Payment, other than a final distribution, on a Special Distribution Date for any Trust will be made by the Trustee to the Certificateholders of record of such Trust on the Record Date applicable to such Special Payment. See "--Indenture Defaults and Certain Rights Upon an Indenture Default" and "Description of the Equipment Notes--Redemption".

Each Pass Through Trust Agreement requires that the Trustee establish and maintain, for the related Trust and for the benefit of the Certificateholders of such Trust, one or more accounts (the "Certificate Account") for the deposit of payments representing Scheduled Payments on the Equipment Notes held in such Trust. Each Pass Through Trust Agreement also requires that the Trustee establish and maintain, for the related Trust and for the benefit of the Certificateholders of such Trust, one or more accounts (the "Special Payments

Account") for the deposit of payments representing Special Payments, which account shall be non-interest bearing except in certain circumstances where the Trustee may invest amounts in such account in certain permitted investments. Pursuant to the terms of each Pass Through Trust Agreement, the Trustee is required to deposit any Scheduled Payments relating to the applicable Trust received by it in the Certificate Account of such Trust and to deposit any Special Payments so received by it in the Special Payments Account of such Trust. (Section 4.01) All amounts so deposited will be distributed by the Trustee on a Regular Distribution Date or a Special Distribution Date, as appropriate. (Section 4.02)

Distributions by the Trustee from the Certificate Account or the Special Payments Account of each Trust on a Regular Distribution Date or a Special Distribution Date in respect of Certificates issued by such Trust in definitive form will be made to each Certificateholder of record of such Certificates on the applicable Record Date. (Section 4.02) The final distribution for each Trust, however, will be made only upon presentation and surrender of the Certificates for such Trust at the office or agency of the Trustee specified in the notice given by the Trustee of such final distribution. The Trustee will mail such notice of the final distribution to the Certificateholders of such Trust, specifying the date set for such final distribution and the amount of such distribution. (Section 11.01) See "--Termination of the Trusts". Distributions in respect of Certificates issued in global form will be made as described in "--Book Entry; Delivery and Form" below.

If any Regular Distribution Date or Special Distribution Date is not a Business Day, distributions scheduled to be made on such Regular Distribution Date or Special Distribution Date will be made on the next succeeding Business Day without additional interest.

#### POOL FACTORS

Unless there has been an early redemption, purchase, or a default in the payment of principal or interest, in respect of one or more issues of the Equipment Notes held in a Trust, as described in "--Indenture Defaults and Certain Rights Upon an Indenture Default" and "Description of the Equipment Notes--Redemption", the Pool Factor with respect to each Trust will decline in proportion to the scheduled repayments of principal on the Equipment Notes held in such Trust as described below in "Description of the Equipment Notes--General." In the event of such redemption, purchase or default, the Pool Factor and the Pool Balance of each Trust so affected will be recomputed after giving effect thereto and notice thereof will be mailed to the Certificateholders of such Trust. Each Trust will have a separate Pool Factor.

The "Pool Balance" for each Trust or for the Certificates issued by any Trust indicates, as of any date, the original aggregate face amount of the Certificates of such Trust less the aggregate amount of all payments made in respect of the Certificates of such Trust other than payments made in respect of interest or premium thereon or reimbursement of any costs and expenses in connection therewith. The Pool Balance for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Equipment Notes or other Trust Property held in such Trust and the distribution thereof to be made on that date.

The "Pool Factor" for each Trust as of any Regular Distribution Date or Special Distribution Date is the quotient (rounded to the seventh decimal place) computed by dividing (i) the Pool Balance by (ii) the original aggregate face amount of the Certificates of such Trust. The Pool Factor for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Equipment Notes or other Trust Property held in such Trust and the distribution thereof to be made on that date. Assuming that no early redemption or purchase, or default, in respect of any Equipment Notes shall have occurred, the Pool Factor for each Trust will be 1.0000000 on the date of issuance of the Certificates; thereafter, the Pool Factor for each Trust will decline as described herein to reflect reductions in the Pool Balance of such Trust. The amount of a Certificateholder's pro rata share of the Pool Balance of a Trust can be determined by multiplying the par value of the holder's Certificate of such Trust by the Pool Factor for such

Trust as of the applicable Regular Distribution Date or Special Distribution Date. Notice of the Pool Factor and the Pool Balance for each Trust will be mailed to Certificateholders of such Trust on each Regular Distribution Date and Special Distribution Date.

As of the date of sale by the Trustee of the Certificates and assuming that no early redemption or purchase, or default in the payment of principal, in respect of any Equipment Notes shall occur, the Scheduled Payments of principal on the Equipment Notes held in the Class A Trust, the Class B Trust, the Class C Trust and the Class D Trust, and the resulting Pool Factors for such Trusts after taking into account each Scheduled Payment, are set forth below:

Regular Distribution Dates	1996-A Trust Equipment Notes		1996-B Trust Equipment Notes		1996-C Trust Equipment Notes		1996-D Trust Equipment Notes	
	Scheduled Payments of Principal	1996-A Trust Expected Pool Factor	Scheduled Payments of Principal	1996-B Trust Expected Pool Factor	Scheduled Payments of Principal	1996-C Trust Expected Pool Factor	Scheduled Payments of Principal	1996-D Trust Expected Pool Factor
April 1996.....	0	1.0000000	0	1.0000000	0	1.0000000	0	1.0000000
July 1996.....	0	1.0000000	0	1.0000000	0	1.0000000	0	1.0000000
October 1996.....	0	1.0000000	0	1.0000000	0	1.0000000	0	1.0000000
January 1997.....	5,284,668	0.9803922	1,849,646	0.9803922	1,453,275	0.9803921	0	1.0000000
April 1997.....	0	0.9803922	0	0.9803922	0	0.9803921	0	1.0000000
July 1997.....	0	0.9803922	0	0.9803922	0	0.9803921	0	1.0000000
October 1997.....	0	0.9803922	0	0.9803922	0	0.9803921	0	1.0000000
January 1998.....	5,200,561	0.9610964	1,820,209	0.9610964	1,430,147	0.9610963	0	1.0000000
April 1998.....	0	0.9610964	0	0.9610964	0	0.9610963	0	1.0000000
July 1998.....	0	0.9610964	0	0.9610964	0	0.9610963	0	1.0000000
October 1998.....	1,881,631	0.9541149	658,583	0.9541149	517,441	0.9541149	0	1.0000000
January 1999.....	6,357,107	0.9305280	2,225,009	0.9305279	1,748,192	0.9305280	3,506,949	0.9316384
April 1999.....	0	0.9305280	0	0.9305279	0	0.9305280	0	0.9316384
July 1999.....	0	0.9305280	0	0.9305279	0	0.9305280	0	0.9316384
October 1999.....	5,151,648	0.9114137	1,803,084	0.9114136	1,416,700	0.9114136	856,524	0.9149467
January 2000.....	6,520,793	0.8872194	2,282,307	0.8872192	1,793,201	0.8872194	400,652	0.9071367
April 2000.....	0	0.8872194	0	0.8872192	0	0.8872194	0	0.9071367
July 2000.....	0	0.8872194	0	0.8872192	0	0.8872194	0	0.9071367
October 2000.....	5,902,865	0.8653178	2,066,003	0.8653178	1,623,289	0.8653177	0	0.9071367
January 2001.....	7,473,253	0.8375896	2,615,670	0.8375895	2,055,126	0.8375896	0	0.9071367
April 2001.....	0	0.8375896	0	0.8375895	0	0.8375896	0	0.9071367
July 2001.....	0	0.8375896	0	0.8375895	0	0.8375896	0	0.9071367
October 2001.....	6,296,432	0.8142278	2,203,755	0.8142278	1,731,518	0.8142276	0	0.9071367
January 2002.....	13,228,012	0.7651475	4,629,853	0.7651474	3,637,674	0.7651475	0	0.9071367
April 2002.....	0	0.7651475	0	0.7651474	0	0.7651475	0	0.9071367
July 2002.....	0	0.7651475	0	0.7651474	0	0.7651475	0	0.9071367
October 2002.....	4,756,545	0.7474992	1,664,791	0.7474992	1,308,051	0.7474990	0	0.9071367
January 2003.....	15,560,862	0.6897633	5,446,355	0.6897631	4,279,204	0.6897632	0	0.9071367
April 2003.....	0	0.6897633	0	0.6897631	0	0.6897632	0	0.9071367
July 2003.....	0	0.6897633	0	0.6897631	0	0.6897632	0	0.9071367
October 2003.....	4,703,788	0.6723107	1,646,326	0.6723104	1,293,542	0.6723105	0	0.9071637
January 2004.....	11,684,171	0.6289586	4,089,496	0.6289585	3,213,125	0.6289585	0	0.9071367
April 2004.....	0	0.6289586	0	0.6289585	0	0.6289585	0	0.9071367
July 2004.....	0	0.6289586	0	0.6289585	0	0.6289585	0	0.9071367
October 2004.....	7,590,687	0.6007947	2,656,749	0.6007947	2,087,434	0.6007944	81,724	0.9055437
January 2005.....	9,882,743	0.5641265	3,458,990	0.5641264	2,717,735	0.5641262	588,558	0.8940708
April 2005.....	0	0.5641265	0	0.5641264	0	0.5641262	1,283,740	0.8690466
July 2005.....	0	0.5641265	0	0.5641264	0	0.5641262	2,939,531	0.8117458
October 2005.....	8,279,727	0.5334060	2,897,911	0.5334061	2,276,920	0.5334056	4,204,644	0.7297840
January 2006.....	8,347,019	0.5024358	2,921,483	0.5024359	2,295,412	0.5024355	2,354,316	0.6838909
April 2006.....	0	0.5024358	0	0.5024359	0	0.5024355	2,972,939	0.6259388
July 2006.....	0	0.5024358	0	0.5024359	0	0.5024355	3,395,369	0.5597523
October 2006.....	12,492,889	0.4560831	4,372,538	0.4560832	3,435,525	0.4560878	3,779,755	0.4860729
January 2007.....	4,651,251	0.4388254	1,627,946	0.4388256	1,279,088	0.4388251	1,992,355	0.4472355
April 2007.....	1,762,951	0.4322843	617,033	0.4322845	484,811	0.4322839	855,654	0.4305561
July 2007.....	0	0.4322843	0	0.4322845	0	0.4322839	84,738	0.4289043
October 2007.....	19,579,916	0.3596364	6,853,032	0.3596365	5,384,436	0.3596362	3,796,117	0.3549059
January 2008.....	5,634,209	0.3387316	1,971,972	0.3387319	1,549,406	0.3387313	1,046,339	0.3345095
April 2008.....	0	0.3387316	0	0.3387319	0	0.3387313	23,463	0.3340521
July 2008.....	0	0.3387316	0	0.3387319	0	0.3387313	0	0.3340521
October 2008.....	17,480,052	0.2738749	6,118,097	0.2738749	4,806,962	0.2738749	3,005,458	0.2754662
January 2009.....	4,715,038	0.2563806	1,650,264	0.2563806	1,296,634	0.2561805	876,156	0.2583871
April 2009.....	0	0.2563806	0	0.2563806	0	0.2561805	0	0.2583871
July 2009.....	0	0.2563806	0	0.2563806	0	0.2561805	0	0.2583871
October 2009.....	9,982,773	0.2193412	3,494,004	0.2193412	2,745,240	0.2193412	1,549,605	0.2281804
January 2010.....	2,774,576	0.2090467	971,109	0.2090466	763,002	0.2090466	507,351	0.2182905
April 2010.....	229,494	0.2081952	80,323	0.2081951	63,111	0.2081951	0	0.2182905
July 2010.....	1,058,899	0.2042663	370,615	0.2042663	291,197	0.2042662	0	0.2182905
October 2010.....	9,714,697	0.1682216	3,400,172	0.1682216	2,671,523	0.1682216	1,425,031	0.1905121
January 2011.....	5,548,251	0.1476358	1,941,909	0.1476357	1,525,754	0.1476358	562,592	0.1795454
April 2011.....	125,922	0.1471686	44,073	0.1471686	34,629	0.1471686	21,726	0.1791219
July 2011.....	1,255,151	0.1425115	439,303	0.1425115	345,166	0.1425116	216,556	0.1749005
October 2011.....	8,481,267	0.1110432	2,968,462	0.1110432	2,332,336	0.1110432	719,133	0.1608823
January 2012.....	9,064,636	0.0774105	3,172,663	0.0774103	2,492,748	0.0774106	782,212	0.1456345
April 2012.....	146,241	0.0768679	51,184	0.0768677	40,216	0.0768680	0	0.1456345

Regular Distribution Dates	1996-A Trust Equipment Notes		1996-B Trust Equipment Notes		1996-C Trust Equipment Notes		1996-D Trust Equipment Notes	
	Scheduled Payments of Principal	1996-A Trust Expected Pool Factor	Scheduled Payments of Principal	1996-B Trust Expected Pool Factor	Scheduled Payments of Principal	1996-C Trust Expected Pool Factor	Scheduled Payments of Principal	1996-D Trust Expected Pool Factor
July 2012.....	886,893	0.0735772	310,413	0.0735770	243,895	0.0735774	79,990	0.1440753
October 2012.....	8,153,758	0.0433241	2,853,848	0.0433238	2,242,262	0.0433244	2,748,810	0.0904922
January 2013.....	9,486,707	0.0081253	3,320,348	0.0081253	2,608,844	0.0081254	1,357,427	0.0640317
April 2013.....	0	0.0081253	0	0.0081253	0	0.0081254	717,371	0.0500478
July 2013.....	532,107	0.0061510	186,238	0.0061510	146,329	0.0061511	873,473	0.0330211
October 2013.....	532,107	0.0061510	186,238	0.0061510	146,329	0.0061511	873,473	0.0330211

Any failure to make expected principal distributions on any Class of Certificates on any Regular Distribution Date (other than the Final Maturity Date) will not constitute a PTC Event of Default with respect to such Certificates.

#### Reports to Certificateholders

On each Regular Distribution Date and Special Distribution Date, the applicable Trustee will include with each distribution of a Scheduled Payment or Special Payment, respectively, to Certificateholders of the related Trust a statement, giving effect to such distribution to be made on such Regular Distribution Date or Special Distribution Date, setting forth the following information (per \$1,000 aggregate principal amount of Certificate for such Trust, as to (i) and (ii) below):

- (i) the amount of such distribution allocable to principal and the amount allocable to premium (if any);
- (ii) the amount of such distribution allocable to interest; and
- (iii) the Pool Balance and the Pool Factor for such Trust. (Section 4.03)

With respect to the Certificates registered in the name of Cede, as nominee for DTC, on the record date prior to each Distribution Date, the applicable Trustee will request from DTC a Securities Position Listing setting forth the names of all DTC Participants reflected on DTC's books as holding interests in the Certificates on such record date. On each Distribution Date, the applicable Trustee will mail to each such DTC Participant the statement described above and will make available additional copies as requested by such DTC Participant for forwarding to holders of Certificates.

In addition, after the end of each calendar year, the applicable Trustee will prepare for each Certificateholder of each Trust at any time during the preceding calendar year a report containing the sum of the amounts determined pursuant to clauses (i) and (ii) above with respect to the Trust for such calendar year or, in the event such person was a Certificateholder during only a portion of such calendar year, for the applicable portion of such calendar year, and such other items as are readily available to such Trustee and which a Certificateholder shall reasonably request as necessary for the purpose of such Certificateholder's preparation of its U.S. federal income tax returns. (Section 4.03) Such report and such other items shall be prepared on the basis of information supplied to the applicable Trustee by the DTC Participants and shall be delivered by such Trustee to such DTC Participants to be available for forwarding by such DTC Participants to Certificate Owners in the manner described above.

With respect to the Certificates issued in definitive form, the applicable Trustee will prepare and deliver the information described above to each Certificateholder of record of each Trust as the name of such Certificateholder appears on the records of the registrar of the Certificates.

## INDENTURE DEFAULTS AND CERTAIN RIGHTS UPON AN INDENTURE DEFAULT

An event of default under an Indenture (an "Indenture Default") will include an event of default under the related Lease (a "Lease Event of Default"). Since the Equipment Notes issued under an Indenture may be held in more than one Trust, a continuing Indenture Default under such Indenture would affect the Equipment Notes held by each such Trust. There are no cross-default provisions in the Indentures. Consequently, events resulting in an Indenture Default under any particular Indenture may or may not result in an Indenture Default under any other Indenture. However, a Lease Event of Default under any Lease will constitute a Lease Event of Default under all Leases due to the cross-default provisions in the Leases, and will consequently result in an Indenture Default under all Indentures. If an Indenture Default occurs in fewer than all of the Indentures, notwithstanding the treatment of Equipment Notes issued under any Indenture under which an Indenture Default has occurred, payments of principal and interest on the Equipment Notes issued pursuant to Indentures with respect to which an Indenture Default has not occurred will continue to be distributed to the holders of the Certificates as originally scheduled, subject to the Intercreditor Agreement. See "Description of the Intercreditor Agreement--Priority of Distributions".

With respect to each Aircraft, the applicable Owner Trustee and Owner Participant will, under the related Indenture, have the right under certain circumstances to cure Indenture Defaults that result from the occurrence of a Lease Event of Default under the related Lease. If the Owner Trustee or the Owner Participant exercises any such cure right, the Indenture Default will be deemed to have been cured.

In the event that the same institution acts as Trustee of multiple Trusts, in the absence of instructions from the Certificateholders of any such Trust, such Trustee could be faced with a potential conflict of interest upon an Indenture Default. In such event, each Trustee has indicated that it would resign as Trustee of one or all such Trusts, and a successor trustee would be appointed in accordance with the terms of the applicable Pass Through Trust Agreement.

Upon the occurrence and continuation of any Indenture Default under any Indenture, the Controlling Party may accelerate and sell all (but not less than all) of the Equipment Notes issued under such Indenture to any person, subject to certain limitations. The proceeds of such sale will be distributed pursuant to the provisions of the Intercreditor Agreement. Any proceeds received by the applicable Trustee upon any such sale shall be deposited in the applicable Special Payments Account and shall be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Sections 4.01 and 4.02) The market for Equipment Notes at the time of the existence of any Indenture Default may be very limited, and there can be no assurance as to the price at which they could be sold. If such Trustee sells any such Equipment Notes for less than their outstanding principal amount, the Certificateholders will receive a smaller amount of principal distributions than anticipated and will not have any claim for the shortfall against Continental, any Owner Trustee, any Owner Participant or any Trustee.

Any amount, other than Scheduled Payments received on a Regular Distribution Date, distributed to the Trustee of any Trust by the Subordination Agent on account of the Equipment Notes or other Trust Property held in such Trust following an Indenture Default under any Indenture shall be deposited in the Special Payments Account for such Trust and shall be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Section 4.02) In addition, if, following an Indenture Default under any Indenture relating to an Aircraft, the applicable Owner Trustee exercises its option to redeem or purchase the outstanding Equipment Notes issued under such Indenture, the price paid by such Owner Trustee for the Equipment Notes issued under such Indenture and distributed to such Trust by the Subordination Agent shall be deposited in the Special Payments Account for such Trust and shall be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Section 4.02)

Any funds representing payments received with respect to any defaulted Equipment Notes held in a Trust, or the proceeds from the sale of any Equipment Notes, held by such Trustee in the Special Payments Account for such Trust shall, to the extent practicable, be invested and reinvested by such Trustee in Permitted Investments pending the distribution of such funds on a Special Distribution Date. (Section 4.04) Permitted Investments are defined as obligations of the United States or agencies or instrumentalities thereof the payment of which is backed by the full faith and credit of the United States and which mature in not more than 60 days or such lesser time as is required for the distribution of any such funds on a Special Distribution Date. (Section 1.01)

Each Pass Through Trust Agreement provides that the Trustee of the related Trust shall, within 90 days after the occurrence of any Indenture Default, give to the Certificateholders of such Trust notice, transmitted by mail, of all uncured or unwaived defaults with respect to such Trust known to it, provided that, except in the case of default in the payment of principal, premium, if any, or interest on any of the Equipment Notes or other Trust Property held in such Trust, the applicable Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of such Certificateholders. (Section 7.02)

Each Pass Through Trust Agreement contains a provision entitling the Trustee of the related Trust, subject to the duty of such Trustee during a default to act with the required standard of care, to be offered reasonable security or indemnity by the holders of the Certificates of such Trust before proceeding to exercise any right or power under such Pass Through Agreement at the request of such Certificateholders. (Section 7.03(e))

In certain cases, the holders of the Certificates of a Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust may on behalf of the holders of all the Certificates of such Trust waive any past default under the related Pass Through Trust Agreement or, if the Trustee of such Trust is the Controlling Party, may direct the Trustee to instruct the applicable Loan Trustee to waive any past Indenture Default with respect to such Trust and thereby annul any direction given by such holders to such Loan Trustee with respect thereto, except (i) a default in the deposit of any Scheduled Payment or Special Payment or in the distribution thereof, (ii) a default in payment of the principal, premium, if any, or interest with respect to any of the Equipment Notes held in such Trust and (iii) a default in respect of any covenant or provision of the related Pass through Trust Agreement that cannot be modified or amended without the consent of each Certificateholder of such Trust affected thereby. (Section 6.05) Each Indenture will provide that, with certain exceptions, the holders of the majority in aggregate unpaid principal amount of the Equipment Notes issued thereunder may on behalf of all such holders waive any past default or Indenture Default thereunder. Notwithstanding the foregoing provisions of this paragraph, however, pursuant to the Intercreditor Agreement, only the Controlling Party will be entitled to waive any such past default or Indenture Default.

#### PURCHASE RIGHTS OF CERTIFICATEHOLDERS

Upon the occurrence and during the continuation of a Triggering Event, (i) the Class B Certificateholders shall have the right to purchase all, but not less than all, of the Class A Certificates, (ii) the Class C Certificateholders shall have the right to purchase all, but not less than all, of the Class A Certificates and the Class B Certificates and (iii) the Class D Certificateholders shall have the right to purchase all, but not less than all, of the Class A Certificates, the Class B Certificates and the Class C Certificates, in each case at a purchase price equal to the Pool Balance of the relevant Class or Classes of Certificates plus accrued and unpaid interest thereon to the date of purchase without premium but including any other amounts due to the Certificateholders of such Class or Classes.

#### PTC EVENT OF DEFAULT

A PTC Event of Default is defined under each Pass Through Trust Agreement as the failure to pay within 10 Business Days of the due date thereof: (i) the outstanding Pool Balance of the applicable Class of Certificates on the Final Maturity Date for such Class or (ii) interest due on such Certificates on any Distribution Date (unless the Subordination Agent shall have made an Interest Drawing with respect thereto in an amount sufficient to pay such interest and shall have distributed such amount to the Certificateholders entitled thereto). A PTC Event of Default with respect to the most senior Class of Certificates resulting from an Indenture Default under all Indentures will constitute a Triggering Event.

#### MERGER, CONSOLIDATION AND TRANSFER OF ASSETS

Continental is prohibited from consolidating with or merging into any other corporation or transferring substantially all of its assets as an entirety to any other corporation unless (i) the surviving successor or transferee corporation shall (a) be a "citizen of the United States" as defined in Section 40102(a)(15) of Title 49 of the United States Code, as amended, relating to aviation (the "Aviation Act"), (b) be a United States certificated air carrier and (c) expressly assume all of the obligations of Continental contained in the Pass Through Trust Agreements, the Refunding Agreements, the Indentures, the Participation Agreements and the Leases, and any other operative documents; (ii) immediately after giving effect to such transaction, no Lease Event of Default shall have occurred and be continuing; and (iii) Continental shall have delivered a certificate and an opinion or opinions of counsel indicating that such transaction complies with such conditions. (Section 5.02; Leases, Section 13.2)

The Pass Through Trust Agreements and the Indentures do not contain any covenants or provisions which may afford the applicable Trustee or Certificateholders protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change in control of Continental.

#### MODIFICATIONS OF THE PASS THROUGH TRUST AGREEMENTS AND CERTAIN OTHER AGREEMENTS

Each Pass Through Trust Agreement contains provisions permitting the execution of supplemental trust agreements, without the consent of the holders of any of the Certificates of such Trust, (i) to evidence the succession of another corporation to Continental and the assumption by such corporation of Continental's obligations under such Pass Through Trust Agreement, (ii) to add to the covenants of Continental for the benefit of holders of such Certificates or to surrender any right or power in such Pass Through Trust Agreement conferred upon Continental, (iii) to correct or supplement any defective or inconsistent provision of such Pass Through Trust Agreement or to modify any other provisions with respect to matters or questions arising thereunder, provided such action shall not materially adversely affect the interests of the holders of such Certificates, or to cure any ambiguity or correct any mistake, (iv) to add to such Pass Through Trust Agreement such other provisions as may be expressly permitted by the Trust Indenture Act and (v) to provide for a successor Trustee or to add to or change any provision of such Pass Through Trust Agreement as shall be necessary to facilitate the administration of the Trust thereunder by more than one Trustee. In addition, each Pass Through Trust Agreement provides that the Trustee will be permitted to enter into any amendment or supplement to the Intercreditor Agreement or the Liquidity Facilities, without the consent of the holders of any Certificates, to cure any ambiguity or correct any mistake or to correct or supplement any defective or inconsistent provision thereof or to modify any other provision with respect to matters or questions arising thereunder; provided that such action shall not materially adversely affect the interests of the Certificateholders. (Section 9.01)

Each Pass Through Trust Agreement also contains provisions permitting the execution, with the consent of the holders of the Certificates of the related Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust, and with the consent of the applicable Owner Trustee (such consent

not to be unreasonably withheld), of supplemental trust agreements adding any provisions to or changing or eliminating any of the provisions of such Pass Through Trust Agreement or modifying the rights of the Certificateholders, except that no such supplemental trust agreement may, without the consent of the holder of each Certificate so affected thereby, (a) reduce in any manner the amount of, or delay the timing of, any receipt by the Trustee of payments on the Equipment Notes or other Trust Property held in such Trust or distributions in respect of any Certificate related to such Trust, or change the date or place of any payment in respect of any Certificate, or make distributions payable in coin or currency other than that provided for in such Certificates, or impair the right of any Certificateholder of such Trust to institute suit for the enforcement of any such payment when due, (b) permit the disposition of any Equipment Note held in such Trust, except as provided in such Pass Through Trust Agreement, or otherwise deprive any Certificateholder of the benefit of the ownership of the applicable Equipment Notes, (c) alter the priority of distributions specified in the Intercreditor Agreement, (d) reduce the percentage of the aggregate fractional undivided interests of the Trust provided for in such Pass Through Trust Agreement, the consent of the holders of which is required for any such supplemental trust agreement or for any waiver provided for in such Pass Through Trust Agreement or (e) modify any of the provisions relating to the rights of the Certificateholders in respect of the waiver of Events of Default or receipt of payment. (Section 9.02)

#### TERMINATION OF THE TRUSTS

The obligations of Continental and the applicable Trustee with respect to a Trust will terminate upon the distribution to Certificateholders of such Trust of all amounts required to be distributed to them pursuant to applicable Pass Through Trust Agreement and the disposition of all property held in such Trust. The applicable Trustee will send to each Certificateholder of record of such Trust notice of the termination of such Trust, the amount of the proposed final payment and the proposed date for the distribution of such final payment for such Trust. The final distribution to any Certificateholder of such Trust will be made only upon surrender of such Certificateholder's Certificates at the office or agency of the applicable Trustee specified in such notice of termination. (Section 11.01)

#### DELAYED PURCHASE

In the event that on the date of the consummation of the Offering, the conditions to delivery of the Equipment Notes are not all satisfied and, as a result, any portion of the proceeds from the sale of the Certificates is not used to purchase the Equipment Notes issuable under any Indenture, such Equipment Notes may be purchased by the Trustees at any time on or prior to March 31, 1996. In such event, the Trustees will hold such proceeds not used to purchase Equipment Notes in an escrow account pending the purchase of the Equipment Notes not so purchased. Such proceeds will be invested in certain specified investments at the direction and risk of, and for the account of, Continental. Earnings on such investments in the escrow account for each Trust will be paid to Continental periodically, and Continental will be responsible for any losses. (Section 2.01(b))

#### THE TRUSTEES

The Trustee for each Trust is Wilmington Trust Company.

With certain exceptions, the Trustee makes no representations as to the validity or sufficiency of the Pass Through Trust Agreements, the Certificates, the Equipment Notes, the Indentures, the Leases or other related documents. (Sections 7.04 and 7.15) The Trustee of any Trust shall not be liable, with respect to the Certificates of such Trust, for any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in principal amount of outstanding Certificates of such Trust. Subject to certain provisions, the Trustees shall be under no obligation to exercise any of their rights or powers under any Pass Through Trust Agreement at the request of any holders of Certificates issued thereunder unless there shall

have been offered to the Trustees indemnity satisfactory to them. (Section 7.03(d)) Each Pass Through Trust Agreement provides that the Trustees in their individual or any other capacity may acquire and hold Certificates issued thereunder and, subject to certain conditions, may otherwise deal with Continental and with any Owner Trustee with the same rights they would have if they were not the Trustees. (Section 7.05)

Any Trustee may resign with respect to any or all of the Trusts of which it is the Trustee at any time, in which event Continental will be obligated to appoint a successor trustee. If any Trustee ceases to be eligible to continue as Trustee with respect to a Trust or becomes incapable of acting as Trustee or becomes insolvent, Continental may, with the consent of the Owner Participants for the Aircraft (which consent shall not be unreasonably withheld), remove such Trustee or any holder of the Certificates of such Trust for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Trustee and the appointment of a successor trustee. Any resignation or removal of the Trustee with respect to a Trust and appointment of a successor trustee for such Trust does not become effective until acceptance of the appointment by the successor trustee. (Sections 7.09 and 7.10)

Each Pass Through Trust Agreement provides that Continental or the Owner Participant will pay the applicable Trustee's fees and expenses. (Section 7.07)

#### BOOK-ENTRY; DELIVERY AND FORM

The New Certificates of each Trust will be represented by a single, permanent global Certificate, in definitive, fully registered form without interest coupons (the "Global Certificate"), to be deposited with the Trustee as custodian for DTC and registered in the name of a nominee of DTC.

Old Certificates originally issued in definitive, fully registered form with respect to any Trust ("Definitive Certificates") will be exchanged for beneficial interests in the Global Certificate, representing the New Certificates of such Trust.

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

Upon the issuance of the Global Certificates, DTC or its custodian credited, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Certificates to the accounts of persons who have accounts with such depository. Ownership of beneficial interests in the Global Certificates is limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in the Global Certificates is shown on, and the transfer of that ownership is effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities. Such limits and such laws may limit the market for beneficial interests in the Global Certificates. Qualified institutional buyers may hold their interests in the Global Certificates directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

So long as DTC or its nominee is the registered owner or holder of the Global Certificates, DTC or such nominee, as the case may be, will be considered the sole record owner or holder of the Certificates represented by such Global Certificates for all purposes under the related Pass Through Trust Agreements. No beneficial owners of an interest in the Global Certificates will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Pass Through Trust Agreements and, if applicable, Euroclear or Cedel.

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

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

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

If DTC is at any time unwilling or unable to continue as a depository for the Global Certificates and a successor depository is not appointed by within 90 days, the Trusts will issue Definitive Certificates in exchange for the Global Certificates.

## DESCRIPTION OF THE LIQUIDITY FACILITIES

The following summary describes certain terms of the Liquidity Facilities and certain provisions of the Intercreditor Agreement relating to the Liquidity Facilities. The summary does not purport to be complete and reference is made to the provisions of the Liquidity Facilities and such provisions of the Intercreditor Agreement, which has been filed as an exhibit to the Registration Statement. The provisions of the Liquidity Facilities are substantially identical except as otherwise indicated. Upon request, copies of such documents will be furnished to any prospective investor in the Certificates. Copies of such documents are filed as exhibits to the Registration Statement and are available from the Trustee.

### GENERAL

With respect to the Certificates of each Trust (other than the Class D Trust), the Subordination Agent has entered into a Liquidity Facility with the Liquidity Provider pursuant to which the Liquidity Provider will make one or more advances to the Subordination Agent to pay interest on such Certificates subject to certain limitations. The Liquidity Facility for any Trust is intended to enhance the likelihood of timely receipt by the Certificateholders of such Trust of the interest payable on the Certificates of such Trust at the Stated Interest Rate therefor on six consecutive Regular Distribution Dates. If interest payment defaults occur which exceed the amount covered by or available under the Liquidity Facility for any Trust, the Certificateholders of such Trust will bear their allocable share of the deficiencies to the extent that there are no other sources of funds. Although Credit Suisse is the initial Liquidity Provider for each of the Class A Trust, the Class B Trust and the Class C Trust, Credit Suisse may be replaced by another entity with respect to one or more Trusts under certain circumstances. Therefore, the liquidity provider for any Trust may be different from the liquidity provider for any other Trust.

### DRAWINGS

The initial stated amount available under each of the Liquidity Facilities for the Class A Trust, the Class B Trust and the Class C Trust is \$30,078,208.00, \$11,772,633.60 and \$11,117,550.00, respectively. Except as otherwise provided below, the Liquidity Facility for each Trust will enable the Subordination Agent to make Interest Drawings thereunder promptly after any Regular Distribution Date to pay interest then due and payable on the Certificates of such Trust at the Stated Interest Rate for such Trust to the extent that the amount, if any, available to the Subordination Agent on such Regular Distribution Date is not sufficient to pay such interest; provided, however, that the maximum amount available to be drawn under such Liquidity Facility on any Regular Distribution Date to fund any shortfall of interest on such Certificates will not exceed an amount equal to the then stated amount of such Liquidity Facility. The Liquidity Facility for any Trust does not provide for drawings thereunder to pay for principal of or premium on the Certificates of such Trust or any interest on the Certificates of such Trust in excess of the Stated Interest Rate for such Trust or more than six quarterly installments of interest thereon or principal of or interest or premium on the Certificates of any other Trust. (Liquidity Facilities, Section 2.02; Intercreditor Agreement, Section 3.6(b))

Each payment by the Liquidity Provider under each Liquidity Facility reduces pro tanto the amount available to be drawn under such Liquidity Facility, subject to reinstatement as hereinafter described. With respect to any Interest Drawings under the Liquidity Facility for any Trusts, upon reimbursement of the Liquidity Provider in full for the amount of such Interest Drawings plus interest thereon, the amount available to be drawn under such Liquidity Facility in respect of interest on the Certificates of such Trust shall be reinstated to an amount equal to the then stated amount of such Liquidity Facility; provided, however, that such Liquidity Facility shall not be so reinstated at any time after (i) a Triggering Event shall have occurred and be continuing and (ii) less than 65% of the then aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes. With respect to any other drawings under such Liquidity Facility, amounts available to be drawn thereunder are not subject to reinstatement. The stated amount of the Liquidity Facility for any Trust will

be automatically reduced from time to time to an amount equal to the next six successive interest payments due on the Certificates of such Trust (without regard to expected future payment of principal of such Certificates) at the Stated Interest Rate for such Trust. (Liquidity Facilities, Section 2.04(a); Intercreditor Agreement, Section 3.6(j))

If at any time the short-term unsecured debt rating of the Liquidity Provider for any Trust then issued by either Rating Agency is lower than the Threshold Rating, the Liquidity Facility for such Trust will be required to be replaced by a Replacement Facility (as defined below). In the event that such Liquidity Facility is not replaced with a Replacement Facility within 10 days after notice of the downgrading and as otherwise provided in the Intercreditor Agreement, the Subordination Agent shall request the Downgrade Drawing in an amount equal to all available and undrawn amounts thereunder and shall hold the proceeds thereof in the Cash Collateral Account for such Trust as cash collateral to be used for the same purposes and under the same circumstances as cash payments of Interest Drawings under such Liquidity Facility would be used. (Liquidity Facilities, Section 2.02(c); Intercreditor Agreement, Section 3.6(c))

A "Replacement Facility" for any Trust means an irrevocable liquidity facility in substantially the form of the initial Liquidity Facility for such Trust, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies to confirm in writing their respective ratings then in effect for the Certificates (before downgrading of such ratings, if any, as a result of the downgrading of the Liquidity Provider), in a face amount equal to the amount of interest payable on the Certificates of such Trust (at the Stated Interest Rate for such Trust, and without regard to expected future principal payments) on the six Regular Distribution Dates following the date of replacement of such Liquidity Facility and issued by a Person having unsecured short-term debt ratings issued by both Rating Agencies which are (i) equal to or higher than the Threshold Rating and (ii) equal to or higher than the unsecured short-term debt ratings of the Liquidity Provider being replaced issued by both Rating Agencies. (Intercreditor Agreement, Section 1.1)

"Threshold Rating" means the short-term unsecured debt rating of P-2 by Moody's and A-1 by Standard & Poor's.

The Liquidity Facility for each Trust provides that the Liquidity Provider's obligations thereunder will expire on the earliest of (i) January 29, 1997; (ii) the date on which such Liquidity Facility is surrendered to the Liquidity Provider together with a certification that all of the Certificates of such Trust have been paid in full; (iii) the date such Liquidity Facility is surrendered to the Liquidity Provider together with a certification that a Replacement Facility has been substituted for such Liquidity Facility; (iv) the fifth Business Day following receipt by the Subordination Agent of a Termination Notice from the Liquidity Provider (see "--Liquidity Events of Default"); and (v) the date on which no amount is or may (by reason of reinstatement) become available for drawing under such Liquidity Facility. Each Liquidity Facility provides that the scheduled expiration date thereof may be extended for additional one-year periods by mutual agreement. The Intercreditor Agreement provides for the replacement of the Liquidity Facility for any Trust (other than a Liquidity Facility which expires no earlier than 15 days later than the final maturity date) in the event that such Liquidity Facility is not extended at least 25 days prior to its then scheduled expiration date. In the event such Liquidity Facility is not so extended or replaced within 25 days prior to its then scheduled expiration date, the Subordination Agent shall request the Non-Extension Drawing in an amount equal to all available and undrawn amounts thereunder and hold the proceeds thereof in the Cash Collateral Account for such Trust as cash collateral to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under such Liquidity Facility would be used. (Liquidity Facilities, Section 2.02(b); Intercreditor Agreement, Section 3.6(d))

Continental, in consultation with the Subordination Agent, may direct the Owner Participants (which shall follow such direction unless they have a bona fide, good faith reason not to) to arrange for a replacement facility at any time to replace the Liquidity Facility for any Trust. If such replacement facility is provided at any

time after the Downgrade Drawing or the Non-Extension Drawing under such Liquidity Facility, the funds on deposit in the Cash Collateral Account for such Trust will be returned to the Liquidity Provider being replaced. (Intercreditor Agreement, Section 3.6(e))

The Intercreditor Agreement provides that, upon receipt by the Subordination Agent of a Termination Notice with respect to any Liquidity Facility from the Liquidity Provider, the Subordination Agent shall request a final drawing (the "Final Drawing") under such Liquidity Facility in an amount equal to all available and undrawn amounts thereunder and shall hold the proceeds thereof in the Cash Collateral Account for the related Trust as cash collateral to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under such Liquidity Facility would be used. (Liquidity Facilities, Section 2.02(d); Intercreditor Agreement, Section 3.6(i))

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

#### REIMBURSEMENT OF DRAWINGS

Amounts drawn under any Liquidity Facility by reason of an Interest Drawing or the Final Drawing will be immediately due and payable, together with interest on the amount of such drawing at a rate equal to the applicable LIBOR plus 2.00% per annum; provided that the Subordination Agent will be obligated to reimburse such amounts only to the extent that the Subordination Agent has available funds therefor.

The amount drawn under the Liquidity Facility for any Trust by reason of the Downgrade Drawing or the Non-Extension Drawing will be treated as follows: (i) such amount will be released on any Regular Distribution Date to the Liquidity Provider to the extent that such amount exceeds the amount of interest payable on the then outstanding aggregate principal amount of the Certificates of such Trust at the Stated Interest Rate for such Trust on six consecutive Regular Distribution Dates (without regard to expected future payments of principal of such Certificates) minus any unreimbursed Interest Drawings under such Liquidity Facility; (ii) any portion of such amount withdrawn from the Cash Collateral Account for such Certificates to pay interest on such Certificates will be treated in the same way as Interest Drawings; and (iii) the balance of such amount will be invested in Eligible Investments. Any portion of the Downgrade Drawing or the Non-Extension Drawing under any Liquidity Facility remaining unreimbursed as of the tenth anniversary of the consummation of the Offering (or, if such Liquidity is extended beyond such tenth anniversary, the expiration date thereof so extended) shall be payable in eight quarterly installments, commencing on the Regular Distribution Date immediately following such date; provided that such principal installments shall not be required to be paid so long as Continental complies with its obligation to purchase participation interests in the Liquidity Facilities pursuant to a separate agreement with Credit Suisse. The Downgrade Drawing or the Non-Extension Drawing under any Liquidity Facility will bear interest at a rate equal to the applicable LIBOR plus 0.75% per annum. (Liquidity Facilities, Section 2.06)

#### LIQUIDITY EVENTS OF DEFAULT

Events of Default under each Liquidity Facility (each, a "Liquidity Event of Default") will consist of: (i) the acceleration of all the Equipment Notes; and (ii) certain bankruptcy or similar events involving Continental. (Liquidity Facilities, Section 1.01)

If (i) any Liquidity Event of Default occurs under any Liquidity Facility and (ii) less than 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes, the Liquidity Provider may, in its discretion, give a notice of termination of the related Liquidity Facility and accelerate the reimbursement obligations thereunder (a "Termination Notice") the effect of which shall be to cause (i) such Liquidity Facility to expire on the fifth Business Day after the date on which such Termination Notice is received by the Subordination Agent, (ii) any Drawing remaining unreimbursed as of the date of termination to be automatically converted into a Final Drawing under such Liquidity Facility, and (iii) all amounts owing to the Liquidity Provider automatically to become accelerated. Notwithstanding the foregoing, the Subordination Agent will be obligated to pay amounts owing to the Liquidity Provider only to the extent of funds available therefor after giving effect to the payments in accordance with the provisions set forth under "Description of the Intercreditor Agreement--Priority of Distributions". (Liquidity Facilities, Section 6.01)

Upon the circumstances described below under "Description of the Intercreditor Agreement--Intercreditor Rights", the Liquidity Provider may become the Controlling Party with respect to the exercise of remedies under the Indentures. (Intercreditor Agreement, Section 2.6(c))

#### LIQUIDITY PROVIDER

The initial Liquidity Provider is Credit Suisse.

Founded in 1856, Credit Suisse is the oldest of Switzerland's three major banks and maintains its corporate headquarters in Zurich, Switzerland. Within Switzerland, Credit Suisse conducts its operations through 311 offices and branches. Internationally, Credit Suisse maintains a presence on five continents through its 73 foreign branches, representative offices and subsidiaries. Banking operations of Credit Suisse in the United States began in 1940 and currently include branches in New York and Los Angeles, an agency in Miami, and representative offices in San Francisco, Atlanta, Chicago and Houston.

## DESCRIPTION OF THE INTERCREDITOR AGREEMENT

The following summary describes certain provisions of the Intercreditor Agreement. The summary does not purport to be complete and reference is made to the provisions of the Intercreditor Agreement. The Intercreditor Agreement is filed as an exhibit to the Registration Statement and is available from the Trustee.

### INTERCREDITOR RIGHTS

#### Controlling Party

Pursuant to the Intercreditor Agreement, the Trustees and the Liquidity Provider have agreed that, with respect to any Indenture at any given time, the Loan Trustee is directed (a) in taking, or refraining from taking, any action thereunder by the holders of at least a majority of the outstanding principal amount of the Equipment Notes issued thereunder (provided that, for so long as the Subordination Agent is the registered holder of the Equipment Notes, the Subordination Agent shall act with respect to this clause (a) in accordance with the directions of the Trustees), so long as no Indenture Default shall have occurred and be continuing thereunder and (b) after the occurrence and during the continuance of an Indenture Default thereunder, in taking, or refraining from taking, any action thereunder, including exercising remedies thereunder (including acceleration of such Equipment Notes or foreclosing the lien on the Aircraft securing such Equipment Notes), by the Controlling Party. See "Description of New Certificates--Indenture Defaults and Certain Rights Upon an Indenture Default" for a description of the rights of the Certificateholders of each Trust to direct the respective Trustees. Notwithstanding the foregoing, the Liquidity Provider shall have the right to direct such Loan Trustee with respect to such matters at any time after 18 months from the acceleration of the Equipment Notes under such Indenture, if at the time of such election the Liquidity Obligations have not been paid in full; provided that if there is more than one Liquidity Provider, the Liquidity Provider with the greatest amount of unreimbursed Liquidity Obligations shall have such right; provided that at any time after Continental has acquired 100% participation interests in the Liquidity Facilities, the Liquidity Provider shall not have the right to become the Controlling Party. For purposes of giving effect to the foregoing, the Trustees (other than the Controlling Party) shall irrevocably agree (and the Certificateholders (other than the Certificateholders represented by the Controlling Party) shall be deemed to agree by virtue of their purchase of Certificates) to exercise their voting rights as directed by the Controlling Party. (Intercreditor Agreement, Section 2.6)

The Controlling Party may not, without the consent of the Liquidity Provider (which consent shall not be unreasonably withheld or delayed), amend the provisions of or direct the exercise of any remedy or the taking of any other action (including the sale of any Equipment Note, Lease or Aircraft unless its market value is paid within two years from the earliest such amendment, exercise or other action) under the Indentures or various other agreements, if the effect thereof would be to impair the ability of the Subordination Agent to cause all Liquidity Obligations to be paid in full within one year of the date when due; provided that, if the Controlling Party is an Owner Participant or its affiliate, the consent requirements will apply to any disposition of any Equipment Note, Lease or Aircraft, regardless of the terms of disposition.

#### Sale of Equipment Notes or Aircraft

Upon the occurrence and during the continuation of any Indenture Default under any Indenture, the Controlling Party may accelerate and, subject to the provisions of the immediately following sentence, sell all (but not less than all) of the Equipment Notes issued under such Indenture to any person. So long as any Certificates are outstanding, during nine months after the earlier of (x) the acceleration of the Equipment Notes under any Indenture or (y) the bankruptcy or insolvency of Continental, without the consent of each Trustee, (a) no Aircraft subject to the lien of such Indenture or such Equipment Notes may be sold, if the net proceeds from such sale would be less than the Minimum Sale Price for such Aircraft or such Equipment Notes, and (b) the amount and payment dates of rentals payable by Continental under the Lease for such Aircraft may not be

adjusted, if, as a result of such adjustment, the discounted present value of all such rentals would be less than 75% of the discounted present value of the rentals payable by Continental under such Lease before giving effect to such adjustment, in each case, using the weighted average interest rate of the Equipment Notes issued under such Indenture as the discount rate.

The Subordination Agent may from time to time during the continuance of an Indenture Default commission an Appraisal with respect to the related Aircraft at the request of the Controlling Party. (Intercreditor Agreement, Section 4.1)

"Appraisal" means a fair market value appraisal (which may be a "desktop" appraisal) performed by any Appraiser or any other nationally recognized appraiser on the basis of an arm's-length transaction between an informed and willing purchaser under no compulsion to buy and an informed and willing seller under no compulsion to sell and both having knowledge of all relevant facts.

"Appraised Value" means at any time with respect to any Aircraft, the appraised value thereof as set forth in the most recent Appraisal, provided that initially, the Appraised Value of any Aircraft means the lower of the average or the median of the three appraisals provided by the Appraisers for such Aircraft.

#### Priority of Distributions

So long as no Triggering Event shall have occurred, the payments in respect of the Equipment Notes and certain other payments received on any Distribution Date will be promptly distributed by the Subordination Agent on such Distribution Date in the following order of priority:

(i) to pay the Liquidity Obligations (other than any interest accrued thereon or the principal amount of any Drawing) (the "Liquidity Expenses") to the Liquidity Provider;

(ii) to pay interest accrued on the Liquidity Obligations to the Liquidity Provider;

(iii) to pay or reimburse the Liquidity Provider for the Liquidity Obligations and, if applicable, to replenish each Cash Collateral Account up to the amount of interest payable on the related Class of Certificates at the Stated Interest Rate therefor on six consecutive Regular Distribution Dates (the "Required Amount");

(iv) to pay Expected Distributions to the holders of Class A Certificates;

(v) to pay Expected Distributions to the holders of Class B Certificates;

(vi) to pay Expected Distributions to the holders of Class C Certificates;

(vii) to pay Expected Distributions to the holders of Class D Certificates; and

(viii) to pay certain fees and expenses of the Subordination Agent and the Trustees.

Subject to the terms of the Intercreditor Agreement, upon the occurrence of a Triggering Event and at all times thereafter, all funds received by the Subordination Agent in respect of the Equipment Notes and certain other payments will be promptly distributed by the Subordination Agent in the following order of priority:

(i) to pay certain out-of-pocket costs and expenses actually incurred by the Subordination Agent, any Trustee, any Certificateholder or the Liquidity Provider in connection with the protection and realization of the Equipment Notes or the Trust Indenture Estate;

(ii) to the Liquidity Provider, to pay the Liquidity Expenses;

(iii) to the Liquidity Provider, to pay interest accrued on the Liquidity Obligations;

(iv) to the Liquidity Provider, to pay the outstanding amount of all Liquidity Obligations and, if applicable, so long as at least 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes, to replenish each Cash Collateral Account up to the Required Amount for the related Class of Certificates;

(v) to pay certain fees, taxes, charges and other amounts payable to the Subordination Agent, any Trustee or any Certificateholder;

(vi) to pay Final Distributions to the holders of Class A Certificates (reducing the Pool Balance thereof to zero);

(vii) to pay Final Distributions to the holders of Class B Certificates (reducing the Pool Balance thereof to zero);

(viii) to pay Final Distributions to the holders of Class C Certificates (reducing the Pool Balance thereof to zero); and

(ix) to pay Final Distributions to the holders of Class D Certificates (reducing the Pool Balance thereof to zero).

Notwithstanding the foregoing provisions, so long as no PTC Event of Default shall have occurred and be continuing with respect to the most senior Class of Certificates outstanding, any regularly scheduled payment received on the Performing Equipment Notes shall be distributed as follows:

(x) the Performing Equipment Notes Interest Payment will be distributed in the following order:

(1) to the Liquidity Provider in payment of the Liquidity Obligations, and to the Subordination Agent, the Trustees, the Certificateholders or the Liquidity Provider, as the case may be, in payment of the amounts payable to such parties in clauses (i) and (v) immediately above (the "Administration Expenses");

(2) to the holders of Class A Certificates in payment of accrued and unpaid interest on the Class A Certificates;

(3) to the holders of Class B Certificates in payment of accrued and unpaid interest on the Class B Certificates;

(4) to the holders of Class C Certificates in payment of accrued and unpaid interest on the Class C Certificates; and

(5) to the holders of Class D Certificates;

provided that the provisions of this paragraph (x) will be given effect before distribution of any funds received in respect of any Non-Performing Equipment Notes;

(y) the Performing Equipment Notes Principal Payment will be distributed in the following order:

(1) to the holders of Class A Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust;

(2) to the holders of Class B Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust;

(3) to the holders of Class C Certificates in payment of the greater of (A) the Adjusted Expected Distributions to such holders on such Distribution Date and (B) such holders' pro rata portion of the Performing Equipment Notes Principal Payment based on the Adjusted Pool Balance of such Trust; and

(4) to the holders of Class D Certificates;

provided that the provisions of this paragraph (y) will be given effect after distributing any funds received in respect of any Non-Performing Equipment Notes;

provided that if the aggregate amount of future scheduled payments in respect of the Performing Equipment Notes, together with the Performing Equipment Notes Principal Payment as of such Distribution Date, will be (assuming the distribution of such amount as contemplated by paragraphs (x) and (y) and that no further payment will be received at any time from the Non-Performing Equipment Notes) insufficient to pay interest on any Class of Certificates and reduce the Pool Balance of such Class of Certificates to zero before the Final Maturity Date thereof, the amount of distributions to be made to the holders of such Class of Certificates on such Distribution Date will be increased by the amount of such deficiency prior to making any distributions to the holders of any Class of Certificates junior to such Class of Certificates and such increase shall be taken into account for the purpose of applying this proviso to the holders of any such junior Class of Certificates.

Interest Drawings under the Liquidity Facility and withdrawals from the Cash Collateral Account, in each case in respect of interest on the Certificates of any Trust (other than the Class D Trust), will be distributed to the Trustee for such Trust, notwithstanding the priority of distributions set forth in the Intercreditor Agreement and otherwise described herein. All amounts on deposit in the Cash Collateral Account for any Trust which are in excess of amounts required to be maintained therein to pay interest on the Certificates of such Trust at the Stated Interest Rate for such Trust on six consecutive Regular Distribution Dates and all investment earnings on such amounts on deposit in the Cash Collateral Account will be paid to the Liquidity Provider.

#### VOTING OF EQUIPMENT NOTES

In the event that the Subordination Agent, as the registered holder of any Equipment Note, receives a request for its consent to any amendment, modification or waiver under such Equipment Note, the Indenture, the Lease, the Participation Agreement or other related document, (i) if no Indenture Default shall have occurred and be continuing, the Subordination Agent shall request instructions from the Certificateholders and shall vote or consent in accordance with the vote of the Certificateholders and (ii) if any Indenture Default shall have occurred and be continuing with respect to such Indenture, the Subordination Agent will exercise its voting rights as directed by the Controlling Party. (Intercreditor Agreement, Section 9.1)

THE SUBORDINATION AGENT

Wilmington Trust Company is the Subordination Agent under the Intercreditor Agreement. Continental and its affiliates may from time to time enter into banking and trustee relationships with the Subordination Agent and its affiliates. The Subordination Agent's address is Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

The Subordination Agent may resign at any time, in which event a successor Subordination Agent will be appointed as provided in the Intercreditor Agreement. The Controlling Party may remove the Subordination Agent for cause as provided in the Intercreditor Agreement. In such circumstances, a successor Subordination Agent will be appointed as provided in the Intercreditor Agreement. Any resignation or removal of the Subordination Agent and appointment of a successor Subordination Agent does not become effective until acceptance of the appointment by the successor Subordination Agent.

## DESCRIPTION OF THE AIRCRAFT AND THE APPRAISALS

## THE AIRCRAFT

The Aircraft are comprised of nine Boeing 737-500 aircraft and nine Boeing 757-200 aircraft. The Aircraft are designed to be in compliance with Stage III noise level standards, which constitute the most restrictive regulatory standards currently in effect in the United States for aircraft noise abatement. The table below sets forth certain additional information for the Aircraft.

FAA Number	Aircraft Type	Engine Type	Delivery Date	Appraised Value		
				AISI	BK	MBA
(dollars in millions)						
N17104	757-200	RB21 1-535E4B	July 1994	\$48.80	\$47.50	\$49.77
N17105	757-200	RB21 1-535E4B	Aug. 1994	49.02	47.50	50.00
N14106	757-200	RB21 1-535E4B	Sept. 1994	49.24	47.50	50.23
N14107	757-200	RB21 1-535E4B	Oct. 1994	49.45	47.50	50.45
N21108	757-200	RB21 1-535E4B	Nov. 1994	49.67	47.50	50.68
N12109	757-200	RB21 1-535E4B	Dec. 1994	49.89	47.50	50.91
N13110	757-200	RB21 1-535E4B	Dec. 1994	49.89	47.50	50.91
N18112	757-200	RB21 1-535E4B	Feb. 1995	50.33	47.50	51.36
N13113	757-200	RB21 1-535E4B	April 1995	50.76	47.50	51.82
N17620	737-500	CFM56-3B 1	Feb. 1995	28.93	25.00	25.56
N19623	737-500	CFM56-3B 1	Jan. 1995	28.68	25.00	25.44
N13624	737-500	CFM56-3B 1	Feb. 1995	28.93	25.00	25.56
N46625	737-500	CFM56-3B 1	Jan. 1995	28.68	25.00	25.44
N32626	737-500	CFM56-3B 1	April 1995	29.44	25.00	25.78
N17627	737-500	CFM56-3B 1	April 1995	29.44	25.00	25.78
N62631	737-500	CFM56-3B 1	June 1995	29.95	25.00	26.01
N16632	737-500	CFM56-3B 1	July 1995	30.20	25.00	26.13
N24633	737-500	CFM56-3B 1	Aug. 1995	30.46	25.00	26.18

## APPRAISED VALUE

The appraised values set forth in the foregoing chart were determined by the following three independent aircraft appraisal and consulting firms: AISI, BK and MBA. Each Appraiser was asked to provide its opinion as to the fair market value of each Aircraft as of January 3, 1996. As part of this process, all three Appraisers performed "desk-top" appraisals without any physical inspection of the Aircraft.

However, an appraisal is only an estimate of value and should not be relied upon as a measure of realizable value; the proceeds realized upon a sale of any Aircraft may be less than the appraised value thereof. The value of the Aircraft in the event of the exercise of remedies under the applicable Indenture will depend on market and economic conditions, the availability of buyers, the condition of the Aircraft and other similar factors. Accordingly, there can be no assurance that the proceeds realized upon any such exercise with respect to the Equipment Notes and the Aircraft pursuant to the applicable Indenture would be as appraised or sufficient to satisfy in full payments due on the Equipment Notes issued thereunder.

## DESCRIPTION OF THE EQUIPMENT NOTES

The statements under this caption are summaries and do not purport to be complete. The summaries make use of terms defined in the Equipment Notes, the Indentures, the Leases, the Participation Agreements, the Trust Agreements and the Refunding Agreements and reference is made to all of the provisions of such documents. Except as otherwise indicated, the following summaries relate to the Equipment Notes, the Indenture, the Lease, the Participation Agreement, the Trust Agreement and the Refunding Agreement relating to each Aircraft, forms of which are filed as exhibits to the Registration Statement.

### GENERAL

The Equipment Notes have been issued in four series with respect to each Aircraft. The Equipment Notes with respect to each Aircraft were issued under a separate Indenture between First Security Bank of Utah, National Association, as Owner Trustee of a trust for the benefit of the Owner Participant who is the beneficial owner of such Aircraft, and Wilmington Trust Company, as Loan Trustee.

The related Owner Trustee leases each Aircraft to Continental pursuant to a separate Lease between such Owner Trustee and Continental with respect to such Aircraft. Under each Lease, Continental is obligated to make or cause to be made rental and other payments to the related Loan Trustee on behalf of the related Owner Trustee, which rental and other payments will be at least sufficient to pay in full when due all payments required to be made on the Equipment Notes issued with respect to such Aircraft. The Equipment Notes are not, however, direct obligations of, or guaranteed by, Continental. Continental's rental obligations under each Lease are general obligations of Continental.

General Electric Company is currently the Owner Participant with respect to all of the eighteen leveraged leases for the Aircraft. The Owner Participant or its affiliate also acquired all of the Class D Certificates contemporaneously with the consummation of the Offering. General Electric Company has the right to sell, assign or otherwise transfer its interests as Owner Participant in any or all of such leveraged leases, subject to the terms and conditions of the relevant Participation Agreement and related documents, and the Class D Certificateholder will have the right to sell any or all Class D Certificates, subject to the terms and conditions of the Pass Through Trust Agreement for the Class D Trust.

### SUBORDINATION

Series B Equipment Notes issued in respect of any Aircraft are subordinated in right of payment to Series A Equipment Notes issued in respect of such Aircraft; Series C Equipment Notes issued in respect of such Aircraft are subordinated in right of payment to such Series B Equipment Notes; and Series D Equipment Notes issued in respect of such Aircraft are subordinated in right of payment to such Series C Equipment Notes. On each Equipment Note payment date, (i) payments of interest and principal due on Series A Equipment Notes issued in respect of any Aircraft will be made prior to payments of interest and principal due on Series B Equipment Notes issued in respect of such Aircraft, (ii) payment of interest and principal due on such Series B Equipment Notes will be made prior to payments of interest and principal due on Series C Equipment Notes issued in respect of such Aircraft and (iii) payments of interest and principal due on such Series C Equipment Notes will be made prior to payments of interest and principal due on Series D Equipment Notes issued in respect of such Aircraft.

### PRINCIPAL AND INTEREST PAYMENTS

Subject to the provisions of the Intercreditor Agreement, interest paid on the Equipment Notes held in each Trust will be passed through to the Certificateholders of such Trust on the dates and at the rate per annum set forth on the cover page of this Prospectus until the final expected Regular Distribution Date for such Trust.

Subject to the provisions of the Intercreditor Agreement, principal paid on the Equipment Notes held in each Trust will be passed through to the Certificateholders of such Trust in scheduled amounts on the dates set forth herein until the final expected Regular Distribution Date for such Trust.

The aggregate original principal amounts of the Equipment Notes issued with respect to each Aircraft, as such Equipment Notes will be held in each of the Trusts, are as follows:

Aircraft No.	Trust 1996-A % Equipment Notes	Trust 1996-B % Equipment Notes	Trust 1996-C % Equipment Notes	Trust 1996-D % Equipment Notes	Total
N17620.....	\$ 10,222,000.00	\$ 3,577,700.00	\$ 2,811,050.00	\$ 2,300,000.00	\$ 18,910,750.00
N19623.....	10,200,000.00	3,570,000.00	2,805,000.00	2,300,000.00	18,875,000.00
N13624.....	10,222,000.00	3,577,700.00	2,811,050.00	2,300,000.00	18,910,750.00
N46625.....	10,200,000.00	3,570,000.00	2,805,000.00	2,300,000.00	18,875,000.00
N32626.....	10,313,200.00	3,609,620.00	2,836,130.00	2,300,000.00	19,058,950.00
N17627.....	10,313,200.00	3,609,620.00	2,836,130.00	2,300,000.00	19,058,950.00
N62631.....	10,404,400.00	3,641,540.00	2,861,210.00	2,300,000.00	19,207,150.00
N16632.....	10,450,000.00	3,657,500.00	2,873,750.00	2,300,000.00	19,281,250.00
N24633.....	10,471,600.00	3,665,060.00	2,879,690.00	2,300,000.00	19,316,350.00
N17104.....	19,342,666.67	6,769,933.33	5,319,233.33	3,400,000.00	34,831,833.33
N17105.....	19,415,733.33	6,795,506.67	5,339,326.67	3,400,000.00	34,950,566.67
N14106.....	19,488,666.67	6,821,033.33	5,359,383.33	3,400,000.00	35,069,083.33
N14107.....	19,560,266.67	6,846,093.33	5,379,073.33	3,400,000.00	35,185,433.33
N21108.....	19,633,200.00	6,871,620.00	5,399,130.00	3,400,000.00	35,303,950.00
N12109.....	19,706,266.67	6,897,193.33	5,419,223.33	3,400,000.00	35,422,683.33
N13110.....	19,706,266.67	6,897,193.33	5,419,223.33	3,400,000.00	35,422,683.33
N18112.....	19,858,933.33	6,950,626.67	5,461,206.67	3,400,000.00	35,670,766.67
N13113.....	20,009,599.99	7,004,060.01	5,502,190.01	3,400,000.00	35,915,850.01
Total.....	\$269,518,000.00	\$94,332,000.00	\$74,117,000.00	\$51,300,000.00	\$489,267,000.00

Interest is payable on the unpaid principal amount of each Equipment Note at the rate applicable to such Equipment Note on January 15, April 15, July 15 and October 15 in each year, commencing April 15, 1996. Such interest is computed on the basis of a 360-day year of twelve 30-day months. Under certain circumstances described in "The Exchange Offer--General", the interest rates for the Equipment Notes may be increased to the extent described therein.

If any date scheduled for any payment of principal, premium (if any) or interest with respect to the Equipment Notes is not a Business Day, such payment will be made on the next succeeding Business Day without any additional interest.

#### REDEMPTION

The Equipment Notes issued with respect to any Aircraft will be redeemed, in whole, at a price equal to the aggregate unpaid principal amount thereof, together with accrued interest thereon to, but not including, the date of redemption, but without premium, on a Special Distribution Date upon the occurrence of an Event of Loss to such Aircraft if such Aircraft is not replaced. (Indentures, Section 2.10(a))

The Equipment Notes relating to an Aircraft will be redeemed, in whole, on a Special Distribution Date in connection with Continental's exercise of its right to terminate the applicable Lease under Section 9 of such Lease at a price equal to the aggregate unpaid principal amount thereof, together with accrued interest thereon to, but not including, the date of redemption, plus a Make-Whole Premium (as defined below). (Indentures, Section 2.10(b)). See "--The Leases--Lease Termination".

All of the Equipment Notes issued with respect to an Aircraft may be redeemed prior to maturity as part of a refunding or refinancing thereof under Section 13 of the applicable Participation Agreement at a price equal to the aggregate unpaid principal thereof, together with accrued interest thereon to, but not including, the date of redemption, plus a Make-Whole Premium, if any. (Indentures, Section 2.11)

If notice of such a redemption shall have been given in connection with a refinancing of such Equipment Notes, such notice may be revoked not later than three days prior to the proposed redemption date. (Indentures, Section 2.12)

If, with respect to an Aircraft, (x) one or more Lease Events of Default shall have occurred and be continuing, (y) the Loan Trustee with respect to such Equipment Notes shall take action or notify the applicable Owner Trustee that it intends to take action to foreclose the lien of the related Indenture or commence the exercise of any significant remedy under such Indenture or the related Lease or (z) the Equipment Notes with respect to such Aircraft shall have been accelerated, then in each case the Equipment Notes issued with respect to such Aircraft may be purchased by the Owner Trustee or Owner Participant on the applicable purchase date at a price equal to the Redemption Price, but without any premium (provided that a Make-Whole Premium shall be payable if such Equipment Notes are to be purchased pursuant to clause (x) when (A) a Lease Event of Default shall have occurred and be continuing for less than 120 days or (B) the only Lease Event of Default under the related Lease arises from the cross-default provisions of such Lease (in which event the option to purchase may not be exercised for 60 days after the date of notice thereof)). (Indentures, Section 2.14)

"Make-Whole Premium" means, with respect to a redemption or purchase of an Equipment Note, an amount equal to the greater of (i) zero and (ii) (x) the present value, discounted on a quarterly compounded basis utilizing an interest factor equal to the Reinvestment Yield, of the principal payments provided for in the amortization schedule for such Equipment Note (including the payment at final maturity) and the scheduled interest payments from the respective dates on which, but for such redemption or purchase, such principal payments and interest payments would have been payable on such Equipment Note, minus (y) the principal amount of such Equipment Note so to be redeemed or purchased plus accrued but unpaid interest thereon.

For purposes of the foregoing definition, "Reinvestment Yield" shall mean the arithmetic mean of the two most recent weekly average yields to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities equal to the remaining Weighted Average Life to Maturity of such Equipment Note as of the date of the proposed redemption or purchase), as published by the Federal Reserve Board in its Statistical Release H.15(519) or any successor publication for the two calendar weeks ending on the Saturday next preceding such date or, if such average is not published for such period, of such reasonably comparable index as may be designated in good faith by the Independent Investment Banker for such period. If no possible maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding each of such relevant periods to the nearest month.

"Weighted Average Life to Maturity" of each Equipment Note means at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of such Equipment Note by the then-outstanding principal amount of such Equipment Note. The term "Remaining Dollar-years" shall mean the amount obtained by (1) multiplying the amount of each then-remaining principal payment on such Equipment Note provided for in the amortization schedule for such Equipment Note by the number of years (calculated at the nearest one-twelfth) that will elapse between the date of determination of the Weighted Average Life to Maturity of such Equipment Note and the date of that required payment and (2) totaling all the products obtained in clause (1) above.

## SECURITY

The Equipment Notes issued with respect to each Aircraft are secured by (i) an assignment by the related Owner Trustee to the related Loan Trustee of such Owner Trustee's rights, except for certain limited rights, under the Lease with respect to the related Aircraft, including the right to receive payments of rent thereunder, (ii) a mortgage to such Loan Trustee of such Aircraft, subject to the rights of Continental under such Lease, and (iii) an assignment to such Loan Trustee of certain of such Owner Trustee's rights under the purchase agreement between Continental and the related manufacturer. Unless and until an Indenture Default with respect to an Aircraft has occurred and is continuing, the Loan Trustee may not exercise the rights of the Owner Trustee under the related Lease, except the Owner Trustee's right to receive payments of rent due thereunder. The assignment by the Owner Trustee to the Loan Trustee of its rights under the related Lease will exclude rights of such Owner Trustee and the related Owner Participant relating to indemnification by Continental for certain matters, insurance proceeds payable to such Owner Trustee in its individual capacity and to such Owner Participant under liability insurance maintained by Continental under such Lease or by such Owner Trustee or such Owner Participant, insurance proceeds payable to such Owner Trustee in its individual capacity or to such Owner Participant under certain casualty insurance maintained by such Owner Trustee or such Owner Participant under such Lease and certain reimbursement payments made by Continental to such Owner Trustee. (Indenture, Granting Clause) The Equipment Notes are not cross-collateralized, and, consequently, the Equipment Notes issued in respect of any one Aircraft are not secured by any of the other Aircraft or replacement aircraft (as described in "--The Leases--Events of Loss") or the Leases related thereto.

Funds, if any, held from time to time by the Loan Trustee with respect to any Aircraft, including funds held as the result of an Event of Loss to such Aircraft or termination of the Lease, if any, relating thereto, will be invested and reinvested by such Loan Trustee, at the direction of the related Owner Trustee (except in the case of certain Indenture Defaults), in investments described in the related Indenture.

LOAN TO VALUE RATIOS OF EQUIPMENT NOTES

The following table sets forth loan to Aircraft value ratios for the Equipment Notes issued in respect of each Aircraft as of the dates specified and was obtained by dividing (i) the outstanding balance (assuming no payment default) of such Equipment Notes determined immediately after giving effect to the payments scheduled to be made in each such month by (ii) the assumed value (the "Assumed Aircraft Value") of the Aircraft securing such Equipment Notes. Loan to value ratios below cannot be recalculated due to rounding.

The table is based on the assumption that the value of each Aircraft set forth opposite January 1996 depreciates by 2% per year until the fifteenth year after the year of delivery of such Aircraft and 4% per year thereafter. Other rates or methods of depreciation would result in materially different loan-to-value ratios and no assurance can be given (i) that the depreciation rates and method assumed for the purposes of the table are the ones most likely to occur or (ii) as to the actual value of any Aircraft. Thus the table should not be considered a forecast or prediction of expected or likely loan to Aircraft value ratios but simply a mathematical calculation based on one set of assumptions.

	Aircraft No. N17620			Aircraft No. N19623			Aircraft No. N13624		
	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio
January 1996	\$18.91	\$25.56	74.00%	\$18.88	\$25.44	74.19%	\$18.91	\$25.56	74.00%
January 1997	18.59	25.04	74.21	18.55	24.93	74.40	18.59	25.04	74.21
January 1998	18.27	24.53	74.45	18.23	24.42	74.65	18.27	24.53	74.45
January 1999	17.82	24.02	74.18	17.79	23.91	74.37	17.82	24.02	74.18
January 2000	17.38	23.51	73.91	17.40	23.41	74.34	17.37	23.51	73.90
January 2001	16.44	23.00	71.49	16.45	22.90	71.84	16.44	23.00	71.47
January 2002	15.44	22.49	68.65	15.42	22.39	68.89	15.43	22.49	68.62
January 2003	14.34	21.98	65.23	14.32	21.88	65.46	14.35	21.98	65.29
January 2004	13.09	21.47	60.99	13.08	21.37	61.20	13.10	21.47	61.04
January 2005	11.73	20.96	55.99	11.78	20.86	56.46	11.81	20.96	56.35
January 2006	9.84	20.44	48.13	9.91	20.35	48.68	9.94	20.44	48.64
January 2007	7.13	19.93	35.79	7.81	19.84	39.36	7.81	19.93	39.19
January 2008	5.42	19.42	27.90	5.46	19.34	28.23	5.45	19.42	28.08
January 2009	4.52	18.91	23.90	4.53	18.83	24.05	4.52	18.91	23.91
January 2010	3.49	18.40	18.97	3.45	18.32	18.84	3.40	18.40	18.71
January 2011	2.40	17.38	13.79	2.27	17.30	13.12	2.26	17.38	12.99
January 2012	0.54	16.36	3.30	1.01	16.28	6.21	0.99	16.36	6.06
January 2013	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

	Aircraft No. N46625			Aircraft No. N32626			Aircraft No. N17627		
	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio
January 1996	\$18.88	\$25.44	74.19%	\$19.06	\$25.78	73.92%	\$19.06	\$25.78	73.92%
January 1997	18.55	24.93	74.40	18.73	25.27	74.13	18.73	25.27	74.13
January 1998	18.23	24.42	74.65	18.41	24.75	74.37	18.41	24.75	74.37
January 1999	17.79	23.91	74.37	17.96	24.24	74.10	17.96	24.24	74.10
January 2000	17.40	23.41	74.35	17.53	23.72	73.91	17.53	23.72	73.91
January 2001	16.45	22.90	71.84	16.54	23.20	71.28	16.55	23.20	71.30
January 2002	15.43	22.39	68.91	15.47	22.69	68.17	15.47	22.69	68.18
January 2003	14.33	21.88	65.48	14.28	22.17	64.41	14.28	22.17	64.42
January 2004	13.08	21.37	61.21	13.03	21.66	60.16	13.03	21.66	60.17
January 2005	11.78	20.86	56.47	11.78	21.14	55.72	11.79	21.14	55.75
January 2006	9.92	20.35	48.72	9.91	20.63	48.05	9.92	20.63	48.09
January 2007	7.81	19.84	39.37	7.84	20.11	39.00	7.84	20.11	39.00
January 2008	5.46	19.34	28.23	5.50	19.60	28.09	5.50	19.60	28.09
January 2009	4.53	18.83	24.05	4.61	19.08	24.15	4.61	19.08	24.15
January 2010	3.45	18.32	18.84	3.59	18.56	19.32	3.58	18.56	19.30
January 2011	2.27	17.30	13.13	2.48	17.53	14.15	2.48	17.53	14.13
January 2012	1.01	16.28	6.20	1.30	16.50	7.91	1.30	16.50	7.88
January 2013	0.00	0.00	0.00	0.36	15.47	2.32	0.36	15.47	2.32

	Aircraft No. N62631			Aircraft No. N16632			Aircraft No. N24633		
	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio
January 1996....	\$19.2	\$26.0	73.84	\$19.2	\$26.1	73.80	\$19.3	\$26.1	73.79
January 1997....	18.8	25.4	74.05	18.9	25.6	74.01	18.9	25.6	73.99
January 1998....	18.5	24.9	74.29	18.6	25.0	74.25	18.6	25.1	74.23
January 1999....	18.1	24.4	74.02	18.1	24.5	73.99	18.2	24.6	73.97
January 2000....	17.5	23.9	73.37	17.5	24.0	73.10	17.5	24.0	73.00
January 2001....	16.5	23.4	70.62	16.5	23.5	70.45	16.5	23.5	70.36
January 2002....	15.4	22.8	67.42	15.4	22.9	67.39	15.5	23.0	67.27
January 2003....	14.2	22.3	63.57	14.3	22.4	63.69	14.3	22.5	63.54
January 2004....	12.9	21.8	59.23	13.0	21.9	59.51	13.0	21.9	59.33
January 2005....	11.6	21.3	54.58	11.8	21.4	55.30	11.8	21.4	55.11
January 2006....	9.7	20.8	46.85	9.9	20.9	47.78	9.9	20.9	47.58
January 2007....	7.5	20.2	37.34	7.8	20.3	38.66	7.8	20.4	38.34
January 2008....	5.2	19.7	26.45	5.6	19.8	28.30	5.5	19.9	28.11
January 2009....	4.6	19.2	24.09	4.7	19.3	24.57	4.7	19.3	24.37
January 2010....	3.6	18.7	19.22	3.7	18.8	19.95	3.7	18.8	19.75
January 2011....	2.4	17.6	14.00	2.6	17.7	15.07	2.6	17.8	14.82
January 2012....	1.3	16.6	7.79	1.5	16.7	9.28	1.5	16.7	8.95
January 2013....	0.3	15.6	2.34	0.6	15.6	3.88	0.5	15.7	3.70

	Aircraft No. N17104			Aircraft No. N17105			Aircraft No. N14106		
	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio
January 1996	\$34.83	\$48.69	71.54%	\$34.95	\$48.84	71.56%	\$35.07	\$48.99	71.59%
January 1997	34.22	47.72	71.71	34.33	47.86	71.73	34.45	48.01	71.75
January 1998	33.61	46.74	71.91	33.73	46.89	71.93	33.84	47.03	71.95
January 1999	32.56	45.77	71.15	32.55	45.91	70.90	32.82	46.05	71.27
January 2000	30.76	44.79	68.66	30.69	44.93	68.31	31.08	45.07	68.97
January 2001	29.33	43.82	66.92	29.24	43.96	66.53	29.65	44.09	67.24
January 2002	26.85	42.85	62.66	26.74	42.98	62.22	27.19	43.11	63.07
January 2003	24.34	41.87	58.12	24.28	42.00	57.80	24.56	42.13	58.29
January 2004	22.63	40.90	55.34	22.56	41.03	55.00	22.85	41.15	55.53
January 2005	20.67	39.93	51.77	20.62	40.05	51.48	20.90	40.17	52.03
January 2006	18.37	38.95	47.15	18.29	39.07	46.82	18.73	39.19	47.80
January 2007	16.24	37.98	42.76	16.14	38.09	42.38	15.55	38.21	40.70
January 2008	13.01	37.00	35.15	13.15	37.12	35.42	10.77	37.23	28.92
January 2009	9.29	36.03	25.77	9.24	36.14	25.57	9.37	36.25	25.85
January 2010	7.79	34.08	22.86	7.69	34.19	22.50	7.88	34.29	22.97
January 2011	6.07	32.14	18.89	5.96	32.23	18.48	6.25	32.33	19.35
January 2012	4.13	30.19	13.68	4.07	30.28	13.44	4.50	30.37	14.80
January 2013	0.37	28.24	1.32	2.01	28.33	7.08	0.01	28.41	0.04

	Aircraft No. N14107			Aircraft No. N21108			Aircraft No. N12109		
	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio
January 1996	\$35.19	\$49.13	71.61%	\$35.30	\$49.28	71.64%	\$35.42	\$49.43	71.66%
January 1997	34.56	48.15	71.78	34.68	48.30	71.80	34.79	48.44	71.83
January 1998	33.95	47.17	71.98	34.07	47.31	72.00	34.18	47.46	72.02
January 1999	32.44	46.19	70.23	32.64	46.33	70.46	32.69	46.47	70.36
January 2000	30.69	45.20	67.90	30.83	45.34	68.00	31.05	45.48	68.27
January 2001	29.23	44.22	66.09	29.41	44.35	66.30	29.65	44.49	66.65
January 2002	26.74	43.24	61.84	26.94	43.37	62.11	27.18	43.50	62.49
January 2003	24.25	42.26	57.39	24.47	42.38	57.74	24.61	42.51	57.88
January 2004	22.54	41.27	54.62	22.76	41.40	54.98	22.92	41.52	55.19
January 2005	20.59	40.29	51.11	20.83	40.41	51.53	20.94	40.53	51.67
January 2006	18.22	39.31	46.35	18.51	39.43	46.94	18.57	39.55	46.97
January 2007	15.86	38.32	41.39	16.40	38.44	42.65	16.46	38.56	42.69
January 2008	12.70	37.34	34.02	13.47	37.46	35.95	13.54	37.57	36.05
January 2009	8.77	36.36	24.11	9.63	36.47	26.41	9.73	36.58	26.60
January 2010	7.66	34.39	22.28	8.14	34.50	23.59	8.41	34.60	24.29
January 2011	5.88	32.43	18.13	6.48	32.53	19.93	6.69	32.63	20.49
January 2012	3.94	30.46	12.92	4.61	30.56	15.09	3.14	30.65	10.24
January 2013	1.85	28.50	6.50	0.10	28.58	0.36	0.10	28.67	0.36

	Aircraft No. N13110			Aircraft No. N18112			Aircraft No. N13113		
	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio	Equipment Note Outstanding Balance (millions)	Assumed Aircraft Value (millions)	Loan to Value Ratio
January 1996	\$35.42	\$49.43	71.66%	\$35.67	\$49.73	71.73%	\$35.92	\$50.03	71.80%
January 1997	34.79	48.44	71.83	35.04	48.74	71.89	35.28	49.02	71.96
January 1998	34.18	47.46	72.02	34.42	47.74	72.09	34.62	48.02	72.09
January 1999	32.67	46.47	70.31	32.64	46.75	69.82	32.72	47.02	69.58
January 2000	30.94	45.48	68.03	30.88	45.75	67.49	30.85	46.02	67.04
January 2001	29.54	44.49	66.39	29.40	44.76	65.69	29.39	45.02	65.29
January 2002	27.06	43.50	62.22	26.93	43.76	61.54	26.93	44.02	61.17
January 2003	24.60	42.51	57.87	24.38	42.77	57.01	24.42	43.02	56.76
January 2004	22.89	41.52	55.12	22.68	41.77	54.30	22.70	42.02	54.01
January 2005	20.92	40.53	51.60	20.75	40.78	50.88	20.74	41.02	50.55
January 2006	18.56	39.55	46.93	18.38	39.78	46.21	18.36	40.02	45.88
January 2007	16.44	38.56	42.64	16.26	38.79	41.93	16.24	39.02	41.62
January 2008	13.52	37.57	35.98	13.04	37.80	34.49	13.09	38.02	34.43
January 2009	9.70	36.58	26.52	9.16	36.80	24.88	9.24	37.02	24.95
January 2010	8.37	34.60	24.18	7.35	35.81	20.52	7.40	36.02	20.55
January 2011	6.64	32.63	20.37	2.78	33.82	8.22	5.17	34.02	15.20
January 2012	3.09	30.65	10.08	0.87	31.83	2.74	2.53	32.02	7.90
January 2013	0.10	28.67	0.36	0.01	29.84	0.03	0.01	30.02	0.03

#### LIMITATION OF LIABILITY

The Equipment Notes are not direct obligations of, or guaranteed by, Continental, the Owner Participant or the Owner Trustees in their individual capacity. None of the Owner Trustees, the Owner Participants or the Loan Trustees, or any affiliates thereof, shall be personally liable to any holder of an Equipment Note or, in the case of the Owner Trustees and the Owner Participants, to the Loan Trustees for any amounts payable under the Equipment Notes or, except as provided in each Indenture, for any liability under such Indenture. All payments of principal of, premium, if any, and interest on the Equipment Notes issued with respect to any Aircraft (other than payments made in connection with an optional redemption or purchase of Equipment Notes by the related Owner Trustee or the related Owner Participant) will be made only from the assets subject to the lien of the Indenture with respect to such Aircraft or the income and proceeds received by the related Loan Trustee therefrom (including rent payable by Continental under the Lease with respect to such Aircraft).

Except as otherwise provided in the Indentures, each Owner Trustee in its individual capacity shall not be answerable or accountable under the Indentures or under the Equipment Notes under any circumstances except for its own willful misconduct or gross negligence. None of the Owner Participants will have any duty or responsibility under any of the Indentures or the Equipment Notes to the Loan Trustees or to any holder of any Equipment Note.

#### INDENTURE DEFAULTS, NOTICE AND WAIVER

Indenture Defaults under each Indenture include: (a) the occurrence of any Lease Event of Default under the related Lease (other than the failure to make certain indemnity payments and other payments to the related Owner Trustee or Owner Participant unless a notice is given by such Owner Trustee that such failure shall constitute an Indenture Default), (b) the failure by the Owner Trustee (other than as a result of a Lease Default or Lease Event of Default) to pay any interest or principal or premium, if any, when due, under such Indenture or under any Equipment Note issued thereunder continued for more than 10 business days, (c) the failure by the Owner Participant or the Owner Trustee to discharge certain liens, continued after notice and specified cure periods, (d) any representation or warranty made by the related Owner Trustee or Owner Participant in such Indenture, the related Participation Agreement, the related Refunding Agreement or certain related documents furnished to the Loan Trustee pursuant thereto being false or incorrect when made and continuing to be material and remaining unremedied after notice and specified cure periods, (e) failure by the related Owner Trustee or Owner Participant to perform or observe any covenant or obligation for the benefit of

the Loan Trustee or holders of Equipment Notes under such Indenture or certain related documents, continued after notice and specified cure periods, (f) the registration of the related Aircraft ceasing to be effective as a result of the Owner Participant not being a citizen of the United States or (g) the occurrence of certain events of bankruptcy, reorganization or insolvency of the related Owner Trustee or Owner Participant. (Indentures, Section 4.02) There are no cross-default provisions in the Indentures. Consequently, events resulting in an Indenture Default under any particular Indenture may or may not result in an Indenture Default occurring under any other Indenture. However, a Lease Event of Default under any Lease will constitute a Lease Event of Default under all Leases due to the cross-default provisions in the Leases, and will consequently result in an Indenture Default under all Indentures. (Leases, Section 14.8)

If Continental fails to make any quarterly basic rental payment due under any Lease, within a specified period after such failure the applicable Owner Trustee may furnish to the Loan Trustee the amount due on the Equipment Notes, together with any interest thereon on account of the delayed payment thereof, in which event the Loan Trustee and the holders of outstanding Equipment Notes issued under such Indenture may not exercise any remedies otherwise available under such Indenture or such Lease as the result of such failure to make such rental payment, unless Continental has failed to make a rental payment when due on the six or more immediately preceding quarterly basic rental payment dates or on any twelve or more previous quarterly basic rental payment dates. The applicable Owner Trustee also may cure any other default by Continental in the performance of its obligations under any Lease which can be cured with the payment of money. (Indentures, Section 4.03)

The holders of a majority in principal amount of the outstanding Equipment Notes issued with respect to any Aircraft, by notice to the Loan Trustee, may on behalf of all the holders waive any existing default and its consequences under the Indenture with respect to such Aircraft, except a default in the payment of the principal of or interest on any such Equipment Notes or a default in respect of any covenant or provision of such Indenture that cannot be modified or amended without the consent of each holder of Equipment Notes affected thereby. (Indentures, Section 4.08)

#### REMEDIES

If an Indenture Default occurs and is continuing under an Indenture, the related Loan Trustee or the holders of a majority in principal amount of the Equipment Notes outstanding under such Indenture may, subject to the applicable Owner Participant's or Owner Trustee's right to cure, as discussed above, declare the principal of all such Equipment Notes issued thereunder immediately due and payable, together with all accrued but unpaid interest thereon. The holders of a majority in principal amount of Equipment Notes outstanding under such Indenture may rescind any such declaration at any time before the judgment or decree for the payment of the money so due shall be entered if (i) there has been paid to the related Loan Trustee an amount sufficient to pay all principal, interest, and premium, if any, on any such Equipment Notes, to the extent such amounts have become due otherwise than by such declaration of acceleration and (ii) all other Indenture Defaults and potential Indenture Defaults under such Indenture have been cured or waived. (Indentures, Section 4.04(b))

Each Indenture provides that if an Indenture Default under such Indenture has occurred and is continuing, the related Loan Trustee may exercise certain rights or remedies available to it under such Indenture or under applicable law, including (if the corresponding Lease has been declared in default) one or more of the remedies under such Indenture or such Lease with respect to the Aircraft subject to such Lease. The related Loan Trustee's right to exercise remedies under such Indenture is subject, with certain exceptions, to its having proceeded to exercise one or more of the dispossessory remedies under the Lease with respect to such Aircraft; provided that the requirement to exercise such remedies under such Lease shall not apply in circumstances where such exercise has been involuntarily stayed or prohibited by applicable law or court order for a continuous period in excess of 60 days or such other period as may be specified in Section 1110(a)(1)(A) of the Federal Bankruptcy Code (the "Bankruptcy Code") (plus an additional period, if any, resulting from (i) the trustee in such proceeding assuming, or agreeing to perform its obligations under, such Lease with the approval of the

applicable court or such Loan Trustee's consent to an extension of such period, (ii) such Loan Trustee's failure to give any requisite notice, or (iii) Continental's assumption of such Lease with the approval of the relevant court). See "--The Leases--Lease Events of Default." Such remedies may be exercised by the related Loan Trustee to the exclusion of the related Owner Trustee, subject to certain conditions specified in such Indenture, and Continental, subject to the terms of such Lease. Any Aircraft sold in the exercise of such remedies will be free and clear of any rights of those parties, including the rights of Continental under the Lease with respect to such Aircraft; provided that no exercise of any remedies by the related Loan Trustee may affect the rights of Continental under any Lease unless a Lease Event of Default has occurred and is continuing. (Indentures, Section 4.04; Leases, Section 15)

If the Equipment Notes issued in respect of one Aircraft are in default, the Equipment Notes issued in respect of the other Aircraft may not be in default, and, if not, no remedies will be exercisable under the applicable Indentures with respect to such other Aircraft.

Section 1110 of the Bankruptcy Code provides that the right of lessors, conditional vendors and holders of security interests with respect to "equipment" (as defined in Section 1110 of the Bankruptcy Code) to take possession of such equipment in compliance with the provisions of a lease, conditional sale contract or security agreement, as the case may be, is not affected by (a) the automatic stay provision of the Bankruptcy Code, which provision enjoins repossessions by creditors for the duration of the reorganization period, (b) the provision of the Bankruptcy Code allowing the trustee in reorganization to use property of the debtor during the reorganization period, (c) Section 1129 of the Bankruptcy Code (which governs the confirmation of plans of reorganization in Chapter 11 cases) and (d) any power of the bankruptcy court to enjoin a repossession. Section 1110 provides, however, that the right of a lessor, conditional vendor or holder of a security interest to take possession of an aircraft in the event of an event of default may not be exercised for 60 days following the date of commencement of the reorganization proceedings (unless specifically permitted by the bankruptcy court) and may not be exercised at all if, within such 60-day period (or such longer period consented to by the lessor, conditional vendor or holder of a security interest), the trustee in reorganization agrees to perform the debtor's obligations that become due on or after such date and cures all existing defaults (other than defaults resulting solely from the financial condition, bankruptcy, insolvency or reorganization of the debtor). "Equipment" is defined in Section 1110 of the Bankruptcy Code, in part, as "an aircraft, aircraft engine, propeller, appliance, or spare part (as defined in section 40102 of title 49) that is subject to a security interest granted by, leased to, or conditionally sold to a debtor that is a citizen of the United States (as defined in section 40102 of title 49) holding an air carrier operating certificate issued by the Secretary of Transportation pursuant to chapter 447 of title 49 for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo".

The Bankruptcy Reform Act of 1994 amended Section 1110 by, among other things, providing that the lessor under a lease of aircraft first placed in service on or prior to the date of the enactment of that Act will be entitled to the benefits of Section 1110 if the lessor and the lessee have expressed in the applicable agreement or in a substantially contemporaneous writing that the applicable agreement is to be treated as a lease for Federal income tax purposes. Each of the Leases relating to the four Aircraft placed in service prior to the enactment of the Act contains such a written statement.

Cleary, Gottlieb, Steen & Hamilton, counsel to Continental, has advised the Loan Trustees that the right of the Owner Trustee, as lessor under each of the Leases, and the Loan Trustee, as assignee of such Owner Trustee's rights under each of the Leases pursuant to each of the related Indentures, to exercise its right to take possession of the respective Aircraft under each of the Leases is entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the airframe and engines comprising the related Aircraft. This opinion assumes that Continental is and will be a citizen of the United States holding an air carrier operating certificate issued by the Secretary of Transportation pursuant to chapter 447 of title 49 of the U.S. Code for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo. For a description of certain limitations on the Loan Trustee's exercise of rights contained in the Indenture, see "--Indenture Defaults, Notice and Waiver".

The opinion of Cleary, Gottlieb, Steen & Hamilton does not address the possible replacement of an Aircraft after an Event of Loss in the future, the consummation of which is conditioned upon the contemporaneous delivery of an opinion of counsel to the effect that the related Loan Trustee's entitlement to Section 1110 benefits should not be diminished as a result of such replacement. See "--The Leases--Events of Loss". The opinion of Cleary, Gottlieb, Steen & Hamilton will also not address the availability of Section 1110 with respect to any possible sublessee of an Aircraft subleased by Continental.

If an Indenture Default under any Indenture occurs and is continuing, any sums held or received by the related Loan Trustee may be applied to reimburse such Loan Trustee for any tax, expense or other loss incurred by it and to pay any other amounts due to such Loan Trustee prior to any payments to holders of the Equipment Notes issued under such Indenture. (Indentures, Section 3.03)

In the event of bankruptcy, insolvency, receivership or like proceedings involving an Owner Participant, it is possible that, notwithstanding that the applicable Aircraft is owned by the related Owner Trustee in trust, such Aircraft and the related Lease and Equipment Notes might become part of such proceeding. In such event, payments under such Lease or on such Equipment Notes might be interrupted and the ability of the related Loan Trustee to exercise its remedies under the related Indenture might be restricted, although such Loan Trustee would retain its status as a secured creditor in respect of the related Lease and the related Aircraft.

#### MODIFICATION OF INDENTURES AND LEASES

Without the consent of holders of a majority in principal amount of the Equipment Notes outstanding under any Indenture, the provisions of such Indenture and the Lease, the Participation Agreement and the Trust Agreement corresponding thereto may not be amended or modified, except to the extent indicated below.

Certain provisions of any Indenture, and of the Lease (so long as no Indenture Default has occurred and is continuing), the Participation Agreement, and the Trust Agreement related thereto, may be amended or modified by the parties thereto without the consent of any holders of the Equipment Notes outstanding under such Indenture. In the case of each Lease, such provisions include, among others, provisions relating to (i) the return to the related Owner Trustee of the related Aircraft at the end of the term of such Lease and (ii) the renewal of such Lease and the option of Continental at the end of the term of such Lease to purchase the related Aircraft. (Indentures, Section 9.01)

Without the consent of the holder of each Equipment Note outstanding under any Indenture affected thereby, no amendment or modification of such Indenture may among other things (a) reduce the principal amount of, or premium, if any, or interest payable on, any Equipment Notes issued under such Indenture or change the date on which any principal or premium, if any, or interest is due and payable, (b) create any security interest with respect to the property subject to the lien of such Indenture, except as provided in such Indenture, or deprive any holder of an Equipment Note issued under such Indenture of the lien of such Indenture upon the property subject thereto or (c) reduce the percentage in principal amount of outstanding Equipment Notes issued under such Indenture necessary to modify or amend any provision of such Indenture or to waive compliance therewith. (Indentures, Section 9.01(a))

#### OWNER PARTICIPANT'S RIGHT TO RESTRUCTURE

So long as GE or any of its affiliates is the Owner Participant with respect to the leveraged lease of any Aircraft, subject to certain conditions, such Owner Participant will have the right to restructure such leveraged lease transaction using a "cross-border lease", a tax lease or head-lease/sublease structure and any other type of transaction. In no event, however, shall any such restructuring (i) change the terms and conditions of the rights and obligations of any holder of Equipment Notes under the relevant Operative Agreements or any holder of Certificates or (ii) expose any such holder to any additional risks. As a precondition to any such restructuring,

the Owner Participant will be obligated to deliver to the Loan Trustee an appropriate officer's certificate as to the satisfaction of the foregoing conditions and obtain a written confirmation from the Rating Agencies prior to the implementation of such restructuring to the effect that such restructuring will not adversely affect the ratings of the Certificates.

#### INDEMNIFICATION

Continental is required to indemnify each Loan Trustee, each Owner Participant and each Owner Trustee for certain losses, claims and other matters. Continental is required under certain circumstances to indemnify each Owner Participant against the loss of depreciation deductions and certain other benefits allowable for certain income tax purposes with respect to the related Aircraft. Each Owner Participant is required to indemnify the related Loan Trustee and the holders of the Equipment Notes issued with respect to the Aircraft in which such Owner Participant has an interest for certain losses that may be suffered as a result of the failure of such Owner Participant to discharge certain liens or claims on or against the assets subject to the lien of the related Indenture.

#### THE LEASES

Each Aircraft is leased to Continental by the relevant Owner Trustee under the relevant Lease.

##### Lease Term Rentals

Each Aircraft has been leased separately by the relevant Owner Trustee to Continental for a term commencing on the date on which the Aircraft was acquired by the Owner Trustee and expiring on a date not earlier than the latest maturity date of the relevant Equipment Notes, unless terminated prior to the originally scheduled expiration date as permitted by the applicable Lease. The quarterly basic rent payment under each Lease is payable by Continental on each related Lease Payment Date (as defined below) (or, if such day is not a business day, on the next business day), and has been assigned by the Owner Trustee under the corresponding Indenture to provide the funds necessary to make payments of principal and interest due from the Owner Trustee on the Equipment Notes issued under such Indenture. In certain cases, the quarterly basic rent payments under the Leases may be adjusted, but each lease provides that under no circumstances will rent payments by Continental be less than the scheduled payments on the related Equipment Notes. In addition, the amount of basic rent may be increased in an amount equal to any increase in the amount of interest due on the Equipment Notes on the relevant Lease Payment Date as a result of the resetting of the rate of interest on the Equipment Notes as required by the terms thereof--for example, if certain terms of the Registration Rights Agreement require such a resetting. See "The Exchange Offer--General". Any balance of each such quarterly basic rent payment under each Lease, after payment of amounts due on the Equipment Notes issued under the Indenture corresponding to such Lease, will be paid over to the Owner Trustee. (Leases, Section 3; Indentures, Section 3.01)

"Lease Payment Date" means, with respect to each Lease, January 15, April 15, July 15 or October 15 during the term of such Lease.

##### Net Lease

Under the terms of each Lease, Continental's obligations in respect of each Aircraft will be those of a lessee under a "net lease". Accordingly, under each Lease Continental is obligated, among other things and at its expense, to keep each Aircraft duly registered and insured, to pay all costs of operating the Aircraft and to maintain, service, repair and overhaul the Aircraft so as to keep it in as good an operating condition as when delivered to Continental, ordinary wear and tear excepted, and in such condition as required to maintain the

airworthiness certificate for the Aircraft in good standing at all times.  
(Leases, Sections 7.1 and 8.1 and Annex C)

#### Possession, Sublease and Transfer

Each Aircraft may be operated by Continental or under lease, sublease or interchange arrangements, subject to certain restrictions. Normal interchange and pooling agreements with respect to any Engine are permitted with U.S. air carriers and foreign air carriers in countries with which the United States maintains normal diplomatic relations and which recognize and give effect to the rights of lessors and mortgagees. Subleases for a term of up to 60 months are also permitted with solvent U.S. air carriers and with certain specified foreign air carriers, so long as they are solvent, subject to a reasonably satisfactory opinion that such country would give effect to the title of the Owner Trustee in and to the Aircraft and would give effect to the priority and validity of the lien of the Indenture, as the case may be, as if such country were a party to the Convention on the International Recognition of Rights in Aircraft (Geneva 1948) (the "Convention"). (Leases, Section 7) It is uncertain to what extent the relevant Loan Trustee's security interest would be recognized in an Aircraft located in a country that is not a party to the Convention, and to what extent such security interest would be recognized in a jurisdiction adhering to the Convention if the Aircraft is registered in a jurisdiction not a party to the Convention. Moreover, in the case of an Event of Default under an Indenture, the ability of the related Loan Trustee to realize upon its security interest in an Aircraft could be adversely affected as a legal or practical matter if such Aircraft were registered or located outside the United States.

#### Registration

Continental is required to keep each Aircraft duly registered under the Transportation Code with the FAA, except if the relevant Owner Trustee or the relevant Owner Participant fails to meet the applicable citizenship requirements, and to record each Lease and Indenture and certain other documents under the Transportation Code. (Leases, Section 7) Such recordation of the Indenture and other documents with respect to each Aircraft will give the relevant Loan Trustee a first-priority, perfected security interest in such Aircraft whenever it is located in the United States or any of its territories and possessions. The Convention provides that such security interest will also be recognized, with certain limited exceptions, in those jurisdictions that have ratified or adhere to the Convention. (Leases, Section 7.1.1)

So long as no Lease default or Lease Event of Default exists, Continental has the right to register the Aircraft subject to such Lease in a country other than the United States at its own expense in connection with a permitted sublease of the Aircraft to certain specified foreign air carriers, subject to certain conditions set forth in the related Participation Agreement. These conditions include a requirement that the country of registration recognizes the interests of lessors, owner participants and mortgagees and provides substantially equivalent protection to such interests as provided by law in the United States. (Leases, Section 7.1.2; Participation Agreements, Section 8.7.12)

#### Liens

Continental is required to maintain each Aircraft free of any liens, other than the rights of the relevant Loan Trustee, the holders of the related Equipment Notes, Continental, the Owner Participant and Owner Trustee arising under the applicable Indenture, the Lease or the other operative documents related thereto, and other than certain limited liens permitted under such documents, including (i) liens for taxes either not yet due or being contested in good faith by appropriate proceedings; (ii) materialmen's, mechanics' and other similar liens arising in the ordinary course of business and securing obligations that either are not yet delinquent or are being contested in good faith by appropriate proceedings; and (iii) judgment liens so long as such judgment is discharged or vacated within 30 days or the execution of such judgment is stayed pending appeal and discharged, vacated or reversed within 30 days after expiration of such stay; provided that in the case of each of the liens

described in the foregoing clauses (i), (ii) and (iii), such liens and proceedings do not involve any material risk of the sale, forfeiture or loss of such Aircraft or any interest therein or any discernible risk of criminal liability or any material risk of civil penalty against the relevant Loan Trustee, Owner Trustee or Owner Participant. (Leases, Section 6)

#### Replacement of Parts; Alterations

Continental is obligated to replace all parts at its expense that may from time to time be incorporated or installed in or attached to any Aircraft and that may become lost, damaged beyond repair, worn out, stolen, seized, confiscated or rendered permanently unfit for use (other than severable parts added at the option of Continental and obsolete or unsuitable parts that Continental is permitted to remove to the extent described below). Continental or any permitted sublessee has the right, at its own expense, to make such alterations, modifications and additions with respect to each Aircraft as it deems desirable in the proper conduct of its business and to remove parts which it deems to be obsolete or no longer suitable or appropriate for use; provided that such alteration, modification, addition or removal does not diminish the value, utility, performance or the remaining useful life of the related Aircraft, Airframe or Engine or adversely affect the commercial use of the Aircraft for passenger service in the United States or invalidate the Aircraft's airworthiness certificate, except that the value of the Aircraft may be reduced by the removal of obsolete or unsuitable parts so long as the aggregate original cost of all such parts removed from any one Aircraft and not replaced shall not exceed \$250,000 for each 757-224 Aircraft and \$200,000 for each 737-524 Aircraft. (Leases, Section 8.1 and Annex C)

#### Insurance

The Leases require Continental to maintain, at its expense (or at the expense of a permitted sublessee), all-risk aircraft hull insurance covering each Aircraft, at all times in an amount not less than the stipulated loss value of the Aircraft (which exceeds the aggregate outstanding principal amount of the Equipment Notes related to such Aircraft, together with accrued interest thereon), and all-risk property damage insurance covering Engines and parts while removed from an aircraft in an amount not less than the replacement cost of such Engines and parts. All insurance proceeds with respect to a total loss of an Aircraft, Airframe or Engine and all insurance proceeds in excess of \$3,000,000 per occurrence with respect to repairable damage to an Aircraft, Airframe or Engine are payable to the relevant Owner Trustee or to the applicable Loan Trustee, for so long as the relevant Indenture shall be in effect. Insurance proceeds of up to \$3,000,000 per occurrence with respect to repairable damage to an Aircraft, Airframe or engine are payable directly to Continental so long as the Owner Trustee has not notified the insurance underwriters that a Lease default or a Lease Event of Default exists. So long as the loss does not constitute an Event of Loss (as defined below), insurance proceeds will be applied to repair or replace the property. (Leases, Sections 11.1 and 11.5 and Annex D)

In addition, Continental is obligated to maintain comprehensive airline liability insurance at its expense (or at the expense of a permitted sublessee), including, without limitation, third-party and passenger liability and property damage, cargo and products liability and contractual liability insurance with respect to each Aircraft. Such liability insurance shall be of the type usually carried by prudent major United States commercial air carriers and cover the kind of risks against which prudent United States commercial air carriers customarily insure. Such liability insurance shall be underwritten by nationally or internationally recognized insurers of substantial financial capacity used by other major United States commercial air carriers. The amount of such liability insurance coverage per occurrence shall be not less than the amount of comprehensive airline liability insurance from time to time applicable to aircraft owned or leased and operated by Continental of the same type as such Aircraft. Continental (but no permitted sublessee) shall have the right to self-insure to the extent of any applicable minimum amount per aircraft (or, if applicable, per annum or other period) hull or liability insurance deductible imposed by the insurer providing such aircraft hull or liability insurance, which are commensurate

with the standard deductibles in the airline insurance industry available to major U.S. airlines. (Leases, Section 11.1 and Annex D, Section A)

Continental is also required to maintain war-risk, hijacking or allied perils insurance if it (or any permitted sublessee) operates any Aircraft, Airframe or Engine in any area of recognized or threatened hostilities or if Continental (or any permitted sublessee) maintains such insurance with respect to other aircraft on the same routes or areas or if the Aircraft is operated outside the United States or Canada. Continental (but no permitted sublessee) may self-insure to the extent of any hull or liability insurance deductible imposed by the insurer, provided such deductibles are commensurate with standard deductibles in the aircraft insurance industry. (Leases, Annex D, Section H)

In respect of each Aircraft, Continental is required to cause the relevant Loan Trustee, holders of the Equipment Notes, Owner Participant and Owner Trustee, in its individual capacity and as owner of such Aircraft, and certain other parties to be named as additional insured parties under all liability, hull and property and war risk, hijacking and allied perils insurance policies required with respect to such Aircraft. In addition, the insurance policies maintained under the Leases will be required to provide that, in respect of the interests of such additional insured persons, the insurance shall not be invalidated or impaired by any act or omission of Continental or any other person and to insure the respective interests of such additional insured persons, regardless of any breach or violation of any representation, warranty, declaration, term or condition contained in such policies by Continental, any permitted sublessee or any other person. (Leases, Annex D, Section D)

#### Lease Termination

Unless a Lease default or Lease Event of Default shall have occurred and be continuing, Continental may terminate any Lease on any Lease Payment Date occurring on or after the tenth anniversary of the date on which such Lease commenced and on or before one year prior to the date on which such Lease is scheduled to expire, if it determines that such Aircraft is economically obsolete or surplus to its requirements. Such determination must be made on a nondiscriminatory basis with respect to the Aircraft subject to such Lease and all similar aircraft operated by Continental which could also be terminated. Continental is required to give notice of its intention to exercise its right of termination described in this paragraph at least six months prior to the proposed date of termination (which notice may be withdrawn up to 25 days prior to such proposed date if Continental determines that no bid for the Aircraft of a reasonable amount has been received); provided that Continental may give only three such termination notices. In such a situation, if the Owner Trustee elects (subject to the rights of Continental to purchase the Aircraft as described below) to sell such Aircraft, Continental is required to use best reasonable efforts to sell such Aircraft as an agent for such Owner Trustee. If the Owner Trustee elects to accept any bid, such Owner Trustee shall sell such Aircraft on the date of termination to the highest cash bidder. If such sale occurs, the Equipment Notes related thereto are required to be prepaid. The net proceeds of such sale shall be payable to the applicable Owner Trustee. If the net proceeds to be received from such sale are less than the termination value for such Aircraft (which is set forth in a schedule to each Lease), Continental is required to pay to the applicable Owner Trustee an amount equal to the excess, if any, of the applicable termination value for such Aircraft over such net proceeds. Upon payment of termination value for such Aircraft and an amount equal to the Make-Whole Premium, if any, payable on such date of payment, together with certain additional amounts and together with all accrued and unpaid interest thereon, the lien of the relevant Indenture shall be released, the relevant Lease shall terminate, and the obligation of Continental thereafter to make scheduled rent payments under such Lease shall cease. However, certain payment obligations of Continental shall survive the termination of the Lease. If such Aircraft is not sold by the proposed termination date, such Lease, including all of Continental's obligations thereunder, shall continue in effect, and the Equipment Notes related thereto will not be prepaid. (Leases, Section 9; Indentures, Section 2.10(b))

The Owner Trustee has the option to retain title to the Aircraft if Continental has given a notice of termination under the Lease. In such event, such Owner Trustee shall pay to the applicable Loan Trustee an

amount sufficient to prepay the outstanding Equipment Notes issued with respect to such Aircraft, and Continental shall pay to the Owner Trustee an amount equal to the excess, if any, of the termination value of such Aircraft over the highest bona fide cash bid made for the Aircraft, together with the Make-Whole Premium, if any, on such Equipment Notes and all other amounts due and payable to the Owner Trustee and Owner Participant under such Lease, the related Participation Agreement or any other related operative document. (Leases, Section 9; Indentures, Section 2.10(b))

#### Events of Loss

If an Event of Loss occurs with respect to the Airframe or the Airframe and Engines of an Aircraft, Continental must elect within 20 days after such occurrence either to make payment with respect to such Event of Loss or to replace such Airframe and any such Engines. Not later than the first business day following the sixty-first day following the date of occurrence of such Event of Loss, or, if earlier, the second business day following the receipt of the insurance proceeds in respect of such Event of Loss, Continental must either (i) pay to the applicable Owner Trustee the stipulated loss value of such Aircraft, together with certain additional amounts, but, in any case, without any Make-Whole Premium or (ii) unless a Lease default or any Lease Event of Default shall have occurred and be continuing, substitute an aircraft (or airframe and one or more engines, as the case may be) for the Aircraft, Airframe or Engine(s) that suffered such Event of Loss. (Leases, Sections 10.1.1 and 10.1.2; Indentures, Section 2.10(a))

If Continental elects to replace an Aircraft (or Airframe or Airframe and one or more Engines, as the case may be) that suffered such Event of Loss, it shall convey to the related Owner Trustee title to an aircraft (or airframe or airframe and one or more engines, as the case may be), and (i) in the case of any replacement airframe, such airframe must be (a) manufactured by Boeing under a certain purchase agreement between The Boeing Company and Continental and (b) delivered under such agreement after the Airframe to be replaced was delivered to Continental, (ii) such replacement airframe or airframe and engines must be the same model as the Airframe or Airframe and Engines to be replaced or an improved model, with performance and durability characteristics and a value, utility and remaining useful life at least equal to, and in at least as good an operating condition as, the Airframe or Airframe and Engines to be replaced (assuming that such Airframe and such Engines were of the value and utility and in the condition and repair required by the terms of such Lease immediately prior to the occurrence of such Event of Loss). Continental is also required to provide to the relevant Owner Trustee, Owner Participant and Loan Trustee (a) a certification as to compliance with the foregoing requirements from a qualified aircraft appraiser, together with a certified report setting forth such appraiser's opinion as to the fair market value of such replacement airframe or engine and (b) reasonably acceptable opinions of counsel to the effect that (i) such Owner Trustee will acquire good title to such replacement airframe and, if applicable, replacement engine, free and clear of all liens (other than permitted liens), (ii) such replacement airframe and, if applicable, engine will be made subject to the applicable Indenture to the same extent as the Airframe and, if applicable, Engine replaced thereby, (iii) such Owner Trustee and Loan Trustee (as assignee of lessor's rights and interests under the Lease) will be entitled to receive the benefits and protections of Section 1110 of the Bankruptcy Code with respect to any such replacement airframe and (to the extent such opinion can be rendered, in view of applicable law) such replacement engine and (iv) such replacement airframe has been duly registered and each supplement to such Lease or Indenture has been duly recorded. (Leases, Sections 10.1.3 and 10.3)

If Continental elects not to replace such Aircraft, then upon payment of the stipulated loss value for such Aircraft, together with all additional amounts then due and unpaid with respect to the Aircraft, which must be at least sufficient to pay in full as of the date of payment thereof the aggregate unpaid principal amount under such Equipment Notes together with accrued but unpaid interest thereon and all other amounts due and owing in respect of such Equipment Notes, the lien of the Indenture and the Lease relating to such Aircraft shall terminate with respect to such Aircraft, the obligation of Continental thereafter to make the scheduled rent payments with respect thereto shall cease and the related Owner Trustee shall transfer all of its right, title and interest in and to

the related Aircraft to Continental. The stipulated loss value and other payments made under the Leases by Continental shall be deposited with the applicable Loan Trustee. Amounts in excess of the amounts due and owing under the Equipment Notes issued with respect to such Aircraft will be distributed by such Loan Trustee to the applicable Owner Trustee. (Leases, Section 10.1.2; Indentures, Sections 2.06 and 3.02)

If the Owner Trustee and the Loan Trustee are not entitled to Section 1110 benefits with respect to any replacement airframe or engine or if certain Lease defaults or any Lease Event of Default has occurred and is continuing, Continental shall not be entitled to replace such Airframe and shall be required instead to pay the stipulated loss value applicable to such Airframe and the related Engines, plus certain additional amounts. (Leases, Section 10.3.2)

If an Event of Loss occurs with respect to an Engine alone, Continental will be required to replace such Engine within 60 days after the occurrence of such Event of Loss with another engine, free and clear of all liens (other than certain permitted liens). Such replacement engine shall be the same make and model as the Engine to be replaced, suitable for installation and use on the Aircraft, and having performance and durability characteristics and a value and utility at least equal to, and in at least as good an operating condition as, the Engine to be replaced (assuming that such Engine was of the value and utility and in the condition and repair required by the terms of the relevant Lease immediately prior to the occurrence of the Event of Loss). (Leases, Section 10.2)

An Event of Loss with respect to an Aircraft, Airframe or any Engine means any of the following events with respect to such property: (i) the destruction of such property, damage to such property beyond practical or economic repair or rendition of such property permanently unfit for normal use; (ii) the actual or constructive total loss of such property or any damage to such property or requisition of title or use of such property which results in an insurance settlement with respect to such property on the basis of a total loss or a constructive or compromised total loss; (iii) any loss of such property or loss of use of such property for a period of 90 days or more as a consequence of any theft, hijacking or disappearance of such property; (iv) any seizure, condemnation, confiscation, taking or requisition of title to such property by any governmental entity or purported non-U.S. governmental entity; (v) any seizure, condemnation, confiscation, taking or requisition of use of such property that continues until the earliest to occur of (A) the last day of the Lease term, (B) the date on which the Aircraft is modified in such a manner as would render conversion of such property for use in normal commercial passenger service impractical or uneconomical, (C) the date on which such property is operated or located in any area excluded from coverage by any insurance policy required to be maintained by such Lease (unless an indemnity from the U.S. Government is obtained in lieu of such insurance), and (D) the date that is 90 days following the commencement of such loss of use (unless such loss of use results from action by the U.S. Government); or (vi) as a result of any law, rule, regulation, order or other action by the FAA or any governmental entity, the use of such property in the normal course of Continental's business of passenger air transportation is prohibited for 180 days (or 360 days, if Continental diligently implements all steps which are necessary or desirable to permit the normal use of such property by it) or for a period expiring on the last day of the Lease term, whichever is earlier. (Leases, Annex A)

#### Purchase Options under the Leases

So long as no Lease default or Lease Event of Default has occurred and is continuing, Continental will have the option to purchase any Aircraft subject to a Lease on the last business day of the original Lease or on the last business day of either of the two, in the case of the 757-224 Aircraft, or four, in the case of the 737-524 Aircraft, one-year renewal terms at a purchase price equal to the fair market sales value of such Aircraft. The fair market sales value of such Aircraft shall be determined not more than 170 days nor less than 150 days prior to the date of purchase by mutual agreement of Continental and the Owner Trustee or, if they are unable to agree, by an appraisal. Continental may exercise its purchase option by delivering an irrevocable notice to the Owner Trustee not more than 180 days nor less than 120 days prior to the proposed date of purchase. The Owner

Trustee shall not be under any obligation to sell the Aircraft to Continental if the fair market sales value of the Aircraft is determined to be less than a certain minimum residual value amount. Upon receipt by the Owner Trustee of payment of the applicable fair market sales value of the Aircraft and all other amounts due and payable by Continental under the relevant Lease, Participation Agreement and any other related operative document, the Owner Trustee shall transfer title to the Aircraft to Continental, provided that all related Equipment Notes have previously been paid in full. (Leases, Section 17.3; Indentures, Section 10.01)

The holder of the Equipment Notes issued under an Indenture shall not have any right to amounts payable by Continental in connection with its exercise of purchase options for the related Aircraft to the extent that all amounts payable by the relevant Owner Trustee to such holder under such Equipment Notes, such Indenture and related operative agreements have been paid in full.

#### Lease Events of Default

Lease Events of Default under each Lease include, among other things, (i) failure by Continental to make any payment of basic rent, renewal rent, stipulated loss value or termination value under such Lease within five business days after the same shall have become due, or failure by Continental to pay any other amount due under such Lease or under any other related operative document within five business days from and after the date of any written demand therefor from the owner trustee; (ii) failure by Continental to make any excluded payment within five business days after written notice that such failure constitutes a Lease Event of Default is given by the relevant Owner Participant to Continental and the relevant Loan Trustee; (iii) failure by Continental to carry and maintain insurance on and in respect of the Aircraft, Airframe and Engines subject to such Lease, in accordance with the provisions of such Lease or the operation of the Aircraft, Airframe or Engines subject to such Lease at any time when such insurance is not in effect; (iv) failure by Continental to maintain its corporate existence except as permitted by the Lease, or the winding up, liquidation or dissolution of Continental; (v) failure to maintain the registration of the Aircraft with the FAA or with a permitted foreign registry, failure to record the Indenture or maintain the Indenture of record as a first-priority, perfected mortgage (subject to permitted liens) or operation of the Aircraft in any area excluded by insurance coverage required by such Lease or in any recognized or threatened area of hostilities unless fully covered by war-risk insurance, as required by Section 11 of such Lease (subject to certain exceptions); (vi) breach of the covenants in such Lease pertaining to possession, interchange and pooling of Engines and subleasing; (vii) breach of certain prohibitions against attempted assignments by Continental of its obligations under such Lease and against the merger of Continental with any other person, except as expressly permitted by such Lease; and (viii) failure by Continental to perform or observe any other covenant or agreement to be performed or observed by it under such Lease or the related Participation Agreement or any other related operative document (other than (a) the agreement by Continental to treat the Lease as a lease for U.S. Federal income tax purposes and (b) nonpayment provisions under the related tax indemnity agreement between Continental and the Owner Participant), and such failure shall continue unremedied for a period of 30 days (or such other shorter applicable period) after written notice of such failure by the applicable Owner Trustee or Loan Trustee; (ix) (a) any representation or warranty made by Continental in such Lease or the related Participation Agreement or in any other related operative document (other than in the related tax indemnity agreement between Continental and the Owner Participant) shall prove to have been untrue, inaccurate or misleading in any material respect at the time made, (b) such representation or warranty is material at the time in question and (c) the same shall remain uncured for more than 30 days after the date of written notice thereof to Continental; (x) the occurrence of certain voluntary events of bankruptcy, reorganization or insolvency of Continental or the occurrence of involuntary events of bankruptcy, reorganization or insolvency which shall continue undismissed or unstayed for a period of 60 days; and (xi) a Lease Event of Default under any other Lease. (Leases, Section 14)

#### Remedies Exercisable upon Lease Events of Default

If a Lease Event of Default has occurred and is continuing, the applicable Owner Trustee may (or, so long as the Indenture shall be in effect, the applicable Loan Trustee may, subject to the terms of the Indenture) exercise one or more of the remedies provided in such Lease with respect to the related Aircraft. These remedies include the right to repossess and use or operate such Aircraft, to rescind or terminate such Lease, to sell or re-lease such Aircraft free and clear of Continental's rights, except as set forth in the Lease, and retain the proceeds, and to require Continental to pay, as liquidated damages any due and unpaid basic rent or renewal rent plus an amount equal to the excess of the termination value for such Aircraft (specified in schedules to such Lease) over, at such Owner Trustee's (or, subject to the terms of the relevant Indenture, the Loan Trustee's) option, any of (i) the discounted fair market rental value of such Aircraft for the remainder of the term of the Lease relating to such Aircraft (using a discount rate equal to 10 per cent per annum), (ii) the fair market sales value of such Aircraft or (iii) if such Aircraft has been sold, the net sales proceeds from the sale of such Aircraft (unless such Aircraft is sold at a private sale to the Owner Trustee, Loan Trustee, Owner Participant or any of their affiliates, in which case the fair market sales value shall be used). (Leases, Section 15; Indenture, Section 4.04). If the Loan Trustee has validly terminated such Lease, the Loan Trustee may not sell or lease or otherwise afford the use of such Aircraft to Continental or any of its affiliates. (Indentures, Sections 4.03 and 4.04)

Notwithstanding that an Event of Default under an Indenture has occurred and is continuing, so long as the Equipment Notes thereunder have not been accelerated or the Loan Trustee has not taken action or notified the Owner Trustee that it intends to take action to foreclose the lien of such Indenture or otherwise commence the exercise of any significant remedy under such Indenture or the related Lease, the Loan Trustee may not, without the consent of the Owner Trustee, enter into any amendment, modification, waiver or consent in respect of any of the provisions of the related Lease, which consent shall not be unreasonably withheld if no right or interest of the relevant Owner Trustee or Owner Participant would be diminished or impaired thereby. (Indentures, Section 5.02)

#### Transfer of Owner Participant Interests

Subject to certain restrictions, each Owner Participant may transfer all or any part of, or grant participations in, its interest in the related Aircraft. (Participation Agreements, Section 12.1.1)

## CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

### EXCHANGE OF OLD CERTIFICATES FOR NEW CERTIFICATES

The following summary describes the principal U.S. federal income tax consequences to Certificateholders of the exchange of the Old Certificates for New Certificates. This summary is intended to address the beneficial owners of Certificates that are citizens or residents of the United States, corporations, partnerships or other entities created or organized in or under the laws of the United States or any State, or estates or trusts the income of which is subject to U.S. federal income taxation regardless of its source that will hold the Certificates as capital assets.

The exchange of Old Certificates for New Certificates (the "Exchange") pursuant to the Exchange Offer will not be a taxable event for U.S. federal income tax purposes. As a result, a holder of an Old Certificate whose Old Certificate is accepted in an Exchange Offer will not recognize gain on the Exchange. A tendering holder's tax basis in the New Certificates will be the same as such holder's tax basis in its Old Certificates. A tendering holder's holding period for the New Certificates received pursuant to the Exchange Offer will include its holding period for the Old Certificates surrendered therefor.

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

### ERISA CONSIDERATIONS

#### IN GENERAL

ERISA imposes certain requirements on employee benefit plans subject to ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Department of Labor has promulgated a regulation, 29 CFR Section 2510.3-101 (the "Plan Asset Regulation"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in a Certificate, the Plan's assets would include both the Certificate and an undivided interest in each of the underlying assets of the corresponding Trust, including the Equipment Notes held by such Trust, unless it is established that equity participation in the Trust by employee benefit plans (including Plans and entities whose underlying assets include plan assets by reason of an employee benefit plan's investment in the entity) is not "significant" within the meaning of the Plan Asset Regulation. In that regard, the extent to which there is equity participation in a particular Trust on the part of employee benefit plans is not being monitored. If the assets of a

Trust were deemed to constitute the assets of a Plan, transactions involving the assets of such Trust could be subject to the prohibited transaction provisions of ERISA and Section 4975 of the Code unless a statutory or administrative exemption were applicable to the transaction.

The fiduciary of a Plan that holds any Old Certificate or proposes to exchange such Old Certificate and hold any New Certificates should consider whether such holding or exchange may involve the indirect extension of credit to a party in interest or a disqualified person. In addition, whether or not the assets of a Trust are deemed to be Plan assets under the Plan Asset Regulation, if Certificates are held by a Plan and Certificates of a subordinate Class are held by a party in interest or a disqualified person with respect to such Plan, the exercise by the holder of the subordinate Class of Certificates of its right to purchase the senior Classes of Certificates upon the occurrence and during the continuation of a Triggering Event could be considered to constitute a prohibited transaction unless a statutory or administrative exemption were applicable. Depending on the identity of the Plan fiduciary making the decision to hold Certificates on behalf of a Plan, PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house professional asset manager) or PTCE 90-1 (relating to investments by insurance company pooled separate accounts) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. There can be no assurance that any of the Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Certificates.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before exchanging or holding any Certificates.

Any Plan fiduciary which proposes to cause a Plan to hold or exchange any Certificates should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such holding or exchange will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

#### CLASS A CERTIFICATES

In addition to the Class Exemptions referred to above, an individual exemption may apply to the holding of Class A Certificates and the exchange of Old Certificates that are Class A Certificates for New Certificates that are Class A Certificates by Plans, provided that certain specified conditions are met. In particular, the Department of Labor has issued individual administrative exemptions to certain of the Initial Purchasers which are substantially the same as the administrative exemption issued to The First Boston Corporation, Prohibited Transaction Exemption 89-90 (54 Fed. Reg. 42597, October 17, 1989), as amended (the "Underwriter Exemption"), which generally exempts from the application of certain, but not all, of the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code certain transactions relating to the initial purchase, holding and subsequent secondary market sale of pass-through certificates which represent an interest in a trust, the assets of which include equipment notes secured by leases, provided that certain conditions set forth in the Underwriter Exemption are satisfied.

The Underwriter Exemption sets a number of general and specific conditions which must be satisfied for a transaction involving the initial purchase, holding or secondary market sale of Class A Certificates to be eligible for exemptive relief thereunder. In particular, the acquisition of Class A Certificates by a Plan must be on terms that are at least as favorable to the Plan as they would be in an arm's-length transaction with an unrelated party; the rights and interests evidenced by the Certificates must not be subordinated to the rights and

interests evidenced by other Certificates of the same trust estate; the Certificates at the time of acquisition by the Plan must be rated in one of the three highest generic rating categories by Moody's Investors Service, Inc., Standard & Poor's Ratings Group, Duff & Phelps Inc. or Fitch Investors Service, Inc. (although not entirely clear, it would appear that the exchange of an Old Certificate for a New Certificate should not constitute an "acquisition" of the New Certificate for this purpose); and the investing Plan must be an accredited investor as defined in Rule 501(a)(1) of Regulation D of the Commission under the Securities Act.

The Underwriter Exemption does not apply to the Class B Certificates, the Class C Certificates and the Class D Certificates. Even if all of the conditions of the Underwriter Exemption are satisfied with respect to the Class A Certificates, no assurance can be given that the Underwriter Exemption would apply with respect to all transactions involving the Class A Certificates or the assets of the Class A Trust. In particular, it appears that the Underwriter Exemption would not apply to the purchase by Class B Certificateholders, Class C Certificateholders or Class D Certificateholders of Class A Certificates in connection with the exercise of their rights upon the occurrence and during the continuance of a Triggering Event. Therefore, the fiduciary of a Plan considering the continued holding of a Class A Certificate or the exchange of Old Certificates for New Certificates should consider the availability of the exemptive relief provided by the Underwriter Exemption, as well as the availability of any other exemptions with respect to transactions to which the Underwriter Exemption may not apply.

#### CLASS B CERTIFICATES, CLASS C CERTIFICATES AND CLASS D CERTIFICATES

The Class B Certificates, Class C Certificates Class D Certificates may not be acquired by any Plan or by any entity that is using the assets of any Plan to purchase or hold its interest in a Class B Certificate, Class C Certificate or Class D Certificate (a "Plan Transferee"), except that such Certificates may be acquired with the assets of an insurance company general account that may be deemed to constitute Plan assets if the conditions of PTCE 95-60 have been satisfied. Any insurance company that uses general account assets to hold Class B Certificates, Class C Certificates or Class D Certificates that tenders such Old Certificates in exchange for New Certificates will be required to represent that PTCE 95-60 applies to its tender and the holding of such Class B Certificates, Class C Certificates or Class D Certificates.

#### PLAN OF DISTRIBUTION

Each broker-dealer that receives New Certificates for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Certificates. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Certificates received in exchange for Old Certificates where such Old Certificates were acquired as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until such date all broker-dealers effecting transactions in the New Certificates may be required to deliver a prospectus.

The Company will not receive any proceeds from any sale of New Certificates by broker-dealers. New Certificates received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in on or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Certificates or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Certificates. Any broker-dealer that resells New Certificates that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New

Certificates may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit of any such resale of New Certificates and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date, the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the Holders of the Notes) other than commissions or concessions of any brokers or dealers and will indemnify the Holders of the New Certificates (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

#### LEGAL MATTERS

The validity of the New Certificates is being passed upon for Continental by Cleary, Gottlieb, Steen & Hamilton, New York, New York. Cleary, Gottlieb, Steen & Hamilton will rely on the opinion of Richards, Layton & Finger, Wilmington, Delaware, counsel for Wilmington Trust Company, as Trustee, as to matters relating to the authorization, execution and delivery of the New Certificates under the Pass Through Trust Agreements.

#### EXPERTS

The consolidated financial statements (including schedules) of Continental Airlines, Inc. appearing in Continental Airlines, Inc.'s Annual Report (Form 10-K) as of December 31, 1995 and 1994, and for the two years ended December 31, 1995 and the period April 28, 1993 through December 31, 1993 and the consolidated statements of operations, redeemable and non-redeemable preferred stock and common stockholders' equity and cash flows of Continental Airlines Holdings, Inc. for the period January 1, 1993 through April 27, 1993, incorporated by reference in this Prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference, in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

No person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus and the accompanying Letter of Transmittal and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Exchange Agent. Neither this Prospectus nor the accompanying Letter of Transmittal, or both together, constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus, nor the accompanying Letter of Transmittal, or both together, nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct at any time subsequent to the date hereof or thereof.

TABLE OF CONTENTS

Page

Available Information.....  
 Incorporation of Certain Documents by Reference.....  
 Prospectus Summary.....  
 Risk Factors.....  
 Recent Developments.....  
 Use of Proceeds.....  
 Ratio of Earnings to Fixed Charges.....  
 Selected Financial Data.....  
 The Exchange Offer.....  
 Description of New Certificates.....  
 Description of the Liquidity Facilities.....  
 Description of the Intercreditor Agreement.....  
 Description of the Aircraft and Appraisals.....  
 Description of the Equipment Notes.....  
 Certain U.S. Federal Income Tax Consequences.....  
 ERISA Considerations.....  
 Plan of Distribution.....  
 Legal Matters.....  
 Experts.....

Continental Airlines, Inc.

Offer to Exchange  
 Pass Through Certificates, Series 1996,

which have been registered under the  
 Securities Act of 1933, as amended,

for any and all outstanding  
 Pass Through Certificates, Series 1996

PROSPECTUS

, 1996

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION - DATED JULY 5, 1996

PROSPECTUS

Continental Airlines, Inc.  
Pass Through Certificates

Up to \$510,733,000 aggregate principal amount of Pass Through Certificates (the "Certificates") (or such greater amount, if Certificates are issued at an original issue discount, as shall result in aggregate proceeds of \$510,733,000 may be offered for sale from time to time pursuant to this Prospectus and related Prospectus Supplements (as defined below). Certificates may be issued in one or more series in amounts, at prices and on terms to be determined at the time of the offering. In respect of each offering of Certificates, a separate Continental Airlines Pass Through Trust for each series of Certificates being offered (each, a "Trust") will be formed pursuant to a Pass Through Trust Agreement (a "Basic Agreement") and the supplement thereto (a "Trust Supplement") relating to such Trust between Continental Airlines, Inc. (the "Company"), and Shawmut Bank Connecticut, National Association, or First Security Bank of Utah, National Association (each a "Trustee"), as trustee. Each Certificate of a series will represent a fractional undivided interest in the related Trust and, except as described in the applicable Prospectus Supplement, will have no rights, benefits or interests in respect of any other Trust. The property of the Trusts will consist of securities including, equipment notes issued (a) on a nonrecourse basis by one or more owner trustees pursuant to separate leveraged lease transactions (the "Leased Aircraft Notes") to finance or refinance a portion of the equipment cost of aircraft, including engines (each, a "Leased Aircraft" and collectively, the "Leased Aircraft"), which have been or will be leased to the Company, or (b) with recourse to the Company (the "Owned Aircraft Notes" and, together with any Leased Aircraft Notes, the "Equipment Notes") to finance all or a portion of the equipment cost of, or to purchase all or a portion of the outstanding debt with respect to, aircraft, including engines (each, an "Owned Aircraft" and collectively, the "Owned Aircraft" and, together with Leased Aircraft, the "Aircraft"), which have been or will be purchased and owned by the Company.

Certain specific terms of the particular Certificates in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus

Supplement"), including, where applicable, the specific designation, form, aggregate principal amount, initial public offering price and distribution dates relating to such Certificates, the Trustees, the Trust or Trusts relating to such Certificates, the Equipment Notes to be purchased by such Trust or Trusts, the Aircraft relating to such Equipment Notes, the leveraged lease transactions or financing arrangements, as the case may be, relating to such Equipment Notes, a description of any other securities to be purchased by such Trust or Trusts and other special terms relating to such Certificates and the net proceeds from the offering of such Certificates. If so specified in the applicable Prospectus Supplement, the Certificates may be issued in accordance with a book-entry system.

Equipment Notes may be issued in respect of an Aircraft in one or more series, each series having its own interest rate and final maturity date. One or more series of Equipment Notes issued in respect of an Aircraft may be senior or subordinate to one or more other series of Equipment Notes. A separate Trust will purchase all of the series of the Equipment Notes relating to the respective Aircraft and having an interest rate equal to the interest rate applicable to the Certificates issued by such Trust and maturity dates occurring on or before the final distribution date applicable to such Certificates. Interest paid on the Equipment Notes and other securities, if any, held in each Trust will be passed through to the holders of the Certificates relating to such Trust on the dates and at the rate per annum set forth in the Prospectus Supplement relating to such Certificates until the final distribution date for such Trust. Principal paid on the Equipment Notes and other securities, if any, held in each Trust will be passed through to the holders of the Certificates relating to such Trust in scheduled amounts on the dates set forth in the Prospectus Supplement relating to such Certificates until the final distribution date for such Trust.

The Equipment Notes issued with respect to each Aircraft will be secured by a security interest in the owner's right, title and interest in such Aircraft and, in the case of the Leased Aircraft, by a security interest in the lessor's right, title and interest in the lease relating thereto, including the right to receive rentals payable by the Company in respect of such Leased Aircraft. Although the Leased Aircraft Notes will not be direct obligations of, or guaranteed by, the Company, the amounts unconditionally payable by the Company for lease of Leased Aircraft will be sufficient to pay in full when due all payments scheduled to be made on the corresponding Leased Aircraft Notes.

The Certificates may be sold to or through underwriters, through dealers or agents or directly to purchasers. See "Plan of Distribution". The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents involved in the sale of the Certificates in respect of which this Prospectus is being delivered and any applicable fee, commission or discount arrangements with them. See "Plan of Distribution" for information concerning secondary trading of the Certificates.

This Prospectus may not be used to consummate sales of Certificates unless accompanied by a Prospectus Supplement.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY  
THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE  
SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE  
COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED  
UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY  
REPRESENTATION TO THE CONTRARY  
IS A CRIMINAL OFFENSE.  
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The date of this Prospectus is \_\_\_\_\_, 1996.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus or any accompanying Prospectus Supplement and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any underwriter, dealer, broker or agent. This Prospectus and any accompanying Prospectus Supplement do not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the following public reference facilities maintained by the Commission: Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; Suite 1300, Seven World Trade Center, New York, New York 10048; and The Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of prescribed rates. In addition, reports, proxy statements and other information concerning Continental may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Continental is the successor to Continental Airlines Holdings, Inc. ("Holdings"), which merged with and into Continental on April 27, 1993. Holdings had also been subject to the informational requirements of the Exchange Act.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Continental with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to Continental and Holdings and the securities offered hereby. Although statements concerning and summaries of certain documents are included herein, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. These documents may be inspected without charge at the office of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies may be obtained at fees and charges prescribed by the Commission.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission (File No. 0-9781) are hereby incorporated by reference in this Prospectus:

(i) Continental's Annual Report on Form 10-K for the year ended December 31, 1995 (as amended by Forms 10-K/A1 and 10-K/A2 filed on March 8, 1996 and April 10, 1996, respectively), (ii) Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and (iii) Continental's Current Reports on Forms 8-K, filed on January 31, 1996, March 26, 1996, May 7, 1996 and June 27, 1996.

All reports and any definitive proxy or information statements filed by Continental pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Securities offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Continental will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of such person, a copy of any or all documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests for such documents should be directed to Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Secretary, telephone (713) 834-2950.

#### THE COMPANY

Continental Airlines, Inc. is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by revenue passenger miles in the first three months of 1996) and, together with its wholly owned subsidiary, Continental Express, Inc. ("Express"), and its 91%-owned subsidiary, Continental Micronesia, Inc. ("CMI"), serves 190 airports worldwide.

The Company operates its route system primarily through domestic hubs at Newark, Houston Intercontinental and Cleveland, and a Pacific hub on Guam and Saipan. Each of Continental's three U.S. hubs is located in a large business and population center, contributing a high volume of "origin and destination" traffic. The Guam/Saipan hub is strategically located to provide service from Japanese and other Asian cities to popular resort destinations in the western Pacific. Continental is the primary carrier at each of these hubs, accounting for 52%, 79%, 53% and 72% of all daily jet departures, respectively.

Continental directly serves 131 U.S. cities, with additional cities (principally in the western and southwestern United States) connected to Continental's route system under agreements with America West Airlines, Inc. ("America West"). Internationally,

Continental flies to 59 destinations and offers additional connecting service through alliances with foreign carriers. Continental operates 66 weekly departures to six European cities and markets service to eight other cities through code-sharing agreements. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations in Mexico than any other United States airline. In addition, Continental flies to four cities in South America, including service between Newark and Bogota, Colombia, with service on to Quito, Ecuador, which began in June 1996. Through its Guam/Saipan hub, Continental provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

The Company is a Delaware corporation. Its executive offices are located at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and its telephone number is (713) 834-2950.

#### FORMATION OF THE TRUSTS

In respect of each offering of Certificates, one or more Trusts will be formed, and the related Certificates issued, pursuant to separate Trust Supplements to be entered into between a Trustee and Continental in accordance with the terms of the relevant Basic Agreement. Concurrently with the execution and delivery of each Trust Supplement, the relevant Trustee, on behalf of the Trust formed thereby, will enter into a separate financing, refinancing or purchase agreement with respect to one or more Equipment Notes (each such financing, refinancing or purchase agreement being herein referred to as a "Note Purchase Agreement") relating to one or more of the Aircraft described in the applicable Prospectus Supplement. Pursuant to the applicable Note Purchase Agreement or Note Purchase Agreements, the Trustee, on behalf of each Trust, will purchase all of the series of Equipment Notes relating to the respective Aircraft and having an interest rate equal to the interest rate applicable to the Certificates issued by such Trust. The maturity dates of the Equipment Notes acquired by each Trust will occur on or before the final distribution date applicable to the Certificates that will be issued by such Trust. The Trustee will distribute the amount of payments of principal, premium, if any, and interest received by it as holder of the Equipment Notes to the Certificateholders (as defined in the Basic Agreements) of the Trust in which such Equipment Notes are held. See "Description of the Certificates" and "Description of the Equipment Notes".

#### USE OF PROCEEDS

Unless otherwise specified in the applicable Prospectus Supplement, the Certificates offered pursuant to any Prospectus Supplement will be issued in order to facilitate (a) the financing or refinancing of the debt portion and, in certain cases, the refinancing of some of the equity portion of one or more separate leveraged lease transactions entered into by Continental, as lessee, with respect to the Leased Aircraft as described in the applicable Prospectus Supplement, (b) the financing of the aggregate principal amount of debt to be issued, or the purchase of the aggregate principal amount of the debt previously issued, by Continental in respect of the Owned

Aircraft as described in the applicable Prospectus Supplement and (c) the purchase of certain merchandise, insurance and services, as described in the Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, the proceeds from the sale of the Certificates offered pursuant to any Prospectus Supplement will be used by the Trustee on behalf of the applicable Trust or Trusts to purchase either (a) Leased Aircraft Notes issued by the respective Owner Trustee or Owner Trustees (as defined below) to finance or refinance a portion (as specified in the applicable Prospectus Supplement) of the equipment cost of the related Leased Aircraft or (b) Owned Aircraft Notes issued by Continental to finance all or a portion (as specified in the applicable Prospectus Supplement) of the equipment cost of the related Owned Aircraft, as described in the Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, any portion of the proceeds from the sale of Certificates not used by the Trustee to purchase Equipment Notes on or prior to the date specified therefor in the applicable Prospectus Supplement will be distributed on a Special Distribution Date (as hereinafter defined) to the applicable Certificateholders, together with interest, but without premium. See "Description of the Certificates -- Special Distribution Upon Unavailability of Aircraft".

The Leased Aircraft Notes will be issued under separate Trust Indenture and Security Agreements (the "Leased Aircraft Indentures") between an institution specified in the related Prospectus Supplement as trustee thereunder (in such capacity, herein referred to as the "Loan Trustee") and an institution specified in the related Prospectus Supplement acting, not in its individual capacity, but solely as owner trustee (an "Owner Trustee") of a separate trust for the benefit of one or more institutional investors (each individually, and collectively as to each such trust, the "Owner Participant"). With respect to each Leased Aircraft, the related Owner Participant will have provided or will provide from sources other than the Leased Aircraft Notes a portion (as specified in the applicable Prospectus Supplement) of the equipment cost of the related Leased Aircraft. No Owner Participant, however, will be personally liable for any amount payable under the related Leased Aircraft Indenture or the Leased Aircraft Notes issued thereunder. Simultaneously with the acquisition of each Leased Aircraft, the related Owner Trustee leased or will lease such Aircraft to Continental pursuant to a separate lease agreement (each such lease agreement being herein referred to as a "Lease"). The Owned Aircraft Notes will be issued under separate Trust Indenture and Security Agreements (the "Owned Aircraft Indentures" and, collectively, with any Leased Aircraft Indentures, the "Indentures") between the applicable Loan Trustee and Continental.

#### RATIOS OF EARNINGS TO FIXED CHARGES

The following information for the years ended December 31, 1991 and 1992 and for the period January 1, 1993 through April 27, 1993 relates to Continental's predecessor, Holdings. Information for the period April 28, 1993 through December 31, 1993 for the years ended December 31, 1994 and 1995 and for the three months ended March 31, 1995 and 1996 relates

to Continental. The information as to Continental has not been prepared on a consistent basis of accounting with the information as to Holdings due to Continental's adoption, effective April 27, 1993, of fresh start reporting in accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code".

For the years ended December 31, 1991 and 1992, for the periods January 1, 1993 through April 27, 1993 and April 28, 1993 through December 31, 1993, for the year ended December 31, 1994 and for the three months ended March 31, 1995, earnings were not sufficient to cover fixed charges. Additional earnings of \$316 million, \$131 million, \$979 million, \$60 million, \$667 million and \$28 million, respectively, would have been required to achieve ratios of earnings to fixed charges of 1.0. The ratio of earnings to fixed charges for the year ended December 31, 1995 was 1.53. The ratio of earnings to fixed charges for the three months ended March 31, 1996 was 1.70. For purposes of calculating this ratio, earnings consist of earnings before taxes and minority interest plus interest expense (net of capitalized interest), the portion of rental expense representative of interest expense and amortization of previously capitalized interest. Fixed charges consist of interest expense and the portion of rental expense representative of interest expense.

#### DESCRIPTION OF THE CERTIFICATES

In connection with each offering of Certificates, one or more separate trusts will be formed and one or more series of Certificates will be issued pursuant to a Basic Agreement either between Continental and Shawmut Bank Connecticut, National Association, as Trustee, or between Continental and First Security Bank of Utah, National Association, as Trustee, and one or more separate Trust Supplements to be entered into between Continental and the relevant Trustee. The statements made under this caption are summaries, and reference is made to the detailed provisions of the Basic Agreements, which have been filed as exhibits to the Registration Statement of which this Prospectus is a part. The Basic Agreements are substantially identical, except for the identity of the Trustee. The summaries relate to the Basic Agreements and each of the Trust Supplements, the Trusts to be formed thereby and the Certificates to be issued by each Trust except to the extent, if any, described in the applicable Prospectus Supplement. The Prospectus Supplement that accompanies this Prospectus contains a glossary of the material terms used with respect to the specific series of Certificates being offered thereby and identifies which Trustee will act with respect to each specific series of Certificates. The Trust Supplement relating to each series of Certificates and the forms of the related Note Purchase Agreement and Indenture and, if the Certificates relate to Leased Aircraft, the forms of the related Lease, Trust Agreement and Participation Agreement will be filed as exhibits to a Current Report on Form 8-K, Quarterly Report on Form 10-Q or Annual Report on Form 10-K, to be filed by Continental with the Commission. Citations to certain relevant sections of the Basic Agreements appear below in parentheses.

The Certificates offered pursuant to this Prospectus will be limited to \$510,733,000 aggregate principal amount (or such greater amount if Certificates are issued at an original issue discount, as shall result in aggregate proceeds to Continental of \$510,733,000).

Certain provisions of the description of the Certificates in this Prospectus do not necessarily apply to one Certificate of each Trust which may be issued in a denomination of less than \$1,000.

#### General

Each Certificate will represent a fractional undivided interest in the Trust created by the Trust Supplement pursuant to which such Certificate was issued and all payments and distributions shall be made only from the related Trust Property (as defined below). The property of each Trust (the "Trust Property") will include the Equipment Notes held in such Trust, all monies at any time paid thereon, all monies due and to become due thereunder and funds from time to time deposited with the Trustee for the benefit of Certificateholders in accounts relating to such Trust. Each Certificate will represent a pro rata share of the outstanding principal amount of the Equipment Notes held in the related Trust and, unless otherwise specified in the applicable Prospectus Supplement, will be issued in minimum denominations of \$1,000 or any integral multiple thereof. (Sections 2.1 and 3.1) The Certificates do not represent an interest in or obligation of Continental, the Trustee, any of the Loan Trustees or Owner Trustees in their individual capacities, any Owner Participant, or any affiliate of any of the foregoing.

Reference is made to the Prospectus Supplement that accompanies this Prospectus for a description of the specific series of Certificates being offered thereby, including: (1) the specific designation and title of such Certificates; (2) the Regular Distribution Dates (as hereinafter defined) and Special Distribution Dates (as hereinafter defined) applicable to such Certificates; (3) the specific form of such Certificates, including whether or not such Certificates are to be issued in accordance with a book-entry system; (4) a description of the Equipment Notes to be purchased by the related Trust, including (a) whether or not such Equipment Notes are senior or subordinate to any other Equipment Notes and if so, the terms and conditions pursuant to which such Equipment Notes are senior to or subordinate to other Equipment Notes, and (b) the period or periods within which, the price or prices at which, and the terms and conditions upon which such Equipment Notes may or must be redeemed, in whole or in part; (5) a description of each related Aircraft, including whether the Aircraft is a Leased Aircraft or an Owned Aircraft; (6) a description of each related Note Purchase Agreement and Indenture, including a description of the events of default under each such related Indenture, the remedies exercisable upon the occurrence of such events of default and any limitations on the exercise of such remedies with respect to the related Equipment Notes; (7) if such Certificates relate to Leased Aircraft, a description of each related Lease, Trust Agreement and Participation Agreement, including (a) the names of each related Owner Trustee, (b) a description of the events of

default under each such related Lease, the remedies exercisable upon the occurrence of such events of default and any limitations on the exercise of such remedies, and (c) the rights, if any, of each related Owner Trustee and/or Owner Participant to cure failures of Continental to pay rent under the related Lease; (8) the extent, if any, to which the provisions of the operative documents applicable to such Equipment Notes may be amended by the parties thereto without the consent of the holders of, or only upon the consent of the holders of a specified percentage of aggregate principal amount of, such Equipment Notes; (9) the extent, if any, to which the Company may acquire Certificates and deliver such Certificates or cash to the respective Trusts and obtain the release of Equipment Notes held by such Trusts; (10) whether the Certificates are issuable as registered Certificates, bearer Certificates or both, and the terms upon which bearer Certificates may be exchanged for registered Certificates; and (11) any other special terms pertaining to such Certificates, including any modification of the terms set forth herein.

#### Book-Entry Registration

The Certificates of each Trust may be issued in bearer or fully registered form and may be issued pursuant to a book-entry system. In the event that the Certificates of any series in registered form are issued pursuant to a book-entry system, it is anticipated that such Certificates will be registered in the name of Cede & Co. ("Cede") as the nominee of The Depository Trust Company ("DTC"). No person acquiring an interest in such Certificates ("Certificate Owner") will be entitled to receive a certificate representing such person's interest in such Certificates, except as set forth below under "Definitive Certificates." Unless and until Definitive Certificates are issued under the limited circumstances described herein, all references to actions by Certificateholders shall refer to actions taken by DTC upon instructions from DTC Participants (as defined below), and all references herein to distributions, notices, reports and statements to Certificateholders shall refer, as the case may be, to distributions, notices, reports and statements to DTC or Cede, as the registered holder of such Certificates, or to DTC Participants for distribution to Certificate Owners in accordance with DTC procedures. (Section 3.9)

Continental has been advised that DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to section 17A of the Exchange Act. DTC was created to hold securities for its participants ("DTC Participants") and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entries, thereby eliminating the need for physical transfer of certificates. DTC Participants include securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to the DTC system also is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant either directly or indirectly ("Indirect

Participants").

Certificate Owners that are not DTC Participants or Indirect Participants but desire to purchase, sell or otherwise transfer ownership of, or other interests in, the Certificates may do so only through DTC Participants and Indirect Participants. In addition, Certificate Owners will receive all distributions of principal and interest, as well as notices and other reports, from the relevant Trustee through DTC Participants or Indirect Participants, as the case may be. Under a book-entry format, Certificate Owners may experience some delay in their receipt of payments, as well as notices and other reports, since such payments, notices and other reports will be forwarded by the relevant Trustee to Cede, as nominee for DTC. DTC will forward such payments, notices and other reports to DTC Participants, which will thereafter forward such payments, notices and other reports to Indirect Participants or Certificate Owners, as the case may be, in accordance with customary industry practices. The forwarding of such distributions to the Certificate Owners will be the responsibility of such DTC Participants. Unless and until the Definitive Certificates are issued under the limited circumstances described herein, it is anticipated that the only "Certificateholder" will be Cede, as nominee of DTC. Certificate Owners will not be recognized by the relevant Trustee as Certificateholders, as such term is used in the Basic Agreements, and Certificate Owners will be permitted to exercise the rights of Certificateholders only indirectly through DTC and DTC Participants.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC is required to make book-entry transfers of the Certificates among DTC Participants on whose behalf it acts with respect to the Certificates and to receive and transmit distributions of principal, premium, if any, and interest with respect to the Certificates. DTC Participants and Indirect Participants with which Certificate Owners have accounts with respect to the Certificates similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective customers. Accordingly, although Certificate Owners will not possess the Certificates, the Rules provide a mechanism by which Certificate Owners will receive payments and will be able to transfer their interests.

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants or Certificate Owners, the ability of a Certificate Owner to pledge the Certificates to persons or entities that do not participate in the DTC system, or to otherwise act with respect to such Certificates, may be limited due to the inability of Certificate Owners to obtain a physical certificate for such Certificates.

Continental has been advised that DTC will take any action permitted to be taken by a Certificateholder under a Basic Agreement only at the direction of one or more DTC Participants to whose accounts with DTC the Certificates are credited. Additionally, Continental has been advised that in the event any action requires approval by Certificateholders of a certain percentage of beneficial interest in each Trust, DTC will take such action only at the direction of and on behalf of DTC

Participants whose holders include undivided interests that satisfy any such percentage. DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC Participants whose holders include such undivided interests.

Neither Continental nor the relevant Trustee will have any liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Certificates held by Cede, as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### Definitive Certificates

In the event Certificates in registered form are issued pursuant to a book-entry system as described above, such Certificates may be issued in certificated form ("Definitive Certificates") to Certificate Owners or their nominees, rather than to DTC or its nominee, only if (i) Continental advises the relevant Trustee in writing that DTC is no longer willing or able to discharge properly its responsibilities as depository with respect to such Certificates and Continental is unable to locate a qualified successor, (ii) Continental, at its option, elects to terminate participation in the book-entry system through DTC in respect of the Certificates or (iii) after the occurrence of an Indenture Default (as hereinafter defined), Certificate Owners with fractional undivided interests aggregating not less than a majority in interest in such Trust advise the relevant Trustee and Continental through DTC in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in the Certificate Owners' best interest. (Section 3.9)

Upon the occurrence of any event described in the immediately preceding paragraph, the relevant Trustee will be required to notify all Certificate Owners through DTC of the availability of Definitive Certificates. Upon surrender by DTC of the certificates representing the Certificates and receipt of written instructions for re-registration, the relevant Trustee will reissue the Certificates as Definitive Certificates to the persons designated by DTC in such written instructions. (Section 3.9)

Distributions of principal, premium, if any, and interest with respect to Certificates will thereafter be made by the relevant Trustee directly in accordance with the procedures set forth in the applicable Basic Agreement and the applicable Trust Supplements, to holders in whose names the Definitive Certificates were registered at the close of business on the applicable record date. Such distributions will be made by check mailed to the address of each such holder as it appears on the register maintained by the relevant Trustee. The final payment on any Certificate, however, will be made only upon presentation and surrender of such Certificate at the office or agency specified in the notice of final distribution to Certificateholders. (Sections 4.2 and 11.1)

Definitive Certificates in registered form will be freely transferable and exchangeable at the office of the relevant Trustee upon compliance with the requirements set forth in the

applicable Basic Agreement and the applicable Trust Supplements. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge shall be required. (Section 3.4)

#### Payments and Distributions

Payments of principal, premium, if any, and interest with respect to the Equipment Notes held in each Trust will be distributed by the relevant Trustee to Certificateholders of such Trust on the dates specified in the applicable Prospectus Supplement, except in certain cases when some or all of such Equipment Notes are in default. See "-- Events of Default and Certain Rights Upon an Event of Default". Payments of principal of, and interest on, the unpaid principal amount of the Equipment Notes held in each Trust will be scheduled to be received by the relevant Trustee on the dates specified in the applicable Prospectus Supplement (such scheduled payments of interest and principal on the Equipment Notes are herein referred to as "Scheduled Payments," and the dates specified in the applicable Prospectus Supplement are herein referred to as "Regular Distribution Dates"). See "Description of the Equipment Notes -- General". Except as otherwise specified in the applicable Prospectus Supplement, each Certificateholder of each Trust will be entitled to receive a pro rata share of any distribution in respect of Scheduled Payments of principal and interest made on the Equipment Notes held in the Trust.

Payments of principal, premium, if any, and interest received by the relevant Trustee on account of the early redemption, if any, of the Equipment Notes relating to one or more Aircraft held in a Trust, and payments, other than Scheduled Payments received on a Regular Distribution Date, received by the relevant Trustee following a default in respect of Equipment Notes held in a Trust relating to one or more Aircraft ("Special Payments") will be distributed on the date determined as described in the applicable Prospectus Supplement (a "Special Distribution Date"). The relevant Trustee will mail notice to the Certificateholders of record of the applicable Trust not less than 20 days prior to the Special Distribution Date on which any Special Payment is scheduled to be distributed by the relevant Trustee stating such anticipated Special Distribution Date. (Section 4.2)

#### Pool Factors

Unless there has been an early redemption, a purchase of an issue of Equipment Notes by the related Owner Trustee after an Indenture Default (as defined below) or a default in the payment of principal or interest, in respect of one or more issues of the Equipment Notes held in a Trust, as described in the applicable Prospectus Supplement or below in "-- Events of Default and Certain Rights Upon an Event of Default", the Pool Factor (as defined below) for the Trusts will decline in proportion to the scheduled repayments of principal on the Equipment Notes held in such Trust as described in the applicable Prospectus Supplement. In the event of such redemption, purchase or default, the Pool Factor and the Pool Balance (as defined below) of each Trust so

affected will be recomputed after giving effect thereto and notice thereof will be mailed to the Certificateholders of such Trust. Each Trust will have a separate Pool Factor.

The "Pool Balance" for each Trust indicates, as of any date, the aggregate unpaid principal amount of the Equipment Notes held in such Trust on such date plus any amounts in respect of principal on such Equipment Notes held by the Trustee and not yet distributed. The Pool Balance for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Equipment Notes held in such Trust and distribution thereof to be made on that date.

The "Pool Factor" for each Trust as of any Regular Distribution Date or Special Distribution Date is the quotient (rounded to the seventh decimal place) computed by dividing (i) the Pool Balance by (ii) the aggregate original principal amount of the Equipment Notes held in such Trust. The Pool Factor for each Trust as of any Regular Distribution Date or Special Distribution Date shall be computed after giving effect to the payment of principal, if any, on the Equipment Notes held in such Trust and distribution thereof to be made on that date. The Pool Factor for each Trust will initially be 1.0000000; thereafter, the Pool Factor for each Trust will decline as described above to reflect reductions in the Pool Balance of such Trust. The amount of a Certificateholder's pro rata share of the Pool Balance of a Trust can be determined by multiplying the original denomination of the holder's Certificate of such Trust by the Pool Factor for such Trust as of the applicable Regular Distribution Date or Special Distribution Date. The Pool Factor and the Pool Balance for each Trust will be mailed to Certificateholders of such Trust on each Regular Distribution Date and Special Distribution Date.

#### Reports to Certificateholders

On each Regular Distribution Date and Special Distribution Date, the relevant Trustee will include with each distribution of a Scheduled Payment or Special Payment to Certificateholders of record of the related Trust as of the immediately preceding record date a statement, giving effect to such distribution to be made on such Regular Distribution Date or Special Distribution Date, setting forth the following information (per \$1,000 aggregate principal amount of Certificates for such Trust, as to (i) and (ii) below):

- (i) the amount of such distribution allocable to principal and the amount allocable to premium, if any;
- (ii) the amount of such distribution allocable to interest; and
- (iii) the Pool Balance and the Pool Factor for such Trust. (Section 4.3(a))

So long as the Certificates are registered in the name of Cede, as nominee for DTC, (a) on the record date immediately prior to each Regular Distribution Date and Special Distribution Date, the Trustee will request from DTC a Securities Position

Listing setting forth the names of all DTC Participants reflected on DTC's books as holding interests in the Certificates on such record date and (b) on each Regular Distribution Date and Special Distribution Date, the relevant Trustee will deliver to each such DTC Participant the statement described above and will make available additional copies as requested by such DTC Participant for forwarding by such DTC Participant to Certificate Owners. (Section 3.9(c))

In addition, after the end of each calendar year, the relevant Trustee will prepare for each Certificateholder of record of each Trust at any time during the preceding calendar year a report containing the sum of the amounts determined pursuant to clauses (i) and (ii) above with respect to the Trust for such calendar year or, in the event such person was a Certificateholder of record during only a portion of such calendar year, for the applicable portion of such calendar year, and such other items as are readily available to the relevant Trustee and which a Certificateholder shall reasonably request as necessary for the purpose of such Certificateholder's preparation of its federal income tax returns. (Section 4.3(b)) Such report and such other items shall be prepared on the basis of information supplied to the relevant Trustee by the DTC Participants and shall be delivered by the relevant Trustee to such DTC Participants to be available for forwarding by such DTC Participants to Certificate Owners in the manner described above.

At such time, if any, as the Certificates are issued in the form of Definitive Certificates, the relevant Trustee will prepare and deliver the information described above to each Certificateholder of record of each Trust as the name and period of beneficial ownership of such Certificateholder appears on the records of the registrar of the Certificates.

#### Voting of Equipment Notes

The Trustee, as holder of the Equipment Notes held in each Trust, has the right to vote and give consents and waivers with respect to such Equipment Notes under the related Indentures. Each Basic Agreement sets forth the circumstances in which the Trustee thereunder shall direct any action or cast any vote as the holder of the Equipment Notes held in the applicable Trust at its own discretion and the circumstances in which such Trustee shall seek instructions from the Certificateholders of such Trust. Prior to an Event of Default (as defined below) with respect to any Trust, the principal amount of the Equipment Notes held in such Trust directing any action or being voted for or against any proposal shall be in proportion to the principal amount of Certificates held by the Certificateholders of such Trust taking the corresponding position. (Sections 6.1 and 10.1)

#### Events of Default and Certain Rights Upon an Event of Default

An event of default under the Basic Agreement (an "Event of Default") is defined as the occurrence and continuance of an event of default under one or more of the Indentures (an "Indenture Default"). The Indenture Defaults under an Indenture will be described in the applicable Prospectus Supplement and, with respect to the Leased Aircraft, will include an event of default under the related Lease (a "Lease Event of Default").

Since the Equipment Notes issued under an Indenture may be held in more than one Trust, a continuing Indenture Default under such Indenture would result in an Event of Default under each such Trust. There will be, however, no cross-default provisions in the Indentures, and events resulting in an Indenture Default under any particular Indenture will not necessarily result in an Indenture Default occurring under any other Indenture. If an Indenture Default occurs in fewer than all of the Indentures, notwithstanding the treatment of Equipment Notes issued under any Indenture under which an Indenture Default has occurred, payments of principal and interest on the Equipment Notes issued pursuant to Indentures with respect to which an Indenture Default has not occurred will continue to be distributed to the holders of the Certificates as originally scheduled.

With respect to each Leased Aircraft, the applicable Owner Trustee and Owner Participant will, under the related Indenture, have the right under certain circumstances to cure Indenture Defaults that result from the occurrence of a Lease Event of Default under the related Lease. If the Owner Trustee or the Owner Participant exercises such cure right, the Indenture Default and consequently the Event of Default with respect to the related Trust or Trusts will be deemed to have been cured.

The Basic Agreements provide that, as long as an Indenture Default under any Indenture relating to the Equipment Notes held in a Trust shall have occurred and be continuing, the Trustee of such Trust may vote all of the Equipment Notes issued under such Indenture that are held in such Trust and, upon the direction of the holders of Certificates evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust, shall vote a corresponding majority of such Equipment Notes in favor of directing the Loan Trustee under such Indenture to declare the unpaid principal amount of all Equipment Notes issued under such Indenture and any accrued and unpaid interest thereon to be due and payable. The Basic Agreements also provide that, if an Indenture Default under any Indenture relating to the Equipment Notes held in a Trust shall have occurred and be continuing, the Trustee of such Trust may, and upon the direction of the holders of Certificates evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust shall, vote all of the Equipment Notes issued under such Indenture that are held in such Trust in favor of directing the Loan Trustee as to the time, method and place of conducting any proceeding for any remedy available to the Loan Trustee or of exercising any trust or power conferred on the Loan Trustee under such Indenture. (Sections 6.1 and 6.4)

The ability of the holders of the Certificates issued with respect to any one Trust to cause the Loan Trustee with respect to any Equipment Notes held in such Trust to accelerate the Equipment Notes under the related Indenture or to direct the exercise of remedies by the Loan Trustee under the related Indenture will depend, in part, upon the proportion between the aggregate principal amount of the Equipment Notes outstanding under such Indenture and held in such Trust and the aggregate principal amount of all Equipment Notes outstanding under such Indenture. If, for example, the Equipment Notes held in such Trust constitute only 45% in aggregate principal amount of the Equipment Notes issued under such Indenture, even if all of the

Certificateholders of such Trust were to instruct the Trustee of such Trust to direct the Loan Trustee to declare the acceleration of the Equipment Notes issued under such Indenture, the Equipment Notes so voted by such Trust in favor of acceleration would not alone be sufficient under the terms of the Indenture to compel the Loan Trustee to act. Moreover, there can be no assurance that the Certificateholders of any of the other Trusts would at such time vote the Equipment Notes held in such Trusts in favor of acceleration. Each Trust will hold Equipment Notes with different terms from the Equipment Notes held in the other Trusts and therefore the Certificateholders of a Trust may have divergent or conflicting interests from those of the Certificateholders of the other Trusts holding Equipment Notes relating to the same Aircraft. In addition, so long as the same institution acts as Trustee of two or more Trusts, in the absence of instructions from the Certificateholders of any such Trust, the Trustee for such Trust could for the same reason be faced with a potential conflict of interest upon an Indenture Default. In such event, each Trustee has indicated that it would resign as trustee of one or all such Trusts, and a successor trustee would be appointed in accordance with the terms of the applicable Basic Agreement.

As an additional remedy, if an Indenture Default shall have occurred and be continuing, the Basic Agreements provide that the Trustee of the Trust holding Equipment Notes issued under such Indenture may, and upon the direction of the holders of the Certificates evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust shall, sell for cash to any person all or part of such Equipment Notes in accordance with applicable laws, including any applicable securities laws. (Sections 6.1 and 6.2) Any proceeds received by such Trustee upon any such sale shall be deposited in an account established by such Trustee for the benefit of the Certificateholders of such Trust for the deposit of such Special Payments (the "Special Payments Account") and shall be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Sections 4.1 and 4.2) The market for Equipment Notes in default may be very limited, and there can be no assurance that they could be sold for a reasonable price or that the net proceeds from such sale would be equal to the unpaid principal amount of and interest on such Equipment Notes. Furthermore, so long as the same institution acts as Trustee of multiple Trusts, it may be faced with a conflict in deciding from which Trust to sell Equipment Notes to available buyers. If the Trustee of any Trust sells any such Equipment Notes with respect to which an Indenture Default exists for less than their outstanding principal amount, the Certificateholders of such Trust will receive a smaller amount of principal distributions than anticipated and will not have any claim for the shortfall against Continental, any Owner Trustee, any Owner Participant or such Trustee. Furthermore, neither such Trustee nor the Certificateholders of such Trust could take any action with respect to any remaining Equipment Notes held in such Trust so long as no Indenture Defaults existed with respect thereto.

Any amount, other than Scheduled Payments received on a Regular Distribution Date, distributed to the Trustee of any Trust by the Loan Trustee under any Indenture on account of the Equipment Notes held in such Trust following an Indenture Default

under such Indenture shall be deposited in the Special Payments Account for such Trust and shall be distributed to the Certificateholders of such Trust on a Special Distribution Date. In addition, if, following an Indenture Default under any Indenture relating to a Leased Aircraft, the applicable Owner Trustee exercises its option to redeem or purchase the outstanding Equipment Notes issued under such Indenture as described in the related Prospectus Supplement, the price paid by such Owner Trustee to the Trustee of any Trust for the Equipment Notes issued under such Indenture and held in such Trust shall be deposited in the Special Payments Account for such Trust and shall be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Sections 4.1, 4.2 and 6.2)

Any funds representing payments received with respect to any Equipment Notes held in a Trust in default, or the proceeds from the sale by the Trustee of any such Equipment Notes, held by the Trustee in the Special Payments Account for such Trust shall, to the extent practicable, be invested and reinvested by the Trustee in Permitted Investments pending the distribution of such funds on a Special Distribution Date. Permitted Investments are defined as obligations of the United States or agencies or instrumentalities thereof, the payment of which is backed by the full faith and credit of the United States and which mature in not more than 60 days or such lesser time as is required for the distribution of any such funds on a Special Distribution Date. (Sections 1.1 and 4.4)

The Basic Agreements provide that the Trustee of each Trust shall, within 90 days after the occurrence of any event known to it to be a default in respect of such Trust, give to the Certificateholders of such Trust notice, transmitted by mail, of all uncured or unwaived defaults with respect to such Trust known to it, provided that, except in the case of default in the payment of principal of, premium, if any, or interest on any of the Equipment Notes held in such Trust, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of such Certificateholders. (Section 7.1)

Each Basic Agreement contains a provision entitling the Trustee of each Trust, subject to the duty of the Trustee during a default to act with the required standard of care, to be offered reasonable security or indemnity by the holders of the Certificates of such Trust before proceeding to exercise any right or power under such Basic Agreement at the request of such Certificateholders. (Section 7.2)

In certain cases, the holders of the Certificates of a Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust may on behalf of the holders of all the Certificates of such Trust waive any past default or Event of Default with respect to such Trust and its consequences and may instruct the Trustees to waive any past default under the related Indenture or the Basic Agreement or the applicable Trust Supplement and its consequences, except (i) a default in the deposit of any Scheduled Payment or Special Payment or in the distribution thereof, (ii) a default in payment of the principal, premium, if any, or interest with respect to any of the Equipment Notes held in such Trust and (iii) a default

in respect of any covenant or provision of the Basic Agreement or the related Trust Supplement that cannot be modified or amended without the consent of each Certificateholder of such Trust affected thereby. (Section 6.5) Each Indenture will provide that, with certain exceptions, the holders of a majority in aggregate unpaid principal amount of the Equipment Notes issued thereunder may on behalf of all such holders waive any past default or Indenture Default thereunder. In the event of a waiver with respect to a Trust as described above, the principal amount of the Equipment Notes issued under the related Indenture and held in such Trust shall be counted as waived in the determination of the majority in aggregate unpaid principal amount of Equipment Notes required to waive a default or an Indenture Default. Therefore, if the Certificateholders of a Trust or Trusts waive a past default or Event of Default such that the principal amount of the Equipment Notes held either individually in such Trust or in the aggregate in such Trusts constitutes the required majority in aggregate unpaid principal amount under the applicable Indenture, such past default or Indenture Default shall be waived.

#### Merger, Consolidation and Transfer of Assets

Continental will be prohibited from consolidating with or merging into any other corporation or transferring substantially all of its assets as an entirety to any other Person unless (i) the surviving successor or transferee shall (a) be organized and validly existing under the laws of the United States or any jurisdiction thereof, (b) be a United States certificated air carrier, if and so long as such status is a condition of entitlement to the benefits of section 1110 of the Bankruptcy Code (as defined below) with respect to the Owned Aircraft Indentures and the Leases and (c) expressly assume all of the obligations of Continental contained in the Basic Agreements, any Trust Supplement, the Note Purchase Agreements and the Indentures and, with respect to the Leased Aircraft Notes, the Participation Agreements and the Leases, and any other operative documents to which Continental was a party immediately prior to such transaction; (ii) no Indenture Default or Lease Event of Default shall arise as a result of such consolidation, merger or transfer of assets and (iii) Continental shall have delivered a certificate and an opinion or opinions of counsel indicating that such transaction, in effect, complies with such conditions. (Section 5.2)

The Basic Agreements do not and, except as otherwise described in the applicable Prospectus Supplement, the Indentures will not contain any covenants or provisions which may afford the Trustee or Certificateholders protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change in control of Continental.

#### Modifications of the Basic Agreements

Each Basic Agreement contains provisions permitting Continental and the Trustee of each Trust to enter into a supplemental trust agreement, without the consent of the holders of any of the Certificates held in such Trust, (i) to provide for the formation of such Trust and the issuance of a series of

Certificates, (ii) to evidence the succession of another corporation to Continental and the assumption by such corporation of Continental's obligations under such Basic Agreement and the applicable Trust Supplement, (iii) to add to the covenants of Continental for the benefit of holders of such Certificates or to surrender any right or power in such Basic Agreement conferred upon Continental, (iv) to correct or supplement any defective or inconsistent provision of such Basic Agreement or the applicable Trust Supplement or to make any other provisions with respect to matters or questions arising thereunder, provided such action shall not adversely affect the interests of the holders of such Certificates or to cure any ambiguity or correct any mistake, (v) to modify, eliminate or add to the provisions of such Basic Agreement to such extent as shall be necessary to continue the qualification of such Basic Agreement (including any supplemental agreement) under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and to add to such Basic Agreement such other provisions as may be expressly permitted by the Trust Indenture Act, (vi) to provide for a successor Trustee or to add to or change any provision of such Basic Agreement as shall be necessary to facilitate the administration of the Trusts thereunder by more than one Trustee, and (vii) to make any other amendments or modifications to such Basic Agreement, provided such amendments or modifications shall only apply to Certificates issued thereafter. (Section 9.1)

The Basic Agreements also contain provisions permitting Continental and the Trustee of each Trust, with the consent of the holders of the Certificates of such Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust, and, with respect to any Leased Aircraft in certain cases, with the consent of the applicable Owner Trustee (such consent not to be unreasonably withheld), to execute supplemental trust agreements adding any provisions to or changing or eliminating any of the provisions of the Basic Agreements, to the extent relating to such Trust, and the applicable Trust Supplement, or modifying the rights of the Certificateholders, except that no such supplemental trust agreement may, without the consent of the holder of each Certificate so affected thereby, (a) reduce in any manner the amount of, or delay the timing of, any receipt by the Trustee of payments on the Equipment Notes held in such Trust or distributions in respect of any Certificate related to such Trust, or change the date or place of any payment in respect of any Certificate, or make distributions payable in coin or currency other than that provided for in such Certificates, or impair the right of any Certificateholder of such Trust to institute suit for the enforcement of any such payment when due, (b) permit the disposition of any Equipment Note held in such Trust, except as provided in the Basic Agreements or the applicable Trust Supplement, or otherwise deprive any Certificateholder of the benefit of the ownership of the applicable Equipment Notes, (c) reduce the percentage of the aggregate fractional undivided interests of the Trust provided for in the Basic Agreements or the applicable Trust Supplement, the consent of the holders of which is required for any such supplemental trust agreement or for any waiver provided for in the Basic Agreements or such Trust Supplement, or (d) modify any of the provisions relating to the rights of the Certificateholders in respect of the waiver of events of default

or receipt of payment. (Section 9.2)

#### Modification of Indenture and Related Agreements

In the event that a Trustee, as the holder of any Equipment Notes held in a Trust, receives a request for its consent to any amendment, modification or waiver under the Indenture or other documents relating to such Equipment Notes (including any Lease with respect to Leased Aircraft Notes), such Trustee shall send a notice of such proposed amendment, modification or waiver to each Certificateholder of such Trust of record as of the date of such notice. Such Trustee shall request instructions from the Certificateholders of such Trust as to whether or not to consent to such amendment, modification or waiver. Such Trustee shall vote or consent with respect to such Equipment Notes in such Trust in the same proportion as the Certificates of such Trust were actually voted by the holders thereof by a certain date. Notwithstanding the foregoing, if an Event of Default in respect of such Trust shall have occurred and be continuing, such Trustee may, in the absence of instructions from Certificateholders holding a majority in interest of such Trust, in its own discretion consent to such amendment, modification or waiver and may so notify the relevant Loan Trustee. (Section 10.1)

#### Termination of the Trusts

The obligations of Continental and the Trustee with respect to a Trust will terminate upon the distribution to Certificateholders of such Trust of all amounts required to be distributed to them pursuant to the Basic Agreements and the applicable Trust Supplement and the disposition of all property held in such Trust. Such Trustee will send to each Certificateholder of record of such Trust notice of the termination of such Trust, the amount of the proposed final payment and the proposed date for the distribution of such final payment for such Trust. The final distribution to any Certificateholder of such Trust will be made only upon surrender of such Certificateholder's Certificates at the office or agency of such Trustee specified in such notice of termination. (Section 11.1)

#### Delayed Purchase

In the event that, on the delivery date of any Certificates, all of the proceeds from the sale of such Certificates are not used to purchase the Equipment Notes contemplated to be held in the related Trust, such Equipment Notes may be purchased by the relevant Trustee at any time on or prior to the date specified in the applicable Prospectus Supplement. In such event, such Trustee will hold the proceeds from the sale of such Certificates not used to purchase such Equipment Notes in an escrow account pending the purchase of such Equipment Notes not so purchased. Such proceeds will be invested at the direction and risk of, and for the account of, Continental in certain specified investments, which may include: (i) obligations of, or guaranteed by, the United States Government or agencies thereof, (ii) open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof rated at least P-2 or its equivalent by Moody's Investors Service, Inc. or at least A-2 or

its equivalent by Standard & Poor's Corporation, (iii) certificates of deposit issued by commercial banks organized under the laws of the United States or of any political subdivision thereof having a combined capital and surplus in excess of \$100,000,000, which banks or their holding companies have a short-term deposit rating of P1 by Moody's Investors Service, Inc. or its equivalent by Standard & Poor's Corporation; provided, however, that the aggregate amount at any one time so invested in certificates of deposit issued by any one bank shall not exceed 5% of such bank's capital and surplus, (iv) U.S. dollar denominated offshore certificates of deposit issued by, or offshore time deposits with, any commercial bank described in (iii) or any subsidiary thereof and (v) repurchase agreements with any financial institution having combined capital and surplus of at least \$100,000,000 with any of the obligations described in (i) through (iv) as collateral; provided that if all of the above investments are unavailable, the entire amounts to be invested may be used to purchase federal funds from an entity described in clause (iii) above; and provided further that no investment shall be eligible as a "specified investment" unless the final maturity date or date of return of such investment is on or before (x) the scheduled date for the purchase of such Equipment Notes, or (y) if no date has been scheduled for the purchase of such Equipment Notes, the next Business Day, or (z) if Continental has given notice that such Equipment Notes will not be purchased, the next applicable Special Distribution Date. Earnings on such investments in the escrow account for each Trust will be paid to Continental periodically, upon its demand, and Continental will be responsible for any losses. (Section 2.2(b))

Unless otherwise specified in the applicable Prospectus Supplement, on the next Regular Distribution Date specified in the applicable Prospectus Supplement, Continental will pay to the relevant Trustee an amount equal to the interest that would have accrued on any Equipment Notes purchased after the date of the issuance of such Certificates from the date of the issuance of such Certificates to, but excluding, the date of the purchase of such Equipment Notes by such Trustee. (Section 2.2(b))

#### Special Distribution Upon Unavailability of Aircraft

To the extent, due to a casualty to, or other event causing the unavailability of, one or more Aircraft, that the full amount of the proceeds from the sale of any Certificates held in the escrow account referred to above is not used to purchase Equipment Notes on or prior to the date specified in the applicable Prospectus Supplement, an amount equal to the unused proceeds will be distributed by the relevant Trustee to the holders of record of such Certificates on a pro rata basis upon not less than 20 days' prior notice to them as a Special Distribution on the date specified in the applicable Prospectus Supplement together with interest thereon at a rate equal to the rate applicable to such Certificates, but without premium, and Continental will pay to the relevant Trustee on such date an amount equal to such interest. (Section 2.2(b))

#### The Trustees

With certain exceptions, no Trustee makes any

representations as to the validity or sufficiency of the Basic Agreement to which it is a party, the Trust Supplements, the Certificates, the Equipment Notes, the Indentures, the Leases or other related documents. No Trustee shall be liable with respect to any series of Certificates, for any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in principal amount of outstanding Certificates of such series issued under the Basic Agreement to which it is a party. Subject to such provisions, such Trustee shall be under no obligation to exercise any of its rights or powers under such Basic Agreement at the request of any holders of Certificates issued thereunder unless they shall have offered to such Trustee indemnity satisfactory to it. Each Basic Agreement provides that the Trustee thereunder in its individual or any other capacity may acquire and hold Certificates issued thereunder and, subject to certain conditions, may otherwise deal with Continental and, with respect to the Leased Aircraft, with any Owner Trustee or Owner Participant with the same rights it would have if it were not the Trustee. (Sections 7.2, 7.3 and 7.4)

A Trustee may resign with respect to any or all of the Trusts at any time, in which event Continental will be obligated to appoint a successor trustee. If a Trustee ceases to be eligible to continue as Trustee with respect to a Trust or becomes incapable of acting as Trustee or becomes insolvent, Continental may remove such Trustee, or any holder of the Certificates of such Trust for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Trustee and the appointment of a successor trustee. Any resignation or removal of a Trustee with respect to a Trust and appointment of a successor trustee for such Trust does not become effective until acceptance of the appointment by the successor trustee. (Section 7.8) Pursuant to such resignation and successor trustee provisions, it is possible that a different trustee could be appointed to act as the successor trustee with respect to each Trust. All references in this Prospectus to a Trustee should be read to take into account the possibility that the Trusts could have different successor trustees in the event of such a resignation or removal.

Each Basic Agreement provides that Continental will pay the reasonable fees and expenses of the Trustee thereunder and indemnify such Trustee against certain losses and liabilities. To secure such obligation of the Company, such Trustee will have a lien prior to the Certificates of a series on all property and funds held by it with respect to the Certificates of such series. (Section 7.6)

#### DESCRIPTION OF THE EQUIPMENT NOTES

The statements made under this caption are summaries and reference is made to the entire Prospectus and detailed information appearing in the applicable Prospectus Supplement. Where no distinction is made between the Leased Aircraft Notes and the Owned Aircraft Notes or between their respective Indentures, such statements refer to any Equipment Notes and any Indenture.

## General

Each Equipment Note issued under the same Indenture will relate to a single Aircraft. The Equipment Notes with respect to each Aircraft will be issued under a separate Indenture either (a) between the related Owner Trustee of a trust for the benefit of the Owner Participant who is the beneficial owner of such Aircraft, and the related Loan Trustee, or (b) between Continental and the related Loan Trustee.

The Equipment Notes issued under an Indenture may rank pari passu with each other or may be issued in two or more series of different rank. If such Equipment Notes are issued in two or more series of different rank, the terms and conditions upon which each such series is senior to or subordinate to each other such series will be set forth in the applicable Prospectus Supplement.

With respect to each Leased Aircraft, the related Owner Trustee has acquired or will acquire such Aircraft from Continental or the manufacturer of such Aircraft, as the case may be, has granted or will grant a security interest in its right, title and interest in such Aircraft to the related Loan Trustee as security for the payments of the related Leased Aircraft Notes, and has leased or will lease such Aircraft to Continental pursuant to the related Lease which has been or will be assigned as security to the related Loan Trustee. Pursuant to each such Lease, Continental will be obligated to make or cause to be made rental and other payments to the related Owner Trustee in amounts that will be sufficient to make payments of the principal and interest scheduled to be made in respect of such Leased Aircraft Notes when and as due and payable.

The rental obligations of Continental under each Lease and the obligations of Continental under each Owned Aircraft Indenture and under the Owned Aircraft Notes will be general obligations of Continental. Except in certain circumstances involving Continental's purchase of a Leased Aircraft and the assumption of the Leased Aircraft Notes related thereto, the Leased Aircraft Notes are not obligations of, or guaranteed by, Continental. See "--Assumption of Obligations by Continental".

## Principal and Interest Payments

Interest paid on the Equipment Notes held in each Trust will be passed through to the Certificateholders of such Trust on the dates and at the rate per annum set forth in the applicable Prospectus Supplement until the final distribution for such Trust. Principal paid on the Equipment Notes held in each Trust will be passed through to the Certificateholders of such Trust in scheduled amounts on the dates set forth in the applicable Prospectus Supplement until the final distribution date for such Trust.

If any date scheduled for any payment of principal, premium, if any, or interest with respect to the Equipment Notes is not a Business Day, such payment will be made on the next succeeding Business Day without any additional interest.

## Security

The Leased Aircraft Notes will be secured by (i) an assignment by the related Owner Trustee to the related Loan Trustee of such Owner Trustee's rights (except for certain rights, including those described below) under the Lease with respect to the related Leased Aircraft, including the right to receive payments of rent thereunder, (ii) a mortgage granted to such Loan Trustee of the Owner Trustee's right, title and interest in such Aircraft, subject to the rights of Continental under such Lease and (iii) an assignment to such Loan Trustee of certain of such Owner Trustee's rights with respect to such Aircraft under the purchase agreement for such Aircraft. Under the terms of each Lease, Continental's obligations in respect of each Leased Aircraft will be those of a lessee under a "net lease". Accordingly, Continental will be obligated, among other things and at its expense, to cause each Leased Aircraft to be duly registered, to pay (or cause to be paid) all costs of operating such Aircraft and to maintain, service, repair and overhaul (or cause to be maintained, serviced, repaired and overhauled) such Aircraft.

The Owned Aircraft Notes will be secured by a mortgage granted to the related Loan Trustee of all of Continental's right, title and interest in and to the related Owned Aircraft and a security interest in certain of Continental's rights with respect to such Aircraft under the purchase agreement between Continental and the related manufacturer. If so specified in a Prospectus Supplement, prior to the delivery of an Owned Aircraft, the Equipment Notes with respect thereto may be secured by the Company's interest in the purchase agreement for such Owned Aircraft. Under the terms of each Owned Aircraft Indenture, Continental will be obligated, among other things and at its expense, to cause each Owned Aircraft to be duly registered, to pay (or cause to be paid) all costs of operating such Aircraft and to maintain, service, repair and overhaul (or cause to be maintained, serviced, repaired and overhauled) such Aircraft.

Continental will be required, except under certain circumstances, to keep each Aircraft registered under the Federal Aviation Act of 1958, as amended (the "Aviation Act"), and to record the Indenture and the Lease, if any, among other documents, with respect to each Aircraft under the Aviation Act. Such recordation of the Indenture, the Lease, if any, and other documents with respect to each Aircraft will give the related Loan Trustee a perfected security interest in the related Aircraft whenever it is located in the United States or any of its territories and possessions and, with certain exceptions, in those jurisdictions that have ratified or adhered to the Convention on the International Recognition of Rights in Aircraft (the "Convention"). Continental will have the right, subject to certain conditions, at its own expense to register each Aircraft in countries other than the United States. Unless otherwise specified in the applicable Prospectus Supplement, prior to any such change in the jurisdiction of registry, the related Loan Trustee shall have received an opinion of Continental's counsel that, among other things, confirms that the Loan Trustee's right to repossession under the Indenture is valid and enforceable under the laws of such country in each case subject, in certain cases, to certain filings, recordations or other actions.

Subject to certain limitations, each Aircraft may also be operated by Continental or under lease, sublease or interchange arrangements in countries that are not parties to the Convention. The extent to which the related Loan Trustee's security interest would be recognized in an Aircraft located in a country that is not a party to the Convention, and the extent to which such security interest would be recognized in a jurisdiction adhering to the Convention if the Aircraft is registered in a jurisdiction not a party to the Convention, is uncertain. Moreover, in the case of an Indenture Default, the ability of the related Loan Trustee to realize upon its security interest in an Aircraft could be adversely affected as a legal or practical matter if such Aircraft were registered or located outside the United States.

Unless otherwise specified in the applicable Prospectus Supplement, the Equipment Notes are not cross-collateralized and consequently the Equipment Notes issued in respect of any one Aircraft will not be secured by any other Aircraft or, in the case of Leased Aircraft Notes, any other Lease. Unless and until an Indenture Default with respect to a Leased Aircraft has occurred and is continuing, the related Loan Trustee may not exercise any of the rights of the related Owner Trustee under the related Lease, except the right to receive payments thereunder. With respect to the Leased Aircraft, the assignment by the related Owner Trustee to the related Loan Trustee of its rights under the related Lease will exclude, among other things, rights of such Owner Trustee and the related Owner Participant relating to indemnification by Continental for certain matters, insurance proceeds payable to such Owner Trustee in its individual capacity and to such Owner Participant under liability insurance maintained by Continental pursuant to such Lease or by such Owner Trustee or such Owner Participant, insurance proceeds payable to such Owner Trustee in its individual capacity or to such Owner Participant under certain casualty insurance maintained by such Owner Trustee or such Owner Participant pursuant to such Lease and any rights of such Owner Participant or such Owner Trustee to enforce payment of the foregoing amounts and their respective rights to the proceeds of the foregoing.

Unless otherwise indicated in the applicable Prospectus Supplement, Continental will be obligated to carry insurance with insurers of recognized responsibility with respect to each Aircraft, at its own cost and expense, against such risks, in such amounts, with such deductibles or self-insurance amounts and in such form as Continental customarily maintains with respect to other aircraft owned or operated by Continental, in each case similar to the respective Aircraft, and operating on similar routes in similar geographic locations. Continental may be permitted to maintain coverage below certain stipulated values and, with respect to certain Aircraft, may be permitted to self-insure, in certain circumstances. Therefore, no assurance will be given that any insurance will be carried in the future, or, if it is carried, as to the amount of such insurance. Continental and any permitted sublessee of an Aircraft will be named as insured parties under all insurance policies required by the related Lease. The related Trustee, Loan Trustee, Owner Trustee, if any, and Owner Participant, if any, will be named additional insureds, which will afford each of them the rights but not the obligations of a coinsured or an additional insured.

Funds, if any, held from time to time by the Loan Trustee with respect to any Aircraft, prior to the distribution thereof, will be invested and reinvested by such Loan Trustee. Such investment and reinvestment will be at the direction of Continental (except in the case of a Lease Event of Default under the applicable Lease, if any, or, in the case of an Indenture Default under the applicable Indenture) in certain investments described in the related Indenture. The net amount of any loss resulting from any such investments will be paid by Continental.

Section 1110 of Title 11 of the United States Code (the "Bankruptcy Code") provides that the right of a secured party with a purchase money equipment security interest in, or of a lessor or conditional vendor of, aircraft, aircraft engines, propellers, appliances, or spare parts, as defined in Section 101 of the Aviation Act, that are subject to a purchase money equipment security interest granted by, leased to, or conditionally sold to, an air carrier operating under a certificate of convenience and necessity issued by the Civil Aeronautics Board, to take possession of such equipment in compliance with the provisions of a purchase money equipment security agreement, lease, or conditional sale contract, as the case may be, is not affected by (i) the automatic stay provision of the Bankruptcy Code, which provision enjoins repossessions by creditors for the duration of the reorganization period, (ii) the provision of the Bankruptcy Code allowing the debtor in possession and/or the bankruptcy trustee to use property of the bankruptcy estate during the bankruptcy case and (iii) any power of the bankruptcy court to enjoin a repossession. Section 1110 of the Bankruptcy Code provides, however, that the right of a lessor, conditional vendor or holder of a purchase money equipment security interest to take possession of an aircraft in the event of an event of default may not be exercised for 60 days following the date of commencement of the reorganization proceedings (unless specifically permitted by the bankruptcy court) and may not be exercised at all if within such 60-day period, the debtor in possession and/or the bankruptcy trustee agrees to perform the debtor's obligations that become due on or after such date and cures all existing defaults (other than defaults resulting solely from the financial condition, bankruptcy, insolvency or reorganization of the debtor). The Prospectus Supplement for each offering will discuss the availability of Section 1110 of the Bankruptcy Code with respect to the related Aircraft.

#### Payments and Limitation of Liability

Each Leased Aircraft will be leased separately by the related Owner Trustee to Continental for a term commencing on the delivery date thereof to such Owner Trustee and expiring on a date not earlier than the latest maturity date of the Leased Aircraft Notes, unless previously terminated as permitted by the terms of the related Lease. The basic rent and other payments under each such Lease will be payable by Continental in accordance with the terms specified in the applicable Prospectus Supplement, and will be assigned by the related Owner Trustee under the related Indenture to provide the funds necessary to pay scheduled principal and interest due from such Owner Trustee on the Leased Aircraft Notes issued under such Indenture. In

certain cases, the basic rent payments under a Lease may be adjusted, but each Lease will provide that under no circumstances will rent payments by Continental be less than the scheduled payments on the related Leased Aircraft Notes. The balance of any basic rent payment under each Lease, after payment of amounts due on the Leased Aircraft Notes issued under the Indenture corresponding to such Lease, will be paid over to the applicable Owner Trustee. Continental's obligation to pay rent and to cause other payments to be made under each Lease will be general obligations of Continental.

With respect to the Leased Aircraft Notes, except in certain circumstances involving Continental's purchase of a Leased Aircraft and the assumption of the Leased Aircraft Notes related thereto, the Leased Aircraft Notes will not be obligations of, or guaranteed by, Continental. With respect to the Leased Aircraft Notes, none of the Owner Trustees, the Owner Participants or the Loan Trustees shall be personally liable in respect of such Leased Aircraft Notes for amounts payable under such Leased Aircraft Notes, or, except as provided in the Indentures relating thereto in the case of the Owner Trustees and the Indenture Trustees, for any liability under such Indentures. Except in the circumstances referred to above, all amounts payable under any Leased Aircraft Notes (other than payments made in connection with an optional redemption or purchase by the related Owner Trustee or the related Owner Participant) will be made only from the assets subject to the lien of the related Indenture with respect to such Aircraft or the income and proceeds received by the related Loan Trustee therefrom (including rent payable by Continental).

With respect to the Leased Aircraft Notes, except as otherwise provided in the related Indentures, no Owner Trustee shall be personally liable for any amount payable or for any statements, representations, warranties, agreements or obligations under such Indentures or under such Leased Aircraft Notes except for its own willful misconduct or gross negligence. None of the Owner Participants shall have any duty or responsibility under the Leased Aircraft Indentures or under such Leased Aircraft Notes.

Continental's obligations under each Owned Aircraft Indenture and under the Owned Aircraft Notes will be general obligations of Continental.

#### Defeasance and Covenant Defeasance in Certain Circumstances

Unless otherwise specified in the applicable Prospectus Supplement, (i) the obligations of Continental with respect to Owned Aircraft Notes of or within any series and the obligations of the Owner Trustee with respect to any Leased Aircraft Notes of or within any series shall be deemed to have been discharged and paid in full ("defeasance") (except for certain obligations, including the obligations to register the transfer or exchange of Equipment Notes, to replace stolen, lost, destroyed or mutilated Equipment Notes and to maintain paying agencies and hold money for payment in trust) or (ii) Continental shall be deemed to have been released from its obligations with respect to certain covenants applicable to the Equipment Notes of or within any series ("covenant defeasance"), on the 91st day after the date of

irrevocable deposit with the related Loan Trustee of money or certain obligations of the United States or any agency or instrumentality thereof the payment of which is backed by the full faith and credit of the United States which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an aggregate amount sufficient to pay when due (including as a consequence of redemption in respect of which notice is given on or prior to the date of such deposit) principal of, premium, if any, and interest on all Equipment Notes issued thereunder in accordance with the terms of such Indenture. Such defeasance may occur only if, among other things, the Loan Trustee has received (a) an opinion of counsel, to the effect that holders of such Equipment Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance or covenant defeasance, as the case may be (such opinion of counsel, in the case of defeasance, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable Federal income tax law occurring after the date such Equipment Notes were issued), and will be subject to federal income tax on the same amount and in the same manner and at the same time as would have been the case if such defeasance or covenant defeasance had not occurred, (b) an officers' certificate and an opinion of counsel with respect to compliance with the conditions precedent to such defeasance or covenant defeasance and (c) any additional conditions to such defeasance or covenant defeasance which may be imposed on the Company. In addition, a nationally recognized firm of independent public accountants must deliver to the Loan Trustee a written certification as to the sufficiency of the trust funds deposited for the defeasance or covenant defeasance of such Equipment Notes. The Indentures do not provide the holders of the Equipment Notes with recourse against such firm.

The Company may exercise its defeasance option with respect to such Equipment Notes notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its defeasance option, payment of such Equipment Notes may not be accelerated because of a Default or an Event of Default. If the Company exercises its covenant defeasance option, payment of such Equipment Notes may not be accelerated by reason of a Default or an Event of Default with respect to the covenants to which such covenant defeasance is applicable. However, if such acceleration were to occur, the realizable value at the acceleration date of the money and Government Obligations in the defeasance trust could be less than the principal and interest then due on such Equipment Notes, in that the required deposit in the defeasance trust is based upon scheduled cash flow rather than market value, which will vary depending upon interest rates and other factors.

Upon such defeasance, or upon payment in full of the principal of, premium, if any, and interest on all Equipment Notes issued under any Indenture on the maturity date therefor or deposit with the applicable Loan Trustee of money sufficient therefor no earlier than one year prior to the date of such maturity, the holders of such Equipment Notes will have no beneficial interest in or other rights with respect to the related Aircraft or other assets subject to the lien of such Indenture and such lien shall terminate. Upon the occurrence of a covenant defeasance, the holder of the Equipment Notes will have no beneficial interest in or other rights with respect to

the related Aircraft or other assets subject to the lien of such Indenture and such lien shall terminate and the Company will be released only from its obligations to comply with certain covenants contained in the Indenture, as more fully discussed in the applicable Prospectus Supplement.

#### Assumption of Obligations by Continental

Unless otherwise specified in the applicable Prospectus Supplement with respect to Leased Aircraft, upon the exercise by Continental of any purchase options it may have under the related Lease prior to the end of the term of such Lease, Continental may assume on a full recourse basis all of the obligations of the Owner Trustee (other than its obligations in its individual capacity) under the Indenture with respect to such Aircraft, including the obligations to make payments in respect of the related Leased Aircraft Notes. In such event, certain relevant provisions of the related Lease, including (among others) provisions relating to maintenance, possession and use of the related Aircraft, liens, insurance and events of default will be incorporated into such Indenture, and the Leased Aircraft Notes issued under such Indenture will not be redeemed and will continue to be secured by such Aircraft. It is a condition to such assumption that, if such Aircraft is registered under the laws of the United States, an opinion of counsel be delivered at the time of such assumption substantially to the effect that the related Loan Trustee under such Indenture should, immediately following such assumption, be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to such Aircraft (including the engines related thereto), but such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Loan Trustee with respect to such Aircraft or any engine related thereto immediately prior to such assumption.

#### FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of the anticipated material United States federal income tax consequences of the purchase, ownership and disposition of the Certificates to the initial purchasers thereof and should be read in conjunction with any additional discussion of federal income tax consequences included in the applicable Prospectus Supplement. The discussion is based on laws, regulations, rulings and decisions, all as in effect on the date of this Prospectus and all of which are subject to change or different interpretations. The discussion below does not purport to address all of the federal income tax consequences that may be applicable to particular categories of investors, some of which (for example, insurance companies and foreign investors) may be subject to special rules. The statements of law and legal conclusions set forth herein are based upon the opinion of Hughes Hubbard & Reed, counsel to Continental. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates. The Trusts are not indemnified for any federal income taxes that may be imposed upon them, and the imposition of any such taxes could result in a reduction in the amounts available for distribution to the Certificate Owners of the affected Trust.

## General

Based upon an interpretation of analogous authorities under currently applicable law, and assuming that the Trusts' activities are limited to those currently set forth in the relevant Basic Agreement, the Trusts should not be classified as associations taxable as corporations, but, rather, each should be classified as a grantor trust under subpart E, Part I of Subchapter J of the Internal Revenue Code of 1986, as amended (the "Code"), and each Certificate Owner of each Trust should be treated as the owner of a pro rata undivided interest in each of the Equipment Notes and any other property held by such Trust.

Each Certificate Owner should be required to report on its federal income tax return its pro rata share of the entire income from the Equipment Notes and any other property held by the related Trust, in accordance with such Certificate Owner's method of accounting. A Certificate Owner using the cash method of accounting must take into account its pro rata share of income as and when received (or deemed received) by the Trustee of such Trust. A Certificate Owner using an accrual method of accounting must take into account its pro rata share of income as it accrues or is received by the Trustee of such Trust, whichever is earlier.

A purchaser of a Certificate should be treated as purchasing an interest in each Equipment Note and any other property in the related Trust at a price determined by allocating the purchase price paid for the Certificate among such Equipment Notes and other property in proportion to their fair market values at the time of purchase of the Certificate. Unless otherwise indicated in a Prospectus Supplement, the Company believes that when all the Equipment Notes have been acquired by the related Trust the purchase price paid for a Certificate by an original purchaser of a Certificate should be allocated among the Equipment Notes in the related Trust in proportion to their respective principal amounts.

If an Equipment Note held by a Trust is sold, redeemed, or otherwise disposed of, a Certificate Owner should be considered to have sold its pro rata share of that Equipment Note, and will recognize gain or loss equal to the difference between its adjusted tax basis in its interest in the Equipment Note and its pro rata share of the amount realized by the Trust on the sale, redemption, or disposition (except to the extent attributable to accrued interest, which would be taxable as interest income if not previously included in income). Subject to the market discount provisions of the Code (described below), any such gain or loss will be capital gain or loss if the Equipment Note is a capital asset in the hands of the Certificate Owner and will be long-term capital gain or loss if the Equipment Note is considered to have been held for more than one year. Net long-term capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income.

## Sales of Certificates

A Certificate Owner that sells a Certificate should recognize gain or loss as though it sold its pro rata portion of

the assets held by the Trust, with the federal income tax consequences described above.

#### Original Issue Discount

The Equipment Notes may be issued with original issue discount ("OID"). The Prospectus Supplement will state whether any Equipment Notes to be held by the related Trust will be issued with OID. Generally, a holder of a debt instrument issued with OID that is not de minimis must include such OID in income for federal income tax purposes as it accrues, in advance of the receipt of the cash attributable to such income, under a method that takes into account the compounding of interest.

#### Market Discount

A Certificate Owner should be considered to have acquired an interest in an Equipment Note at a "market discount" to the extent the remaining principal amount of the Equipment Note (or, in the case of an Equipment Note issued with OID, its adjusted issue price) allocable to such Certificate Owner's Certificate exceeds such Certificate Owner's tax basis allocable to such Equipment Note, unless the excess does not exceed a prescribed de minimis amount. In the event such excess exceeds the de minimis amount, the Certificate Owner should be subject to the market discount rules of Sections 1276 to 1278 of the Code with regard to its interest in the Equipment Note.

In the case of a sale, redemption or certain other dispositions of indebtedness subject to the market discount rules, Section 1276 of the Code requires that gain, if any, from such sale, redemption, or disposition be treated as ordinary income to the extent such gain represents market discount that has accrued during the period in which such indebtedness was held.

In the case of a partial principal payment on indebtedness subject to the market discount rules, Section 1276 of the Code requires that such payment be included in gross income as ordinary income to the extent such payment does not exceed the market discount that has accrued during the period such indebtedness was held. The amount of any accrued market discount later required to be included in gross income as ordinary income upon a sale or disposition or subsequent partial principal payment will be reduced by the amount of accrued market discount previously so included.

Generally, market discount accrues under a straight line method, or, at the election of the taxpayer, a constant interest method. However, in the case of installment obligations (such as certain or all of the Equipment Notes), the manner in which market discount is to be accrued has been left to Treasury regulations not yet issued. Until such Treasury regulations are issued, the explanatory Conference Committee Report to the Tax Reform Act of 1986 (the "Conference Report") indicates that holders of installment obligations with market discount may elect to accrue market discount either on the basis of a constant interest rate or as follows: in the case of an installment obligation issued without OID, the amount of market discount that is deemed to accrue during any accrual period is the amount of

market discount that bears the same ratio to the total amount of remaining market discount that the amount of stated interest paid in the accrual period bears to the total amount of stated interest remaining to be paid on the installment obligation as of the beginning of such period, and, in the case of an installment obligation issued with OID, market discount is deemed to occur during any accrual period in proportion to the accrual of OID for such period.

Under Section 1277 of the Code, if in any taxable year interest paid or accrued on indebtedness incurred or continued to purchase or carry indebtedness subject to the market discount rules exceeds the interest currently includible in income with respect to such indebtedness, deduction of the excess interest must be deferred to the extent of the market discount allocable to the taxable year. The deferred portion of any interest expense will generally be deductible when such market discount is included in income upon the sale or other disposition (including repayment) of the indebtedness.

Section 1278 of the Code allows a taxpayer to make an election to include market discount in his gross income as it accrues. If such election is made, the rules of Sections 1276 and 1277 (described above) will not apply to the taxpayer.

#### Premium

A Certificate Owner should generally be considered to have acquired an interest in an Equipment Note at a premium to the extent such Certificate Owner's tax basis allocable to such Equipment Note exceeds the remaining principal amount of the Equipment Note allocable to such Certificate Owner's Certificate. In that event, a Certificate Owner that holds such Certificate as a capital asset may elect to amortize such premium as an offset to interest income under Section 171 of the Code with corresponding reductions in such Certificate Owner's tax basis in such Equipment Note. Generally, such amortization is on a constant yield basis. However, in the case of installment obligations (such as certain or all of the Equipment Notes), the Conference Report indicates a Congressional intent that amortization will be in accordance with the same rules that will apply to the accrual of market discount on installment obligations. See "Federal Income Tax Consequences -- Market Discount".

If Equipment Notes may be called at a premium prior to maturity, amortizable premium may be determined by reference to an early call date. Due to the complexities of the amortizable premium rules, particularly where there is more than one possible call date and the amount of any premium is uncertain, Certificate Owners are urged to consult their own tax advisors as to the amount of any such amortizable premium.

#### Backup Withholding

Payments made on the Certificates, and proceeds from the sale of the Certificates to or through certain brokers, may be subject to a "backup" withholding tax of 31% unless the Certificate Owner complies with certain reporting procedures or is exempt from such requirements (and adequately demonstrates

such exemption) under section 6049(b)(4) of the Code. Any such withheld amounts are allowed as a credit against the Certificate Owner's federal income tax.

#### Information Reporting

Information reports will be made by the relevant Trustee to the Internal Revenue Service, and to Certificate Owners that are not exempt from the reporting requirements, annually or as otherwise required with respect to interest paid (and accrued OID, if any) on the Certificates.

#### CERTAIN STATE TAX CONSEQUENCES

In respect of each offering of Certificates, a separate Trust for each series of Certificates being offered will be formed pursuant to a Basic Agreement between the Company and either Shawmut Bank Connecticut, a National Association with its corporate trust office in Connecticut ("Shawmut"), as trustee, or First Security Bank of Utah, a National Association with its corporate trust office in Utah ("First Security Bank"), as trustee. Set forth below is a description of the opinion of Shipman & Goodman as to certain Connecticut state tax consequences for each Trust under which Shawmut is Trustee and the opinion of Ray, Quinney & Nebeker as to certain Utah state tax consequences for each Trust under with First Security Bank is Trustee.

Each of Shipman & Goodwin, counsel to Shawmut, and Ray, Quinney & Nebeker, counsel to First Security Bank, has advised the Company that, in its opinion, under currently applicable law, assuming that the Trusts will not be taxable as corporations, but, rather, will be classified as grantor trusts under subpart E, Part I of Subchapter J of the Code, and that the Trusts' activities are limited to those currently set forth in the relevant Basic Agreement (i) the Trusts will not be subject to any tax (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business tax), fee or other governmental charge under the laws of the State of Connecticut or the State of Utah, respectively, or any political subdivision thereof and (ii) Certificate Owners that are not residents of or otherwise subject to tax in Connecticut or Utah, respectively, will not be subject to any tax (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business tax), fee or other governmental charge under the laws of the State of Connecticut or the State of Utah, respectively, or any political subdivision thereof as a result of purchasing, holding (including receiving payments with respect to) or selling a Certificate. Neither the Trusts nor the Certificate Owners will be indemnified for any state or local taxes imposed on them, and the imposition of any such taxes on a Trust could result in a reduction in the amounts available for distribution to the Certificate Owners of such Trust. In general, should a Certificate Owner or a Trust be subject to any state or local tax which would not be imposed if the Trustee were located in a different jurisdiction in the United States, the Trustee will resign and a new Trustee in such other jurisdiction will be appointed.

#### ERISA CONSIDERATIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the Certificates may, subject to certain legal restrictions, be purchased and held by an employee benefit plan (a "Plan") subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or an individual retirement account or an employee benefit plan subject to section 4975 of the Code. A fiduciary of a Plan must determine that the purchase and holding of a Certificate is consistent with its fiduciary duties under ERISA and does not result in a non-exempt prohibited transaction as defined in section 406 of ERISA or section 4975 of the Code. Employee benefit plans which are governmental plans (as defined in section 3(32) of ERISA) and certain church plans (as defined in section 3(33) of ERISA) are not subject to Title I of ERISA or section 4975 of the Code. The Certificates may, subject to certain legal restrictions, be purchased and held by such plans.

#### INFORMATION TO BE PROVIDED BY PROSPECTUS SUPPLEMENT

The Prospectus Supplement which accompanies this Prospectus provides (i) more detailed information on use of proceeds (including the interest rate and maturity date of debt to be repaid, if any, with the proceeds of Certificates offered by such Prospectus Supplement), (ii) the amount of debt ranking senior to or in parity with the securities being offered by such Prospectus Supplement and (iii) the anticipated market for the securities being offered by such Prospectus Supplement. The Prospectus Supplement also provides a diagram illustrating the transactions pursuant to which the specific series of Certificates are being offered.

#### PLAN OF DISTRIBUTION

The Certificates being offered hereby may be sold in any one or more of the following ways from time to time: (i) through agents; (ii) to or through underwriters; (iii) through dealers; and (iv) directly to other purchasers.

The distribution of the Certificates may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

Offers to purchase the Certificates may be solicited by agents designated by Continental from time to time. Any such agent involved in the offer or sale of the Certificates in respect of which this Prospectus is delivered will be named, and any commissions payable by Continental to such agent will be set forth, in the applicable Prospectus Supplement. Unless otherwise indicated in such Prospectus Supplement, any such agent will be acting on a best efforts basis for the period of its appointment. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act, of the Certificates so offered and sold.

If the Certificates are sold by means of an underwritten offering, Continental will execute an underwriting agreement with an underwriter or underwriters at the time an agreement for such

sale is reached, and the names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transaction, including commissions, discounts and any other compensation of the underwriters and dealers, if any, will be set forth in the Prospectus Supplement which will be used by the underwriters to make offers and sales of the Certificates in respect of which this Prospectus is delivered to the public. If underwriters are utilized in the sale of the Certificates in respect of which this Prospectus is delivered, the Certificates will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at fixed public offering prices or at varying prices determined by the underwriters at the time of sale. The Certificates may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by the managing underwriters. If any underwriter or underwriters are utilized in the sale of the Certificates, unless otherwise indicated in the Prospectus Supplement, the underwriting agreement will provide that the obligations of the underwriters are subject to certain conditions precedent and that the underwriters with respect to a sale of the Certificates will be obligated to purchase all such Certificates if any are purchased. Continental does not intend to apply for listing of the Certificates on a national securities exchange. If the Certificates are sold by means of an underwritten offering, the underwriters may make a market in the Certificates as permitted by applicable laws and regulations. No underwriter would be obligated, however, to make a market in the Certificates and any such market making could be discontinued at any time at the sole discretion of such underwriter. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Certificates.

If a dealer is utilized in the sale of the Certificates in respect of which this Prospectus is delivered, such Certificates will be sold to the dealer as principal. The dealer may then resell such Certificates to the public at varying prices to be determined by such dealer at the time of resale. Any such dealer may be deemed to be an underwriter, as such term is defined in the Securities Act, of the Certificates so offered and sold. The name of the dealer and the terms of the transaction will be set forth in the Prospectus Supplement relating thereto.

Offers to purchase the Certificates may be solicited directly and the sale thereof may be made directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale thereof. In addition, certain executive officers of the Company may engage in solicitations of offers to purchase Certificates. The terms of any such sales will be described in the Prospectus Supplement relating thereto.

Agents, underwriters and dealers may be entitled under relevant agreements to indemnification or contribution by Continental against certain liabilities, including liabilities under the Securities Act.

Agents, underwriters and dealers may engage in transactions with, or perform services for, Continental in the ordinary course of business.

The following information is included in this Prospectus because Certificates are to be offered and sold in the State of Florida. The Company pays a small fee (approximately \$83,000 in 1995) to Cubana Airlines, a company located in Cuba, in connection with overflights of Cuba. This information is accurate as of the date of this Prospectus. Current information concerning the business dealings of the Company or its affiliates with the government of Cuba or with any person or affiliate located in Cuba may be obtained from the Florida Department of Banking and Finance, Division of Securities and Investor Protection, The Capitol, Tallahassee, Florida 32399-0350, telephone number (904) 488-9805.

#### LEGAL OPINIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Certificates offered hereby has been passed upon for Continental by Hughes Hubbard & Reed, 1 Battery Park Plaza, New York, New York 10004. Unless otherwise indicated in the applicable Prospectus Supplement, Hughes Hubbard & Reed will rely on the opinions of counsel for each Trustee for the Certificates of each Trust, as to certain matters relating to the authorization, execution and delivery of such Certificates by, and the valid and binding effect thereof on, such Trustee.

#### EXPERTS

The consolidated financial statements (including schedules incorporated by reference) of Continental Airlines, Inc. at December 31, 1995 and 1994 and for each of the two years ended December 31, 1995 and for the period April 28, 1993 through December 31, 1993, and the consolidated statements of operations, redeemable and non-redeemable preferred stock and common stockholders' equity and cash flows of Continental Airlines Holdings, Inc. for the period January 1, 1993 through April 27, 1993, incorporated by reference in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference, in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

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No person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus or in any accompanying Prospectus Supplement in connection with the offer contained in this Prospectus and any accompanying Prospectus Supplement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or any underwriters, agents or dealers. Neither this Prospectus nor any accompanying Prospectus Supplement constitutes an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus or any accompanying Prospectus Supplement nor any sale made hereunder and thereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date hereof or thereof or that the information contained herein or therein is correct at any time subsequent to the date hereof or thereof.

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TABLE OF CONTENTS

Available Information  
Incorporation of Certain Documents by  
Reference  
The Company  
Formation of the Trusts  
Use of Proceeds  
Ratio of Earnings to Fixed Charges  
Description of the Certificates  
Description of the Equipment Notes  
Federal Income Tax Consequences  
Certain State Tax Consequences  
ERISA Considerations  
Information to be Provided by Prospectus  
Supplement  
Plan of Distribution  
Legal Opinions  
Experts

=====  
Continental  
Airlines, Inc.

Pass Through Certificates

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PROSPECTUS  
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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION - DATED JULY 5, 1996

PROSPECTUS

Continental Airlines, Inc.

Debt Securities

Continental Airlines, Inc. (the "Company" or "Continental") may from time to time offer, together or separately, its debt securities, consisting of debentures, notes and/or other evidences of indebtedness representing unsecured obligations of the Company (the "Debt Securities"), in amounts, at prices and on terms to be determined at the time of offering. The Debt Securities offered pursuant to this Prospectus may be issued as unsecured and unsubordinated Debt Securities ("Senior Debt Securities") or as unsecured and subordinated Debt Securities ("Subordinated Debt Securities"), in one or more series and will be limited to \$510,733,000 aggregate principal amount (or (i) its equivalent (based on the applicable exchange rate at the time of sale), if Debt Securities are issued with principal amounts denominated in one or more foreign currencies or currency units as shall be designated by the Company, or (ii) such greater amount, if Debt Securities are issued at an original issue discount, as shall result in aggregate proceeds of up to \$510,733,000). The Debt Securities will effectively rank junior to (i) any secured indebtedness of the Company to the extent of the assets securing such indebtedness and (ii) any indebtedness of the Company's subsidiaries to the extent of the assets of such subsidiaries. As March 31, 1996, the Company had aggregate indebtedness of \$986 million secured by various of its assets, and its subsidiaries had aggregate indebtedness of \$261 million outstanding to third parties. At the same date, the Company had \$117 million of indebtedness that ranked pari passu with the Senior Debt Securities and senior to the Subordinated Debt Securities. Certain specific terms of the particular Debt Securities in respect of which this Prospectus is being delivered (the "Offered Securities") are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement"), including, where applicable: the specific designation (including whether the Offered Securities are Senior Debt Securities or Subordinated Debt Securities); the aggregate principal amount; the denomination; the maturity; the prepayment premium, if any; the rate (which may be fixed or variable) at which such Debt Securities will bear interest or the method of calculating such

rate, if any; the time of payment of interest, if any; the place or places where principal of, premium, if any, and interest, if any, on such Debt Securities will be payable; the currency in which principal of, premium, if any, and interest, if any, on such Debt Securities will be payable; terms, if any, for conversion into shares of the Company's Class B common stock, par value \$.01 per share ("Class B common stock"); any terms of redemption at the option of the Company or the holder; any sinking fund provisions; the initial public offering price; and other special terms. The Debt Securities may be denominated in United States dollars or, at the option of the Company if so specified in the applicable Prospectus Supplement, in one or more foreign currencies or currency units. The Debt Securities may be issued in registered form or bearer form, or both. If so specified in the applicable Prospectus Supplement, Debt Securities of a series may be issued in whole or in part in the form of one or more temporary or permanent global securities.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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The Company may sell the Debt Securities to or through underwriters, through dealers or agents or directly to purchasers. See "Plan of Distribution". The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents involved in the sale of the Offered Securities in respect of which this Prospectus is being delivered and any applicable fee, commission or discount arrangements with them.

This Prospectus may not be used to consummate sales of Debt Securities unless accompanied by a Prospectus Supplement.

The date of this Prospectus is \_\_\_\_\_, 1996.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus or any accompanying Prospectus Supplement and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any underwriter, broker, dealer or agent. This Prospectus and any accompanying Prospectus Supplement do not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the following public reference facilities maintained by the Commission: Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; Suite 1300, Seven World Trade Center, New York, New York 10048; and The Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of prescribed rates. In addition, reports, proxy statements and other information concerning Continental may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Continental is the successor to Continental Airlines Holdings, Inc. ("Holdings"), which merged with and into Continental on April 27, 1993. Holdings had also been subject to the informational requirements of the Exchange Act.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Continental with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to Continental and Holdings and the securities offered hereby. Although statements concerning and summaries of certain documents are contained herein, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. These documents may be inspected without charge at the office of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies may be obtained at fees and charges prescribed by the Commission.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission (File No. 0-9781) are hereby incorporated by reference in this Prospectus:  
(i) Continental's Annual Report on Form 10-K for the year ended

December 31, 1995 (as amended by Forms 10-K/A1 and 10-K/A2 filed on March 8, 1996 and April 10, 1996, respectively), (ii) the description of the Class B common stock contained in Continental's registration statement (Registration No. 0-21542) on Form 8-A, and any amendment or report filed for the purpose of updating such description, (iii) Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and (iv) Continental's Current Reports on Forms 8-K, filed on January 31, 1996, March 26, 1996, May 7, 1996 and June 27, 1996.

All reports and any definitive proxy or information statements filed by Continental pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Securities offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Continental will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of such person, a copy of any or all documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests for such documents should be directed to Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Secretary, telephone (713) 834-2950.

#### THE COMPANY

Continental Airlines, Inc. is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by revenue passenger miles in the first three months of 1996) and, together with its wholly owned subsidiary, Continental Express, Inc. ("Express"), and its 91%-owned subsidiary, Continental Micronesia, Inc. ("CMI"), serves 190 airports worldwide.

The Company operates its route system primarily through domestic hubs at Newark, Houston Intercontinental and Cleveland, and a Pacific hub on Guam and Saipan. Each of Continental's three U.S. hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic. The Guam/Saipan hub is strategically located to provide service from Japanese and other Asian cities to popular resort destinations in the western Pacific. Continental is the primary carrier at each of these hubs, accounting for 52%, 79%, 53% and 72% of all daily jet departures, respectively.

Continental directly serves 131 U.S. cities, with additional cities (principally in the western and southwestern United

States) connected to Continental's route system under agreements with America West Airlines, Inc. ("America West"). Internationally, Continental flies to 59 destinations and offers additional connecting service through alliances with foreign carriers. Continental operates 66 weekly departures to six European cities and markets service to eight other cities through code-sharing agreements. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations in Mexico than any other United States airline. In addition, Continental flies to four cities in South America, including service between Newark and Bogota, Colombia, with service on to Quito, Ecuador, which began in June 1996. Through its Guam/Saipan hub, Continental provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

The Company is a Delaware corporation. Its executive offices are located at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and its telephone number is (713) 834-2950.

#### RATIOS OF EARNINGS TO FIXED CHARGES

The following information for the years ended December 31, 1991 and 1992 and for the period January 1, 1993 through April 27, 1993 relates to Continental's predecessor, Holdings. Information for the period April 28, 1993 through December 31, 1993, for the years ended December 31, 1994 and 1995 and for the three months ended March 31, 1995 and 1996 relates to Continental. The information as to Continental has not been prepared on a consistent basis of accounting with the information as to Holdings due to Continental's adoption, effective April 27, 1993, of fresh start reporting in accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code".

For the years ended December 31, 1991 and 1992, for the periods January 1, 1993 through April 27, 1993 and April 28, 1993 through December 31, 1993, for the year ended December 31, 1994 and for the three months ended March 31, 1995, earnings were not sufficient to cover fixed charges. Additional earnings of \$316 million, \$131 million, \$979 million, \$60 million, \$667 million and \$28 million, respectively, would have been required to achieve ratios of earnings to fixed charges of 1.0. The ratio of earnings to fixed charges for the year ended December 31, 1995 was 1.53. The ratio of earnings to fixed charges for the three months ended March 31, 1996 was 1.70. For purposes of calculating this ratio, earnings consist of earnings before taxes and minority interest plus interest expense (net of capitalized interest), the portion of rental expense representative of interest expense and amortization of previously capitalized interest. Fixed charges consist of interest expense and the portion of rental expense representative of interest expense.

#### USE OF PROCEEDS

Unless otherwise indicated in an applicable Prospectus Supplement, the net proceeds to Continental from the sale of the Securities offered by Continental hereby will be added to the working capital of Continental and will be available for general

corporate purposes, among which may be repayment of outstanding indebtedness and the financing of capital expenditures by Continental.

#### DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be issued either as Senior Debt Securities or Subordinated Debt Securities. The Senior Debt Securities are to be issued under an Indenture between Continental and Bank One, Texas, National Association, as Trustee (the "Senior Indenture"). The Subordinated Debt Securities are to be issued under an Indenture between Continental and WTC Corporate Trust Services, as Trustee (the "Subordinated Indenture"). In this Prospectus, the Senior Indenture and the Subordinated Indenture are sometimes collectively referred to as the "Indentures" and individually as an "Indenture", and the trustees thereunder are sometimes collectively referred to as the "Trustees" and individually as a "Trustee". A copy of each Indenture is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The following descriptions are summaries, and reference is made to the detailed provisions of the Indentures. Capitalized terms used but not defined below under "Description of Debt Securities" are used as defined in the Indentures. The Indentures are substantially identical, except for certain provisions relating to subordination.

The Debt Securities offered pursuant to this Prospectus will be limited to \$1,000,000,000 aggregate principal amount (or (i) its equivalent (based on the applicable exchange rate at the time of sale), if Debt Securities are issued with principal amounts denominated in one or more foreign currencies or currency units as shall be designated by the Company, or (ii) such greater amount, if Debt Securities are issued at an original issue discount, as shall result in aggregate proceeds of up to \$510,733,000). The statements herein relating to the Debt Securities and the Indentures are summaries, and reference is made to the detailed provisions of the Indentures, including the definitions therein of certain terms capitalized in this Prospectus. Without limiting the generality of the preceding sentence, whenever particular sections or defined terms of the Indentures are referred to herein or in a Prospectus Supplement, such sections or defined terms are incorporated herein or therein by reference. A glossary of certain defined terms used herein with respect to the Debt Securities is set forth under the heading "Glossary" below. Citations to certain relevant sections of the Indentures appear below in parentheses.

#### General

The Indentures do not limit the aggregate principal amount of Debt Securities which may be issued thereunder and provide that Debt Securities may be issued from time to time in one or more series. Senior Debt Securities will be unsecured and unsubordinated obligations of the Company and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Company. Subordinated Debt Securities will be unsecured obligations of the Company and will be subordinate in right of payment to all Senior Debt. The Debt Securities will effectively rank junior to (i) any secured indebtedness of the Company to the extent of the assets securing such indebtedness and (ii) any indebtedness of the Company's subsidiaries to the extent of the

assets of such subsidiaries. As of March 31, 1996, the Company had aggregate indebtedness of \$986 million secured by various of its assets, and its subsidiaries had aggregate indebtedness of \$261 million outstanding to third parties. At the same date, the Company had \$117 million of indebtedness that ranked pari passu with the Senior Debt Securities and senior to the Subordinated Debt Securities. The accompanying Prospectus Supplement or the information incorporated herein by reference will set forth the amount of secured indebtedness of the Company and indebtedness of the Company's subsidiaries that effectively ranks senior to the Debt Securities and the indebtedness of the Company that ranks pari passu with the Senior Debt Securities and senior to the Subordinated Debt Securities.

Reference is made to the Prospectus Supplement which accompanies this Prospectus for a description of the specific series of Debt Securities being offered thereby, including: (1) the specific designation of such Debt Securities, including whether the Debt Securities are Senior Debt Securities or Subordinated Debt Securities; (2) any limit upon the aggregate principal amount of such Debt Securities; (3) the date or dates on which the principal of such Debt Securities will mature or the method of determining such date or dates; (4) the rate or rates (which may be fixed or variable) at which such Debt Securities will bear interest, if any, or the method of calculating such rate or rates; (5) the date or dates from which interest, if any, will accrue or the method by which such date or dates will be determined; (6) the date or dates on which interest, if any, will be payable and the record date or dates therefor; (7) the place or places where principal of, premium, if any, and interest, if any, on such Debt Securities will be payable; (8) the period or periods within which, the price or prices at which, the currency or currencies (including currency units) in which, and the terms and conditions upon which, such Debt Securities may be redeemed, in whole or in part, at the option of the Company; (9) the obligation, if any, of the Company to redeem or purchase such Debt Securities pursuant to any sinking fund or analogous provisions, upon the happening of a specified event, or at the option of a holder thereof or of the Company and the period or periods within which, the price or prices at which and the terms and conditions upon which, such Debt Securities shall be redeemed or purchased, in whole or in part, pursuant to such rights or obligations; (10) the denominations in which such Debt Securities are authorized to be issued; (11) the currency or currency units for which Debt Securities may be purchased or in which Debt Securities may be denominated and/or the currency or currency units in which principal of, premium, if any, and/or interest, if any, on such Debt Securities will be payable and whether the Company or the holders of any such Debt Securities may elect to receive payments in respect of such Debt Securities in a currency or currency units other than that in which such Debt Securities are stated to be payable; (12) if other than the principal amount thereof, the portion of the principal amount of such Debt Securities which will be payable upon declaration of the acceleration of the maturity thereof or the method by which such portion shall be determined; (13) the person to whom any interest on any such Debt Security shall be payable if other than the person in whose name such Debt Security is registered on the applicable record date; (14) any addition to, or modification or deletion of, any Event of Default or any covenant of the Company specified in the Indenture with respect to such Debt Securities; (15) the application, if any, of

such means of defeasance or covenant defeasance as may be specified for such Debt Securities and coupons; (16) whether such Debt Securities are to be issued in whole or in part in the form of one or more temporary or permanent global securities and, if so, the identity of the depository for such global security or securities; (17) the terms, if any, upon which Debt Securities may be converted into stock or other securities of the Company, including the initial conversion price or conversion rate, the conversion period and other conversion provisions; (18) whether the Debt Securities are issuable as registered Debt Securities, bearer Debt Securities or both, and the terms upon which bearer Debt Securities may be exchanged for registered Debt Securities; (19) if applicable, the terms of any blockage periods and any other special terms of subordination; and (20) any other special terms pertaining to such Debt Securities, including any modification of the terms set forth herein. Unless otherwise specified in the applicable Prospectus Supplement, the Debt Securities will not be listed on any securities exchange. (Section 3.1)

Unless otherwise specified in the applicable Prospectus Supplement, Debt Securities will be issued in fully registered form without coupons. Where Debt Securities of any series are issued in bearer form, the special restrictions and considerations, including special offering restrictions and special Federal income tax considerations, applicable to any such Debt Securities and to payment on and transfer and exchange of such Debt Securities will be described in the applicable Prospectus Supplement. Bearer Debt Securities will be transferable by delivery. (Section 3.5)

Debt Securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. Certain Federal income tax consequences and special considerations applicable to any such Debt Securities will be described in the applicable Prospectus Supplement.

If the purchase price of any Debt Securities is payable in one or more foreign currencies or currency units or if any Debt Securities are denominated in one or more foreign currencies or currency units or if the principal of, premium, if any, or interest, if any, on any Debt Securities is payable in one or more foreign currencies or currency units, the restrictions, elections, certain Federal income tax considerations, specific terms and other information with respect to such issue of Debt Securities and such foreign currency or currency units will be set forth in the applicable Prospectus Supplement.

The Indentures do not contain any covenant or provision which may afford holders of the Debt Securities protection in the event of a highly leveraged transaction which may or may not result in a change of control of the Company.

Any covenants or other provisions included in a supplement or amendment to the Indentures for the benefit of the holders of any particular series of Debt Securities will be described in the applicable Prospectus Supplement.

## Glossary

Set forth below is a glossary of certain of the defined terms

used in this Prospectus with respect to the Debt Securities. Reference is made to the Indentures for the full definition of such terms, as well as any capitalized terms used herein for which no definition is provided.

"Debt Securities" shall have the meaning set forth on the cover page.

"Default" shall have the meaning set forth in the Section entitled "Events of Default, Notice and Certain Rights on Default."

"Depository" shall have the meaning set forth in the Section entitled "Global Debt Securities."

"Offered Securities" shall have the meaning set forth on the cover page.

"Registered Global Security" shall have the meaning set forth in the Section entitled "Global Debt Securities."

"Senior Debt Securities" shall have the meaning set forth on the cover page.

"Subordinated Debt Securities" shall have the meaning set forth on the cover page.

#### Payment, Registration, Transfer and Exchange

Unless otherwise provided in the applicable Prospectus Supplement, payments in respect of the Debt Securities will be made in the designated currency at such office or agency of the Company maintained for that purpose as the Company may designate from time to time, except that, at the option of the Company, interest payments, if any, on Debt Securities in registered form may be made (i) by checks mailed by the Trustee to the holders of Debt Securities entitled thereto at their registered addresses or (ii) by wire transfer to an account maintained by the Person entitled thereto as specified in the Register. (Sections 3.7(a) and 9.2) Unless otherwise indicated in an applicable Prospectus Supplement, payment of any installment of interest on Debt Securities in registered form will be made to the Person in whose name such Debt Security is registered at the close of business on the regular record date for such interest. (Section 3.7(a))

Payment in respect of Debt Securities in bearer form will be payable in the currency and in the manner designated in the Prospectus Supplement, subject to any applicable laws and regulations, at such paying agencies outside the United States as the Company may appoint from time to time. The paying agents outside the United States initially appointed by the Company for a series of Debt Securities will be named in the Prospectus Supplement. The Company may at any time designate additional Paying Agents or rescind the designation of any paying agents, except that, if Debt Securities of a series are issuable as Registered Securities, the Company will be required to maintain at least one paying agent in each Place of Payment for such series and, if Debt Securities of a series are issuable as Bearer Securities, the Company will be required to maintain a Paying Agent in a Place of Payment outside the United States where Debt Securities of such series and any coupons appertaining thereto may

be presented and surrendered for payment. (Section 9.2)

Unless otherwise provided in the applicable Prospectus Supplement, Debt Securities in registered form will be transferable or exchangeable at the agency of the Company maintained for such purpose as designated by the Company from time to time. (Sections 3.5 and 9.2) Debt Securities may be transferred or exchanged without service charge, other than any tax or other governmental charge imposed in connection therewith. (Section 3.5)

#### Global Debt Securities

The Debt Securities of a series may be issued in whole or in part in the form of one or more fully registered global securities (a "Registered Global Security") that will be deposited with a depository (the "Depository") or with a nominee or custodian for the Depository identified in the applicable Prospectus Supplement. In such a case, one or more Registered Global Securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal amount of outstanding Debt Securities of the series to be represented by such Registered Global Security or Securities. Unless and until it is exchanged in whole or in part for Debt Securities in definitive certificated form, a Registered Global Security may not be registered for transfer or exchange except as a whole by the Depository for such Registered Global Security to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor Depository for such series or a nominee of such successor Depository and except in the circumstances described in the applicable Prospectus Supplement. (Section 3.5)

The specific terms of the depository arrangement with respect to any portion of a series of Debt Securities to be represented by a Registered Global Security will be described in the applicable Prospectus Supplement. The Company expects that the following provisions will apply to depository arrangements.

Upon the issuance of any Registered Global Security, and the deposit of such Registered Global Security with or on behalf of the Depository for such Registered Global Security, the Depository will credit, on its book-entry registration and transfer system, the respective principal amounts of the Debt Securities represented by such Registered Global Security to the accounts of institutions ("participants") that have accounts with the Depository or its nominee. The accounts to be credited will be designated by the underwriters or agents engaging in the distribution of such Debt Securities or by the Company, if such Debt Securities are offered and sold directly by the Company. Ownership of beneficial interests in a Registered Global Security will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests by participants in such Registered Global Security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by the Depository for such Registered Global Security or by its nominee. Ownership of beneficial interests in such Registered Global Security by persons that hold through participants will be shown on, and the transfer of that ownership interest within such participant will be effected only through, records maintained by such participant. The laws of some

jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. The foregoing limitations and such laws may impair the ability to transfer beneficial interests in such Registered Global Securities.

So long as the Depository for a Registered Global Security, or its nominee, is the registered owner of such Registered Global Security, such Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Debt Securities represented by such Registered Global Security for all purposes under the Indentures. Unless otherwise specified in the applicable Prospectus Supplement and except as specified below, owners of beneficial interests in such Registered Global Security will not be entitled to have Debt Securities of the series represented by such Registered Global Security registered in their names, will not receive or be entitled to receive physical delivery of Debt Securities of such series in certificated form and will not be considered the holders thereof for any purposes under the Indentures. (Section 3.8) Accordingly, each person owning a beneficial interest in such Registered Global Security must rely on the procedures of the Depository and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Indentures. The Depository may grant proxies and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a holder is entitled to give or take under the Indentures. The Company understands that, under existing industry practices, if the Company requests any action of holders or an owner of a beneficial interest in such Registered Global Security desires to give any notice or take any action a holder is entitled to give or take under the Indentures, the Depository would authorize the participants to give such notice or take such action, and participants would authorize beneficial owners owning through such participants to give such notice or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Unless otherwise specified in the applicable Prospectus Supplement, payments with respect to principal, premium, if any, and interest, if any, on Debt Securities represented by a Registered Global Security registered in the name of a Depository or its nominee will be made to such Depository or its nominee, as the case may be, as the registered owner of such Registered Global Security.

The Company expects that the Depository for any Debt Securities represented by a Registered Global Security, upon receipt of any payment of principal, premium, if any, or interest, if any, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Registered Global Security as shown on the records of such Depository. The Company also expects that payments by participants to owners of beneficial interests in such Registered Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants. None of the Company, the Trustee or any agent of the Company shall have any

responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Registered Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. (Section 3.8)

Unless otherwise specified in the applicable Prospectus Supplement, if the Depositary for any Debt Securities represented by a Registered Global Security is at any time unwilling or unable to continue as Depositary and a successor Depositary is not appointed by the Company within ninety days, the Company will issue such Debt Securities in definitive certificated form in exchange for such Registered Global Security. In addition, the Company may at any time and in its sole discretion determine not to have any of the Debt Securities of a series represented by one or more Registered Global Securities and, in such event, will issue Debt Securities of such series in definitive certificated form in exchange for all of the Registered Global Securities representing such Debt Securities. (Section 3.5)

#### Conversion Rights

The terms on which Convertible Debt Securities of any series are convertible into Class B common stock will be set forth in the Prospectus Supplement relating thereto. Such terms shall include provisions as to whether conversion is mandatory, at the option of the holder, or at the option of the Company, and may include provisions in which the number of shares of Class B common stock to be received by the holders of Convertible Debt Securities would be calculated according to the market price of Class B common stock as of a time stated in the Prospectus Supplement.

#### Consolidation, Merger or Sale by the Company

The Indentures provide that the Company may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (a) in the case of a merger or consolidation, the Company is the surviving corporation or (b) in the case of a merger or consolidation where the Company is not the surviving corporation and in the case of such a sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States of America or a State thereof and such corporation expressly assumes by supplemental indenture all the obligations of the Company under the Debt Securities and any coupons appertaining thereto and under the Indentures, (ii) no Default or Event of Default shall arise as a result of such merger or consolidation, or such sale, conveyance, transfer or other disposition and (iii) the Company delivers to the Trustee an Officer's Certificate and an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture comply with the foregoing provisions. In the event a successor corporation assumes the obligations of the Company, such successor corporation shall succeed to and be substituted for the Company under the Indentures and under the Debt Securities and any coupons appertaining thereto and all obligations of the Company shall terminate. (Section 7.1)

#### Events of Default, Notice and Certain Rights on Default

The Indentures provide that, if an Event of Default specified therein occurs with respect to the Debt Securities of any series issued thereunder and is continuing, the Trustee for such series or the holders of 25% in aggregate principal amount of all of the outstanding Debt Securities affected thereby (voting as a class), by written notice to the Company (and to the Trustee for such series, if notice is given by such holders of Debt Securities), may declare the principal (or, if the Debt Securities of such series are original issue discount Debt Securities or indexed Debt Securities, such portion of the principal amount specified in the Prospectus Supplement) of all the Debt Securities of such series to be due and payable, provided that Debt Securities shall become immediately due and payable without prior notice upon a bankruptcy or insolvency of the Company. (Section 5.2)

Events of Default with respect to Debt Securities of any series issued thereunder are defined in the Indentures as being: default for thirty days in payment of any interest on any Debt Security of that series or any additional amount payable with respect to Debt Securities of such series as specified in the applicable Prospectus Supplement when due; default in payment of principal of or premium, if any, on any Debt Securities of that series when due at maturity, upon acceleration, redemption or otherwise; default for forty-five days after notice to the Company by the Trustee for such series, or after notice by the holders of 25% in aggregate principal amount of the Debt Securities to which such covenant or agreement is applicable (treated as a class), in the performance of any other covenant or agreement in the Debt Securities of that series, in the Indenture or in any supplemental indenture or board resolution referred to therein under which the Debt Securities of that series may have been issued; and certain events of bankruptcy, insolvency or reorganization of the Company. (Section 5.1)

Events of Default, voting, notice and other provisions with respect to a specified series of Debt Securities may be added to the Indenture under which the series is issued and, if so added, will be described in the applicable Prospectus Supplement. (Section 3.1)

The Indentures provide that the Trustee for any series of Debt Securities shall, within ninety days after the occurrence of a Default with respect to Debt Securities of that series, give to the holder of the Debt Securities of that series notice of all uncured Defaults known to it; provided that, except in the case of default in payment on the Debt Securities of that series, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers (as defined therein) in good faith first determines that withholding such notice is in the interest of the holders of the Debt Securities of that series. (Section 6.6) "Default" means any event which is, or, after notice or passage of time or both, would be, an Event of Default. (Section 1.1)

The Indentures provide that the holders of a majority in aggregate principal amount of the Debt Securities of all series affected (voting as a class) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee for such series, or exercising any trust or power conferred on such Trustee. (Section 5.8)

The Indentures include a covenant that the Company will file annually with the Trustee a certificate as to the Company's compliance with all conditions and covenants of the Indentures. (Section 9.6)

The holders of a majority in aggregate principal amount of all series of Debt Securities affected (voting as a class) by notice to the Trustee for each such series may waive, on behalf of the holders of all Debt Securities of all such series, any past Default or Event of Default with respect to all such series and its consequences except a Default or Event of Default in the payment of the principal of, premium, if any, or interest, if any, on any of such series of Debt Securities. (Section 5.2) In addition, the holders of a majority in aggregate principal amount of any series of Debt Securities by notice to the Trustee for such series may waive, on behalf of the holders of all Debt Securities of such series, any past Default or Event of Default with respect to that series and its consequences except a Default or Event of Default in the payment of the principal of, premium, if any, and interest, if any, on any such Debt Securities and certain other Defaults. (Section 5.7)

#### Modification of the Indentures

The Indentures contain provisions permitting the Company and the Trustees to enter into one or more supplemental indentures without the consent of the holders of any of the Debt Securities in order (i) to evidence the succession of another corporation to the Company and the assumption of the covenants of the Company by a successor to the Company; (ii) to add to the covenants of the Company or surrender any right or power of the Company; (iii) to add additional Events of Default with respect to any series; (iv) to add or change any provisions to such extent as necessary to permit or facilitate the issuance of Debt Securities in bearer form or in global form; (v) to add to, change or eliminate any provision affecting Debt Securities not yet issued; (vi) to secure the Debt Securities; (vii) to establish the form or terms of Debt Securities; (viii) to evidence and provide for successor Trustees; (ix) if allowed without penalty under applicable laws and regulations, to permit payment in respect of Debt Securities in bearer form in the United States; or (x) to cure any ambiguity or correct any mistake and to correct or supplement any inconsistent provisions or to make any other provisions as the Company may deem necessary or desirable with respect to matters or questions arising under the Indentures, provided that such action does not adversely affect the interests of any holder of Debt Securities of any series issued under the Indentures. (Section 8.1)

The Indentures also contain provisions permitting the Company and the Trustees, with the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of each series affected by such supplemental indenture, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indentures or any supplemental indenture or modifying the rights of the holders of Debt Securities of such series, except that no such supplemental indenture may, without the consent of the holder of each Debt Security so affected, (i) change the time for payment of principal or interest, if any, on any Debt Security; (ii) reduce the

principal of, or any installment of principal of, or interest, if any, on any Debt Security; (iii) reduce the amount of premium, if any, payable upon the redemption of any Debt Security; (iv) reduce the amount of principal payable upon acceleration of the maturity of an Original Issue Discount Debt Security; (v) change the coin or currency in which any Debt Security or any premium or interest thereon is payable; (vi) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security; (vii) reduce the percentage in principal amount of the outstanding Debt Securities of any series the consent of whose holders is required for modification or amendment of the Indentures or for waiver of compliance with certain provisions of the Indentures or for waiver of certain defaults; (viii) change the obligation of the Company to maintain an office or agency in the places and for the purposes specified in the Indentures; (ix) if applicable, modify the subordination provisions in a manner adverse to the Holders of Subordinated Debt Securities or make any change that adversely affects the right to convert any Debt Security or (except as provided in the Indentures) decrease the conversion rate or increase the conversion price of any Debt Security; (x) modify the provisions relating to waiver of certain defaults or any of the foregoing provisions. (Section 8.2)

#### Defeasance and Covenant Defeasance

If indicated in the Prospectus Supplement, the Company may elect either (i) to defease and be discharged from any and all obligations with respect to the Debt Securities of or within any series (except as described below) ("defeasance") or (ii) to be released from its obligations with respect to certain covenants applicable to the Debt Securities of or within any series ("covenant defeasance"), upon the deposit with the Trustee for such series (or other qualifying trustee), in trust for such purpose, of money and/or Government Obligations which through the payment of principal and interest in accordance with their terms will provide money in the amount sufficient to pay the principal of and any premium or interest on such Debt Securities to Maturity or redemption, as the case may be, and any mandatory sinking fund or analogous payments thereon. Upon the occurrence of a defeasance, the Company will be deemed to have paid and discharged the entire indebtedness represented by such Debt Securities and any coupons appertaining thereto and to have satisfied all of its other obligations under such Debt Securities and any coupons appertaining thereto (except for (i) the rights of holders of such Debt Securities to receive, solely from the trust funds deposited to defease such Debt Securities, payments in respect of the principal of, premium, if any, and interest, if any, on such Debt Securities or any coupons appertaining thereto when such payments are due and (ii) certain other obligations as provided in the Indentures). Upon the occurrence of a covenant defeasance, the Company will be released only from its obligations to comply with certain covenants contained in the Indenture relating to such Debt Securities, will continue to be obligated in all other respects under such Debt Securities and will continue to be contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to such Debt Securities.

Unless otherwise specified in the applicable Prospectus Supplement and except as described below, the conditions to both defeasance and covenant defeasance are as follows: (i) such

defeasance or covenant defeasance must not result in a breach or violation of, or constitute a Default or Event of Default under, the applicable Indenture, or result in a breach or violation of, or constitute a default under, any other material agreement or instrument of the Company; (ii) certain bankruptcy-related Defaults or Events of Default with respect to the Company must not have occurred and be continuing during the period commencing on the date of the deposit of the trust funds to defease such Debt Securities and ending on the 91st day after such date; (iii) the Company must deliver to the applicable Trustee an Opinion of Counsel to the effect that the holders of such Debt Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to Federal income tax on the same amounts and in the same manner and at all the same times as would have been the case if such defeasance or covenant defeasance had not occurred (such Opinion of Counsel, in the case of defeasance, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable Federal income tax law occurring after the date of the Indentures); (iv) the Company must deliver to the applicable Trustee an Officers' Certificate and an Opinion of Counsel with respect to compliance with the conditions precedent to such defeasance or covenant defeasance and with respect to certain registration requirements under the Investment Company Act of 1940, as amended and (v) any additional conditions to such defeasance or covenant defeasance which may be imposed on the Company pursuant to the applicable Indenture. (Article 4) The Indentures require that a nationally recognized firm of independent public accountants deliver to the applicable Trustee a written certification as to the sufficiency of the trust funds deposited for the defeasance or covenant defeasance of such Debt Securities. The Indentures do not provide the holders of such Debt Securities with recourse against such firm. If indicated in the applicable Prospectus Supplement, in addition to obligations of the United States or an agency or instrumentality thereof, Government Obligations may include obligations of the government, an agency or instrumentality of the government issuing the currency in which Debt Securities of such series are payable. (Sections 1.1 and 3.1) In the event that Government Obligations deposited with the applicable Trustee for the defeasance of such Debt Securities decrease in value or default subsequent to their being deposited, the Company will have no further obligation, and the holders of such Debt Securities will have no additional recourse against the Company, as a result of such decrease in value or default. As described above, in the event of a covenant defeasance, the Company will remain contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to the Debt Securities.

The Company may exercise its defeasance option with respect to such Debt Securities notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its defeasance option, payment of such Debt Securities may not be accelerated because of a Default or an Event of Default. If the Company exercises its covenant defeasance option, payment of such Debt Securities may not be accelerated by reason of a Default or an Event of Default with respect to the covenants to which such covenant defeasance is applicable. However, if such acceleration were to occur, the realizable value at the acceleration date of the money and Government Obligations in the defeasance trust could be less than the principal and interest then due on such Debt

Securities, in that the required deposit in the defeasance trust is based upon scheduled cash flow rather than market value, which will vary depending upon interest rates and other factors.

#### INFORMATION TO BE PROVIDED BY PROSPECTUS SUPPLEMENT

The Prospectus Supplement which accompanies this Prospectus provides (i) more detailed information on use of proceeds (including the interest rate and maturity date of debt to be repaid, if any, with the proceeds of Debt Securities offered by such Prospectus Supplement), and (ii) the anticipated market for the Debt Securities being offered by such Prospectus Supplement.

#### PLAN OF DISTRIBUTION

The Company may sell Debt Securities to one or more underwriters for public offering and sale by them or may sell Securities to investors or other persons directly or through agents. Any such underwriter or agent involved in the offer and sale of the Offered Securities will be named in an applicable Prospectus Supplement. In addition, certain executive officers of the Company may engage in solicitations of sales of the Offered Securities.

Underwriters may offer and sell the Offered Securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Company also may, from time to time, authorize underwriters acting as the Company's agents to offer and sell the Offered Securities upon the terms and conditions as shall be set forth in any Prospectus Supplement. In connection with the sale of Offered Securities, underwriters may be deemed to have received compensation from the Company in the form of underwriting discounts or commissions and may also receive commissions from purchasers of Offered Securities for whom they may act as agent. Underwriters may sell Offered Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Any underwriting compensation paid by the Company to underwriters or agents in connection with the offering of Offered Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in an applicable Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of the Offered Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Offered Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements with the Company, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act, and to reimbursement by the Company for certain expenses.

Underwriters, dealers and agents may engage in transactions with, or perform services for, the Company and its subsidiaries in

the ordinary course of business.

If so indicated in an applicable Prospectus Supplement, the Company will authorize dealers acting as the Company's agents to solicit offers by certain institutions to purchase Offered Securities from the Company at the public offering price set forth in such Prospectus Supplement pursuant to Delayed Delivery Contracts ("Contracts") providing for payment and delivery on the date or dates stated in such Prospectus Supplement. Each Contract will be for an amount not less than, and the aggregate principal amount of Offered Securities sold pursuant to Contracts shall not be less nor more than, the respective amounts stated in such Prospectus Supplement. Institutions with whom Contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and other institutions, but will in all cases be subject to the approval of the Company. Contracts will not be subject to any conditions except (i) the purchase by an institution of the Offered Securities covered by its Contracts shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject, and (ii) if the Offered Securities are being sold to underwriters, the Company shall have sold to such underwriters the total principal amount of the Offered Securities less the principal amount thereof covered by Contracts. Agents and underwriters will have no responsibility in respect of the delivery or performance of Contracts.

The Offered Securities may or may not be listed on a national securities exchange or a foreign securities exchange. No assurances can be given that there will be a market for the Offered Securities.

The following information is included in this Prospectus because Debt Securities may be offered and sold in the State of Florida. The Company pays a small fee (approximately \$83,000 in 1995) to Cubana Airlines, a company located in Cuba, in connection with overflights of Cuba. This information is accurate as of the date of this Prospectus. Current information concerning the business dealings of the Company or its affiliates with the government of Cuba or with any person or affiliate located in Cuba may be obtained from the Florida Department of Banking and Finance, Division of Securities and Investor Protection, The Capitol, Tallahassee, Florida 32399-0350, telephone number (904) 488-9805.

#### LEGAL OPINIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Debt Securities offered hereby has been passed upon for Continental by Mayor, Day, Caldwell & Keeton, L.L.P., 700 Louisiana, Suite 1900, Houston, Texas 77002-2778.

#### EXPERTS

The consolidated financial statements (including schedules incorporated by reference) of Continental Airlines, Inc. at December 31, 1995 and 1994 and for each of the two years ended December 31, 1995 and for the period April 28, 1993 through December 31, 1993, and the consolidated statements of operations, redeemable and non-redeemable preferred stock and common

stockholders' equity and cash flows of Continental Airlines Holdings, Inc. for the period January 1, 1993 through April 27, 1993, incorporated by reference in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference, in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

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No person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus or in any accompanying Prospectus Supplement in connection with the offer contained in this Prospectus and in the accompanying Prospectus Supplement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, any Selling Shareholder or any underwriters, agents or dealers. Neither this Prospectus nor any accompanying Prospectus Supplement constitutes an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus or any accompanying Prospectus Supplement nor any sale made hereunder and thereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date hereof or thereof or that the information contained herein or therein is correct at any time subsequent to the date hereof or thereof.

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TABLE OF CONTENTS

Available Information  
Incorporation of Certain Documents  
by Reference  
The Company  
Ratios of Earnings to Fixed Charges  
Use of Proceeds  
Description of Debt Securities  
Description of Capital Stock  
Information to be Provided by Prospectus  
Supplement  
Plan of Distribution  
Legal Opinions  
Experts

=====  
Continental  
Airlines, Inc.

Debt Securities

-----  
PROSPECTUS  
-----

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

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

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

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

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

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

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

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

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section.

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

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

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

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

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

"No Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any

breach of the Director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the . . . GCL, or (iv) for any transaction from which the Director derived any improper personal benefit. If the GCL is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of Directors of the Corporation shall be eliminated or limited to the full extent permitted by the GCL, as so amended."

The Company maintains directors' and officers' liability insurance.

Item 21. Exhibits.

Exhibit Number	Exhibit Description
4.1*	Form of New 6.94% Continental Airlines Pass Through Certificate Series 1996-A
4.2*	Form of New 7.82% Continental Airlines Pass Through Certificate Series 1996-B
4.3*	Form of New 9.50% Continental Airlines Pass Through Certificate Series 1996-C
4.4*	Form of New 12.48% Continental Airlines Pass Through Certificate Series 1996-D
4.5*	Pass Through Trust Agreement, dated as of January 31, 1996, between Continental Airlines, Inc., and Wilmington Trust Company, as Trustee, relating to the formation of Continental Airlines 1996-A Pass Through Trust
4.6*	Pass Through Trust Agreement, dated as of January 31, 1996, between Continental Airlines, Inc., and Wilmington Trust Company, as Trustee, relating to the formation of Continental Airlines 1996-B Pass Through Trust
4.7*	Pass Through Trust Agreement, dated as of January 31, 1996, between Continental Airlines, Inc., and Wilmington Trust Company, as Trustee, relating to the formation of Continental Airlines 1996-C Pass Through Trust
4.8*	Pass Through Trust Agreement, dated as of January 31, 1996, between Continental Airlines, Inc., and Wilmington Trust Company, as Trustee, relating to the formation of Continental Airlines 1996-D Pass Through Trust
4.9**	Participation Purchase Agreement, dated as of January 31, 1996, between Credit Suisse, acting through its New York Branch, and Continental Airlines, Inc.
4.10*	Revolving Credit Agreement, dated January 31, 1996, between Wilmington Trust Company, as Subordination Agent, as agent and trustee for the Continental Airlines 1996-A Pass Through Trust, as Borrower and Credit Suisse, acting through its New York Branch as Liquidity Provider
4.11*	Revolving Credit Agreement, dated January 31, 1996, between Wilmington Trust Company, as Subordination Agent, as agent and trustee for the Continental Airlines 1996-B Pass Through Trust, as Borrower and Credit Suisse, acting through its New York Branch as Liquidity Provider
4.12*	Revolving Credit Agreement, dated January 31, 1996, between Wilmington Trust Company, as Subordination Agent, as agent and trustee for the Continental Airlines 1996-C Pass Through Trust, as Borrower and Credit Suisse, acting through its New York Branch as Liquidity Provider
4.13*	Intercreditor Agreement dated as of January 31, 1996, among Wilmington Trust Company, not in its sole individual capacity but solely as Trustee under the Continental Airlines Pass Through Trust 1996-A, Continental Airlines Pass Through Trust 1996-B, Continental Airlines Pass Through Trust 1996-C and Continental Pass Through Trust 1996-D, Credit Suisse, acting through its New York Branch as Class A Liquidity Provider, Class B Liquidity Provider, Class C

Liquidity Provider, and Wilmington Trust Company, not in its individual capacity except as expressly set forth herein but solely as Subordination Agent and Trustee

- 4.14\* Registration Rights Agreement, dated as of January 31, 1996, among Continental Airlines, Inc., Wilmington Trust Company, as Trustee under Continental Airlines Pass Through Trust 1996-A, Continental Airlines Pass Through Trust 1996-B, Continental Airlines Pass Through Trust 1996-C, Continental Airlines Pass Through Trust 1996-D, and the Initial Purchasers
- 4.15\*\*\*\*Form of Refunding Agreement, dated as of January 31, 1996, among Continental Airlines, Inc., as Lessee, First Security Bank of Utah, National Association, as Owner Trustee, Wilmington Trust Company, as Pass Through Trustee under each of the Continental Airlines 1996 Pass Through Trust Agreements, The Boeing Company, as Initial Loan Participant, General Electric Company, as Owner Participant and Loan Participant, Wilmington Trust Company, as Subordination Agent, and Wilmington Trust Company, as Loan Trustee
- 4.16\*\*\*\*Form of Participation Agreement dated as of July 15, 1994 among Continental Airlines, Inc., General Electric Company, as Owner Participant, Wilmington Trust Company, not in its individual capacity but solely as Subordination Agent and Loan Participant, First Security Bank of Utah, National Association, as Owner Trustee, and Wilmington Trust Company as Loan Trustee
- 4.17\*\*\*\*Form of Waiver, Consent and Amendment to Participate Agreement dated as of December 22, 1995 among Continental Airlines, Inc., Gaucho-2, Inc., The Boeing Company, First Security Bank of Utah, National Association, as Owner Trustee, and Wilmington Trust Company as Indenture Trustee
- 4.18\*\*\*\*Form of Participation Agreement Amendment No. 2, dated as of January 31, 1996, among Continental Airlines, Inc., General Electric Company, as Owner Participant, Wilmington Trust Company, not in its individual capacity but solely as Subordination Agent and Loan Participant, First Security Bank of Utah, National Association, as Owner Trustee, and Wilmington Trust Company as Loan Trustee
- 4.19\*\*\*\*Form of Lease Agreement, dated July 15, 1994, among Continental Airlines, Inc. and First Security Bank of Utah, National Association, as Owner Trustee
- 4.20\*\*\*\*Form of Lease Agreement Amendment No. 1, dated as of December 22, 1995 between First Security Bank of Utah, National Association, as Owner Trustee and Continental Airlines, Inc.
- 4.21\*\*\*\*Form of Lease Agreement Amendment No. 2, dated as of January 31, 1996, between First Security Bank of Utah, National Association, as Owner Trustee, and Continental Airlines, Inc.
- 4.22\*\*\*\*Form of Amended and Restated Trust Indenture and Mortgage between First Security Bank of Utah, National Association, as Owner Trustee, and Wilmington Trust Company, as Indenture Trustee
- 4.23\*\*\*\*Form of Amended and Restated Trust Indenture and Mortgage Amendment No. 1, dated as of January 31, 1996, between First Security Bank of Utah, National Association, as Owner Trustee, and Wilmington Trust Company, as Loan Trustee
- 4.24\* Form of Series A Equipment Note, dated January 31, 1996, by First Security Bank of Utah, National Association, as Owner trustee, payable to Wilmington Trust Company, as Subordination Agent
- 4.25\* Form of Series B Equipment Note, dated January 31, 1996, by First Security Bank of Utah, National Association, as Owner trustee, payable to Wilmington Trust Company, as Subordination Agent
- 4.26\* Form of Series C Equipment Note, dated January 31, 1996, by First Security Bank of Utah, National Association, as Owner trustee, payable to Wilmington Trust Company, as Subordination Agent
- 4.27\* Form of Series D Equipment Note, dated January 31, 1996, by First Security Bank of Utah, National Association, as Owner trustee, payable to Wilmington Trust Company, as Subordination Agent
- 4.28\*\* Form of Trust Agreement, dated as of July 15, 1994, between Gaucho-2 Inc. and First Security Bank of Utah, National Association
- 4.29\*\*\* Form of Pass through Trust Agreement between Continental Airlines, Inc. and Shawmut Bank Connecticut, National Association, as Trustee, relating to certain Pass through Certificates
- 4.30\*\*\* Form of Pass Through Certificate (included in Exhibit 4.29)
- 4.31\*\*\* Form of Pass Through Trust Agreement between Continental Airlines, Inc. and First Security Bank of Utah, National Association, as Trustee, relating to certain Pass Through Certificates
- 4.32\*\*\* Form of Pass through Certificate (included in Exhibit 4.31)
- 4.33\*\*\* Form of Indenture between Continental Airlines, Inc. and Bank One, Texas, National Association, as Trustee, relating to Senior Debt Securities

4.34\*\*\* Form of Indenture between Continental Airlines, Inc. and Bank One,  
Texas, National Association, as Trustee, relating to Subordinated Debt  
Securities

5.1\*\* Opinion of Cleary, Gottlieb, Steen & Hamilton relating to validity of  
New Certificates

- 5.2\*\*\* Opinion of Hughes Hubbard & Reed, counsel for Continental Airlines, Inc., relating to Pass Through Certificates
- 5.3\*\*\* Opinion of Mayor, Day, Caldwell & Keeton, L.L.P., counsel for Continental Airlines, Inc., relating to Debt Securities
- 5.4\*\*\* Opinion of Shipman & Goodwin, counsel for Shawmut Bank Connecticut, National Association, relating to certain Pass Through Certificates
- 5.5\*\*\* Opinion of Ray, Quinney & Nebeker, counsel for First Security Bank of Utah, National Association, relating to certain Pass Through Certificates
  
- 8.1\*\*\* Tax Opinion of Hughes Hubbard & Reed, counsel for Continental Airlines, Inc., relating to Pass Through Certificates (included in Exhibit 5.1)
- 8.2\*\*\* Tax Opinion of Shipman & Goodwin, counsel for Shawmut Bank Connecticut, National Association, relating to certain Pass through Certificates (included in Exhibit 5.3)
- 8.3\*\*\* Tax Opinion of Ray, Quinney & Nebeker, counsel for First Security Bank of Utah, National Association, relating to certain Pass Through Certificates (included in Exhibit 5.4)
- 12.1 Computation of Ratio of Earnings to Fixed Charges (incorporated by reference to the Company's Registration Statement (File No. 333-03591))
- 23.1\* Consent of Ernst & Young LLP
- 23.2\*\* Consent of Cleary, Gottlieb, Steen, and Hamilton (included in its opinion filed as exhibit 5.1)
  
- 23.3\* Consent of Aircraft Information Services, Inc.
- 23.4\* Consent of BK Associates, Inc.
- 23.5\*\* Consent of Morten Beyer and Associates, Inc.
- 23.6\*\*\* Consent of Hughes Hubbard & Reed, counsel for Continental Airlines, Inc. (included in Exhibit 5.1)
- 23.7\*\*\* Consent of Mayor, Day, Caldwell & Keeton, L.L.P., counsel for Continental Airlines, Inc. (included in Exhibit 5.2)
- 23.8\*\*\* Consent of Shipman & Goodwin, counsel for Shawmut Bank Connecticut, National Association (included in Exhibit 5.3)
- 23.9\*\*\* Consent of Ray, Quinney & Nebeker, counsel for First Security Bank of Utah, National Association (included in Exhibit 5.4)
- 23.10 Consent of Cleary, Gottlieb, Steen & Hamilton
  
- 24.1\* Powers of Attorney
- 25.1\* Statement of Eligibility of Wilmington Trust Company for the 1996-A Pass Through Certificates, on Form T-1
- 25.2\* Statement of Eligibility of Wilmington Trust Company for the 1996-B Pass Through Certificates, on Form T-1
- 25.3\* Statement of Eligibility of Wilmington Trust Company for the 1996-C Pass Through Certificates, on Form T-1
- 25.4\* Statement of Eligibility of Wilmington Trust Company for the 1996-D Pass Through Certificates, on Form T-1
- 25.5\*\*\* Statement of Eligibility of Shawmut Bank Connecticut, National Association, on Form T-1
- 25.6\*\*\* Statement of Eligibility of First Security Bank of Utah, National Association, on Form T-1
- 25.7\*\*\* Statement of Eligibility of Bank One, Texas, National Association, on Form T-1
- 99.1\* Form of Letter of Transmittal
- 99.2\* Form of Notice of Guaranteed Delivery
- 99.3\* Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
- 99.4\* Form of Letter to Clients

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\* Previously filed  
 \*\* Filed herewith  
 \*\*\* Previously filed in connection with Registration Statement (File No. 33-79688)  
 \*\*\*\* Filed herewith. With respect to such Exhibits, separate agreements have been entered into with respect to each Aircraft. Except for differences in dollar amounts, interest rates, percentages, final distribution dates, Aircraft Registration numbers, Manufacturer's Serial Numbers for Aircraft and Engines and the like, as applicable, there are no material details in which any such agreements not filed herewith differ from the corresponding Exhibit for the forms of such documents.

Item 22. Undertakings.

The undersigned Registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration

Fee" table in the effective registration statement.;

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

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

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

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

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

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

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

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

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Amendment No. 1 to Form S-4 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on July 5, 1996.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

-----  
Jeffery A. Smisek  
Senior Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated, on July 5, 1996.

Signature -----	Title -----
* ----- Gordon M. Bethune	President, Chief Executive Officer (Principal Executive Officer) and Director
* ----- Lawrence W. Kellner	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
* ----- Michael P. Bonds	Staff Vice President and Controller (Principal Accounting Officer)
* ----- Thomas J. Barrack, Jr.	Director
* ----- David Bonderman	Director
* ----- Gregory D. Brenneman	Director
* ----- Patrick Foley	Director

\*

- ----- Director  
Douglas H. McCorkindale

\*

- ----- Director  
George G.C. Parker

\*

- ----- Director  
Richard W. Pogue

\*

- ----- Director  
William S. Price III

\*

- ----- Director  
Donald L. Sturm

\*

- ----- Director  
Karen Hastie Williams

\*

- ----- Director  
Charles A. Yamarone

\*By: /s/ Scott R. Peterson  
-----  
Scott R. Peterson, Attorney-in-fact

THIS PARTICIPATION PURCHASE AGREEMENT, dated as of January 31, 1996 (herein, as amended or modified from time to time, this "Agreement"), is by and between CREDIT SUISSE, acting through its New York Branch (the "Liquidity Provider"), and CONTINENTAL AIRLINES, INC., a Delaware corporation (the "Participant").

W I T N E S S E T H:

WHEREAS, Liquidity Provider has entered into three Revolving Credit Agreements, each dated as of the date hereof (herein, as amended or modified from time to time, called the "Liquidity Agreements"), with Wilmington Trust Company, not in its individual capacity but solely as Subordination Agent and agent and trustee as described therein (in such capacity the "Borrower"), pursuant to which, among other things, Liquidity Provider agreed to make loans ("Advances") to the Borrower from time to time;

WHEREAS, the Liquidity Provider's execution and delivery of the Liquidity Agreements is a condition precedent to the consummation of certain lease financing arrangements for the benefit of the Participant; and

WHEREAS, the Participant's execution and delivery of this Agreement is a condition precedent to the effectiveness of the Liquidity Agreements;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, Liquidity Provider and the Participant hereby covenant and agree as follows:

1. Definitions. Unless the context clearly indicates otherwise, all capitalized terms used but not defined in this Agreement shall have the meanings assigned to those terms in each Liquidity Agreement or the applicable Liquidity Agreement, as the context shall indicate; provided that if any such term is not defined in a Liquidity Agreement, it shall have the meaning indicated in the Intercreditor Agreement dated as of the date hereof between the Liquidity Provider and Wilmington Trust Company, in its capacities as Subordination Agent and Trustee.

As used herein, the following terms shall have the meanings set forth below:

"Fee Percentage" means fifty basis points per annum; provided that the Fee Percentage shall be increased an additional ten basis points per annum on each successive anniversary of the first Purchase Date, so that the Fee Percentage on the first anniversary of such date shall be sixty basis points per annum, the Fee Percentage on the second anniversary of such date shall be seventy basis points per annum, and so forth.

"Indemnity Obligation" means an obligation of the Participant under Section 4(b) hereof.

"Liquidity Provider Share" means, at any time, 100% minus Participant's Share.

"Participant Share" means, at any time, a fraction (expressed as a percentage), the numerator of which is the aggregate portion of Purchase Price payments made by the Participant attributable to the principal amount of the Advances, and the denominator of which is the then outstanding principal amount of the Advances.

"Participation" means collectively, the undivided interests purchased by the Participant in the Advances pursuant to this Agreement.

"Participation Fee" has the meaning assigned to that term in Section 4 hereof.

"Purchase Date" means each successive Regular Distribution Date commencing on the first Regular Distribution Date following the Provider Advance Amortization Date.

"Purchase Price" has the meaning assigned to that term in Section 2 hereof.

"Reimbursable Expenses" means costs and expenses of the type referred to in the Section 7.07 of each Liquidity Agreement which have been incurred by the Participant.

"Unsold Obligations" means, at any time, (i) the Liquidity Provider Share of the outstanding principal amount of Advances, (ii) accrued interest and other amounts attributable to the obligations described in clause (i) of this definition, and (iii) all other Liquidity Obligations (excluding for purposes of this clause (iii): (x) Reimbursable Expenses, and (y) the outstanding principal amount of Advances and accrued interest in respect of such principal amount); it being understood that the Unsold Obligations include the Participant's obligation to pay the

Participation Fee and Indemnity Obligations hereunder.

2. Sale of Participation. the Participant hereby agrees to buy from the Liquidity Provider, and the Liquidity Provider hereby agrees to sell to the Participant, on each Purchase Date an undivided interest in the Advances, in each case for a purchase price (a "Purchase Price") equal to (i) 12.50% of the outstanding principal amount of the Advances as of the Provider Advance Amortization Date, plus (ii) accrued and unpaid interest on such principal amount; provided, however, that the final purchase of an undivided interest hereunder shall be for a Purchase Price equal to the Liquidity Provider Share of the then outstanding principal amount of the Advances, together with accrued and unpaid interest on such principal amount; and provided further that no additional purchases of undivided interests shall be required hereunder at any time when the Unsold Obligations have been reduced to zero. The obligation of the Participant to make the purchases of undivided interests as described herein is unconditional and irrevocable. The undivided interests purchased by the Participant hereunder shall be junior in all respects (including in respect of payment priority) to any undivided interests in the Loans that continue to be held by the Liquidity Provider. All of the interests purchased by the Participant hereunder are allocated to and taken by it for its own account and risk, without recourse to the Liquidity Provider.

3. Payments to Participant. (a) If, prior to the occurrence of a Triggering Event, a Liquidity Event of Default or a Performing Note Deficiency, the Liquidity Provider receives any payment in respect of a Liquidity Facility, the Liquidity Provider shall apply such payment first to the Unsold Obligations then due, in such order of application as the Liquidity Provider shall select, and second to the Liquidity Obligations attributable to the Participation, in such order as the Participant shall select subject, in the case of each such application, to requirements of applicable law.

(b) If a Triggering Event, a Liquidity Event of Default or Performing Note Deficiency shall have occurred and the Liquidity Provider shall have received a payment in respect of a Liquidity Facility, the Liquidity Provider shall apply such payment first to the Unsold Obligations (whether or not then due) in such order of application as the Liquidity Provider shall select, and second to the Liquidity Obligations attributable to the Participation (whether or not then due), in such order as the Participant shall select subject, in the case of each such application, to requirements of applicable law.

(c) If, at any time when the payment is due by the Liquidity Provider to the Participant hereunder, the Participant shall owe any amount which is due and payable to the Liquidity Provider under this Agreement or any Operative Agreement, then the Liquidity Provider shall be entitled to deduct the amount owed to it from any payment made by it to the Participant. Without limited the foregoing, the Participant agrees that any amount owed by the Participant to the Liquidity Provider hereunder that is not paid when due shall bear interest at a rate per annum equal to 0.25% over the Base Rate in effect from time to time. Such interest shall be payable by the Participant to the Liquidity Provider on demand.

(d) The Participant shall not be entitled to any payments in respect of the Participation other than the payments described in this Section 3.

(e) All payments to be made by the Liquidity Provider to the Participant hereunder shall be made to Participant's principal office in Houston, Texas. All payments to be made by the Participant to the Liquidity Provider hereunder shall be made to the Liquidity Provider's principal office in New York, New York; provided that no such payments shall be deposited into the Class A Cash Collateral Account, the Class B Cash Collateral Account or the Class C Cash Collateral Account (as defined in the Intercreditor Agreement).

4. Participation Fee; Indemnity. (a) the Participant hereby agrees to pay to the Liquidity Provider a fee (the "Participation Fee") during the period from the first Purchase Date to the date on which all Liquidity Obligations shall have been paid in full, equal to Fee Percentage times the Participant Share of the outstanding principal amount of the Advances, which fee shall be payable quarterly in arrears on each Regular Distribution Date and the date on which all Liquidity Obligations shall have been paid in full.

(b) The Participant hereby agrees to indemnify, protect, defend and hold harmless each Liquidity Indemnitee from, against and in respect of, and shall pay on demand, all Expenses of any kind or nature whatsoever, and whether arising before, on or after the date hereof, that may be imposed on, incurred by or asserted against such Liquidity Indemnitee, in any way relating to, resulting from, or arising out of or in connection with the Participation or this Agreement; provided that this Section 4(b) shall not require payment by the Participant to any Liquidity Indemnitee on account of any Expense (i) to the extent such Expense is attributable to the gross negligence or wilful misconduct of such Liquidity Indemnitee or its Related Indemnitee, (ii) that is an ordinary and usual operating expense,

or (iii) to the extent such Expense is attributable to the failure by such Liquidity Indemnitee or its Related Indemnitee to perform or observe any agreement, covenant or condition on its part to be performed or observed in any Operative Agreement or this Agreement.

5. Representations and Action by the Liquidity Provider.

(a) It is expressly understood that the Participant has made its own appraisal of the creditworthiness of the Borrower, that the Participant has made a business decision to purchase its Participation; that the Liquidity Provider has not made and does not make any representations or warranties or assume any responsibility with respect to the validity, genuineness, due authorization, execution, delivery, legality, sufficiency, enforceability or collectibility of any Operative Agreement or any related document or with respect to the validity, genuineness, enforceability, collectibility, existence or worth of any collateral securing the same or guarantees thereof; that the Liquidity Provider assumes no responsibility for (i) any statement, warranty, representation, or certification made in, or in connection with, any Operative Agreement or any related document, (ii) the filing, recording, or taking of any action with respect to any Operative Agreement or any related document or (iii) the financial condition of the Borrower or the performance or observance by the Borrower of its obligations.

(b) Until all Unsold Obligations have been paid in full, as between the Liquidity Provider and the Participant, the Liquidity Provider shall possess the exclusive right to make decisions relating to the Operative Agreements and to exercise (or fail to exercise) all rights and remedies of the Liquidity Provider thereunder, and to apply all proceeds of the Liquidity Obligations in such order as the Liquidity Provider shall determine in accordance with Section 3 hereof. The Liquidity Provider may, in its absolute discretion, make decisions and pursue actions or refrain from actions from time to time with respect to the Operative Agreements, solely on the basis of its evaluation of its own best interests, the Participant shall not have any right to object to or prevent any such decision, action or restraint.

(c) Once the Unsold Obligations have been paid in full, the Liquidity Provider shall exercise its rights and remedies in respect of the Operative Agreements in such manner as Participant shall reasonably request; provided that (i) Liquidity Provider shall not be required to take any action which it determines, in the exercise of its discretion, subjects the Liquidity Provider to liability or is otherwise materially adverse to the interests of the Liquidity Provider, (ii) Liquidity Provider shall not be required to take any action unless it has been indemnified to its satisfaction, by a party satisfactory to it, with respect to any cost, expense or liability that it may incur in connection with such action, (iii) no lawsuits or similar proceeding shall be filed in the name of the Liquidity Provider unless the Liquidity Provider shall have given its prior written consent, (iv) in the event that any litigation or other dispute may arise with respect to the Operative Agreements, the Liquidity Provider shall be entitled to interplead or take similar actions consistent with its nominal economic stake in the resolution of such dispute, and (v) no litigation or similar proceedings in which the Liquidity Provider has been named as a party, or in which the Liquidity Provider may reasonably be expected to be named as a party, may be settled by the Participant without the Liquidity Provider's prior written consent.

6. Reimbursement. In the event that, after the Liquidity Provider has secured any payment in respect thereof or made any applications and has made any payment in respect thereof to the Participant pursuant to this Agreement, any such payment or application, or portion thereof, is rescinded or must otherwise be returned or paid over by the Liquidity Provider for any reason, the Participant will, upon notice from the Liquidity Provider, forthwith pay back to the Liquidity Provider an amount equal to the portion of such payment (if any) that had previously been remitted to the Participant, together with any interest or fees attributable to such portion of the payment and required to be paid by the Liquidity Provider. The Participant's obligations under this Section hereof shall survive the termination of the Liquidity Agreement, each other Operative Agreement and the payment of the Liquidity Obligations.

7. Other Transactions between the Liquidity Provider and the Borrower. The Liquidity Provider and its affiliates may accept deposits from, lend money to, act as trustee under indentures for and generally engage in any kind of business with any party to the Operative Agreements, and any person who may do business with or own securities of any such party, or any such party's affiliates.

8. Recoveries. If the Participant obtains any payment or other recovery (whether voluntary, involuntary, by application of setoff, or otherwise) on account of principal of, or interest on, or applicable fees in respect of, any of the Liquidity Obligations in excess of that to which the Participant is entitled pursuant to this Agreement, the Participant agrees to purchase from the Liquidity Provider such additional participation in the Unsold Obligations as will be necessary to cause the Participant to share such excess payment or other

recovery with the Liquidity Provider to the extent the Liquidity Provider would be entitled to such payment under Section 3 hereof if such payment had been made to the Liquidity Provider.

9. Subparticipation. Neither the Participation nor the Participant's rights or obligations hereunder may be subdivided or transferred.

10. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Liquidity Provider.

11. Notices. Notices required hereunder shall be given to the parties hereto at the addresses set forth opposite their names below.

12. Applicable Law. This Agreement is governed by the internal laws of the state of New York, without regard to principles of conflicts of law.

13. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered, or terminated except by an agreement in writing signed by the Liquidity Provider and the Participant.

14. Entire Agreement. This Agreement sets forth the entire understanding of the Parties and supersedes any and all prior agreements, arrangements and understandings relating to the subject matter hereof. No representation, promise, inducement or statement of intent has been made by any party which is not embodied in this Agreement, and no party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not expressly set forth herein.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on their behalf by their duly authorized officers as of the day and year identified above.

CREDIT SUISSE, acting through  
its New York Branch

Address: 12 East 49th Street  
New York, New York 10017  
Attention: Aircraft Finance Dept.  
Telephone: (212) 238-5335  
Telecopy: (212) 238-5331

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CONTINENTAL AIRLINES, INC.

Address: 2929 Allen Parkway  
Suite 2010  
Houston, Texas 77019  
Attention: Senior Vice President  
and Chief Financial Officer  
Telephone: (713) 834-2942  
Telecopy: (713) 520-6329

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

REFUNDING AGREEMENT 104

Dated as of January 31, 1996

Among

CONTINENTAL AIRLINES, INC.,  
as Lessee

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
as Owner Trustee

WILMINGTON TRUST COMPANY,  
as Pass Through Trustee under each of the  
Continental Airlines 1996 Pass Through Trust Agreements

THE BOEING COMPANY,  
as Initial Loan Participant

GENERAL ELECTRIC COMPANY,  
as Owner Participant and Loan Participant

WILMINGTON TRUST COMPANY,  
as Subordination Agent

and

WILMINGTON TRUST COMPANY,  
as Loan Trustee

One Boeing 757-224 Aircraft  
MSN 27294

Leased to Continental Airlines, Inc.

INDEX TO REFUNDING AGREEMENT 104

	Page
SECTION 1. Purchase of Refunding Notes; Refunding	4
SECTION 2. Refunding Notes	7
SECTION 3. Conditions Precedent	7
SECTION 4. Certain Conditions Precedent to the Obligations of the Lessee; Conditions Precedent with Respect to the Pass Through Trustee	11
SECTION 5. Amendment of the First Amended Indenture	12
SECTION 6. Amendment of the First Amended Lease	12
SECTION 7. Amendment of the Participation Agreement	12
SECTION 8. [Intentionally omitted]	13
SECTION 9. Lessee's Representations and Warranties	13
SECTION 10. Representations, Warranties and Covenants	16
SECTION 11. Notices	27
SECTION 12. Expenses	27
SECTION 13. Reliance of Liquidity Provider	28
SECTION 14. Miscellaneous	28
SECTION 15. Governing Law	29

Schedules

Schedule I Pass Through Trust Agreements

Schedule II Refunding Notes, Purchasers and Purchase Price

This REFUNDING AGREEMENT, dated as of January 31, 1996, among (i) CONTINENTAL AIRLINES, INC., a Delaware corporation (the "Lessee"), (ii) GENERAL ELECTRIC COMPANY, a New York corporation ("GE" or the "Owner Participant"), (iii) FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity except as otherwise expressly provided herein, but solely as trustee (the "Owner Trustee") under the Trust Agreement (as defined below), (iv) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as otherwise expressly provided herein, but solely as trustee (in such capacity, the "Pass Through Trustee") under each of the four separate Pass Through Trust Agreements (as defined below), (v) THE BOEING COMPANY, a Delaware corporation ("Boeing" or the "Initial Loan Participant"), (vi) GENERAL ELECTRIC COMPANY (the "Loan Participant" and, together with the Initial Loan Participant, the "Loan Participants"), (vii) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, but solely as subordination agent and trustee (in such capacity, the "Subordination Agent") under the Intercreditor Agreement (as defined below), and (viii) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, but solely as Loan Trustee (the "Loan Trustee") under the First Amended Indenture and the Indenture (each as defined below).

W I T N E S S E T H:

WHEREAS, the Lessee, Gaucho-2 Inc., a Delaware corporation, as original owner participant (the "Original Owner Participant"), the Owner Trustee, the Initial Loan Participant and the Loan Trustee entered into the Participation Agreement 104, dated as of July 15, 1994 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 757-224 aircraft (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee and Wilmington Trust Company, as mortgagee, entered into the Trust Indenture and Mortgage 104, dated as of July 15, 1994 (as supplemented by the Trust Indenture and Mortgage 104 Supplement No. 1, dated July 29, 1994, the "Original Indenture"), pursuant to which the Owner Trustee issued to the Initial Loan Participant loan certificates substantially in the form set forth in Article II thereof (the "Loan Certificates") as evidence of the loan then being made by the Initial Loan Participant in participating in the payment of the Lessor's Cost (as such term and other capitalized terms used herein without definition are defined in the Participation Agreement (as defined below) or, if not defined therein, as defined in the Lease (as defined below)) for the Aircraft;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee and the Lessee entered into the Lease Agreement 104 relating to the Aircraft, dated as of July 15, 1994 (such Lease Agreement, as supplemented by Lease Supplement No. 1, dated July 29, 1994, the "Original Lease"), whereby, subject to the terms and conditions set forth therein, the Owner Trustee agreed to lease to the Lessee, and the Lessee agreed to lease from such Owner Trustee, the Aircraft on its Delivery Date;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Original Owner Participant and the Owner Trustee entered into the Trust Agreement 104, dated as of July 15, 1994 (the "Original Trust Agreement"), pursuant to which the Owner Trustee agreed, among other things, to hold the Trust Estate defined in Section 1 thereof for the benefit of the Owner Participant thereunder;

WHEREAS, pursuant to the Purchase, Assignment and Assumption Agreement (Continental 104, 105, 106, 107, 108, 109, 110, 112, 113), dated as of December 22, 1995 (the "Equity Purchase Agreement"), between the Original Owner Participant and GE, GE purchased and assumed from the Original Owner Participant all of the Original Owner Participant's right, title and interest in, to and under the Trust Estate, the Original Trust Agreement, the Original Participation Agreement and certain of the other Operative Agreements;

WHEREAS, concurrently with the execution and delivery of the Equity Purchase Agreement, (i) the Original Owner Participant and GE entered into the Assignment and Assumption Agreement (FAA) relating to the Aircraft, dated December 29, 1995 (the "Assumption Agreement (FAA)"); (ii) the parties to the Original Participation Agreement entered into the Waiver, Consent and Amendment to Participation Agreement 104, dated as of December 22, 1995 (the "PA Amendment No. 1"; the Original Participation Agreement, as amended by the PA Amendment No. 1, the "First Amended PA"), pursuant to which, among other things, the Original Trust Agreement was amended to the extent necessary to recognize GE as the Owner Participant and GE acknowledged the appointment of the Owner Trustee as trustee (the Original Trust

Agreement, as so amended, the "Trust Agreement"); and (iii) the Lessee and GE entered into a Tax Indemnity Agreement 104 relating to the Aircraft, dated as of December 22, 1995 (the "GE Tax Indemnity Agreement");

WHEREAS, pursuant to the Refinancing Agreement, dated as of December 22, 1995, among the Lessee, the Owner Participant, the Original Owner Participant, Gaucho-1 Inc., a Delaware corporation, the Owner Trustee, the Initial Loan Participant and the Loan Trustee (the "Refinancing Agreement"), (i) a portion of the outstanding Loan Certificates were redeemed by the Owner Trustee with the proceeds of the Initial Series D Notes (as defined in the Refinancing Agreement) issued to GE pursuant to the First Amended Indenture; and (ii) the remaining Loan Certificates were exchanged by the Initial Loan Participant for the Initial Series A Notes, the Initial Series B Notes and the Initial Series C Notes (each as defined in the Refinancing Agreement and, collectively, the "Initial LP Notes" and, together with the Initial Series D Notes, the "Initial Notes") issued to the Initial Loan Participant pursuant to the First Amended Indenture;

WHEREAS, concurrently with the execution and delivery of the Refinancing Agreement, (i) the Owner Trustee and the Loan Trustee amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Mortgage 104, dated as of December 22, 1995 (the "First Amended Indenture"), for the benefit of the holder or holders of the Initial Notes and (ii) the Owner Trustee and the Lessee entered into Lease Agreement 104 Amendment No. 1, dated as of December 22, 1995 (the "Lease Amendment No. 1"; the Original Lease, as amended by Lease Amendment No. 1, the "First Amended Lease");

WHEREAS, pursuant to the Refinancing Agreement, the Lessee has requested that the parties hereto enter into the refinancing transaction described herein (the "Refinancing Transaction"), pursuant to which, among other things, (i) new equipment notes (the "Refunding Notes") shall be issued to the Pass Through Trustees (other than the Class D Trustee (as defined below)) pursuant to the Indenture; (ii) the Initial LP Notes shall be redeemed for cash; (iii) the Initial Series D Notes shall be tendered to the Loan Trustee by GE in exchange for an equal aggregate principal amount of Series D Refunding Notes (as defined below); and (iv) such Series D Refunding Notes shall be contributed by GE to the Class D Trust in exchange for Class D Certificates (each as defined below);

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Loan Trustee have entered into the Amended and Restated Trust Indenture and Mortgage 104 Amendment No. 1, dated as of January 31, 1996 (the "Indenture Amendment No. 1"; the First Amended Indenture, as amended by the Indenture Amendment No. 1, the "Indenture");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Lessee have entered into the Lease Agreement 104 Amendment No. 2, dated as of January 31, 1996 (the "Lease Amendment No. 2"; the First Amended Lease, as amended by the Lease Amendment No. 2, the "Lease"), containing amendments, modifications and additions necessary to give effect to the transactions described herein;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Lessee, the Owner Trustee, the Owner Participant, the Loan Trustee and the Subordination Agent have entered into the Participation Agreement 104 Amendment No. 2, dated as of January 31, 1996 (the "PA Amendment No. 2"; the First Amended PA, as amended by the PA Amendment No. 2, the "Participation Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Participant and the Lessee have entered into the Tax Indemnity Agreement 104 Amendment No. 1, dated as of January 31, 1996, amending the GE Tax Indemnity Agreement (the "TIA Amendment"; the GE Tax Indemnity Agreement, as amended by the TIA Amendment, the "Tax Indemnity Agreement");

WHEREAS, pursuant to each of the Pass Through Trust Agreements set forth in Schedule 1 hereto (the "Pass Through Trust Agreements"), on the Refunding Date (as defined in Section 1 below), a separate grantor trust (collectively, the "Pass Through Trusts" and, individually, a "Pass Through Trust") will be created to facilitate certain of the transactions contemplated hereby, including, without limitation, the issuance and sale of pass through certificates pursuant thereto (collectively, the "Certificates");

WHEREAS, other than with respect to the Certificates (the "Class D Certificates") to be issued by the Continental Airlines 1996-D Pass Through Trust (the "Class D Trust"), the proceeds from the issuance and sale of the Certificates will be applied by the Pass Through Trustee to purchase from the Owner Trustee, on behalf of each Pass Through Trust (other than the Class D Trust), all of the Refunding Notes bearing the same interest rate as the Certificates issued by such Pass Through Trust;

WHEREAS, concurrently with the execution and delivery

of this Agreement, (i) Credit Suisse, a bank organized under the laws of Switzerland acting through its New York branch (the "Liquidity Provider"), entered into three revolving credit agreements (each, a "Liquidity Facility") for the benefit of the Certificateholders of each Pass Through Trust (other than the Class D Trust), with the Subordination Agent, as agent for the Pass Through Trustee on behalf of each such Pass Through Trust; (ii) the Liquidity Provider and the Lessee entered into a Participation Purchase Agreement (a "Participation Purchase Agreement") in respect of the Liquidity Facilities; and (iii) the Pass Through Trustee, the Liquidity Provider and the Subordination Agent entered into the Intercreditor Agreement, dated as of January 31, 1996 (the "Intercreditor Agreement"); and

WHEREAS, the notice requirements of Section 2.12 of the First Amended Indenture shall not be applicable to the Refinancing Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Purchase of Refunding Notes;  
Refunding. (a) Subject to the satisfaction or waiver of the conditions set forth herein, on January 31, 1996 or on such other date agreed to by the parties hereto (the "Refunding Date"):

(i) immediately prior to the Closing (as hereinafter defined), the Lessee shall pay to the Owner Trustee, as a special payment of Basic Rent under the Lease, an amount equal to the unpaid interest on the Initial LP Notes accrued up to but not including the Refunding Date;

(ii) the Pass Through Trustee for each Pass Through Trust (other than the Class D Trust) shall pay to the Owner Trustee the aggregate purchase price of the Refunding Notes being issued to such Pass Through Trustee as set forth in clause (xi) below;

(iii) the Owner Trustee shall pay to the Loan Trustee for the benefit of the Initial Loan Participant an amount equal to the aggregate principal amount of Initial LP Notes outstanding on the Refunding Date, together with accrued and unpaid interest on the Initial LP Notes up to but not including the Refunding Date, and all other amounts payable to the Initial Loan Participant under the First Amended Indenture and the First Amended PA (but excluding any Make-Whole Amount);

(iv) the Loan Trustee shall disburse to the Initial Loan Participant the amounts of principal and interest, and other amounts, if any, described in clause (iii) above, owing to it on the Refunding Date with respect to the Initial LP Notes as a prepayment of the Initial LP Notes;

(v) the Initial Loan Participant shall, against receipt of payment for the Initial LP Notes, deliver to the Loan Trustee the Initial LP Notes for cancellation;

(vi) promptly following the prepayment of the Initial LP Notes, the Owner Trustee and the Loan Trustee shall enter into the Indenture Amendment No. 1;

(vii) the Owner Trustee shall issue to GE, pursuant to Article II of the Indenture, the Refunding Notes of the maturity, principal amount and bearing the interest rate set forth on Schedule II hereto opposite the name of GE (the "Series D Refunding Notes"), which Refunding Notes include interest accrued from January 15, 1996;

(viii) GE shall, against receipt of the Series D Refunding Notes pursuant to clause (vii) above, tender to the Loan Trustee the Initial Series D Notes for cancellation;

(ix) GE shall deliver to the Subordination Agent, as agent for the Pass Through Trustee of the Class D Trust (the "Class D Trustee"), all of the Series D Refunding Notes held by it as a contribution to the Class D Trust;

(x) against receipt of the Series D Refunding Notes by the Subordination Agent on behalf of the Class D Trustee, the Class D Trustee shall issue and deliver to GE an aggregate principal amount of Class D Certificates (which Certificates include interest accrued from January 15, 1996) equal to the outstanding principal amount of the Series D Refunding Notes contributed by GE to the Class D Trust; and

(xi) the Owner Trustee shall issue, pursuant to Article II of the Indenture, to the Subordination Agent on behalf of the Pass Through Trustee for each of the Pass Through Trusts (other than the Class D Trust), Refunding

Notes of the maturity and aggregate principal amount and bearing the interest rate set forth on Schedule II hereto opposite the name of such Pass Through Trust.

(b) The Owner Participant, by its execution and delivery hereof, requests and directs the Owner Trustee to execute and deliver this Agreement and, subject to the terms hereof, to take the actions contemplated herein.

(c) In case any Pass Through Trustee shall for any reason fail to purchase the Refunding Notes pursuant to Section 1(a) above on or prior to March 31, 1996, the written notice given by the Lessee pursuant to Section 4.1 of the Refinancing Agreement shall be deemed never to have been given, neither the Owner Trustee nor the Lessee shall have any obligation to pay to the Initial Loan Participant any amount in respect of the prepayment of the Initial LP Notes and the Initial Notes shall remain outstanding and in full force and effect, and the actions contemplated by Sections 5, 6, 7 and 8 hereof shall not take place.

(d) The closing (the "Closing") of the transactions described in this Agreement shall take place at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, on the Refunding Date, or at such other place as the parties hereto may agree.

(e) All payments pursuant to this Section 1 shall be made in immediately available funds to such accounts and at such banks as the parties hereto shall designate in writing not less than one Business Day prior to the Refunding Date.

(f) In order to facilitate the transactions contemplated hereby, the Lessee has entered into the Purchase Agreement, dated as of January 24, 1996, among the Lessee and the several purchasers (the "Initial Purchasers") named therein (the "Purchase Agreement"), and, subject to the terms and conditions hereof, the Lessee will enter into each of the Pass Through Trust Agreements and will undertake to perform certain administrative and ministerial duties under such Pass Through Trust Agreements.

SECTION 2. Refunding Notes. The Refunding Notes shall be payable as to principal in accordance with the terms of the Indenture, and the Refunding Notes shall provide for a fixed rate of interest per annum (subject to certain adjustments contemplated thereby) and shall contain the terms and provisions provided for the Refunding Notes in the Indenture. The Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver to the Pass Through Trustee for each Pass Through Trust, a principal amount of Refunding Notes bearing the interest rate set forth opposite the name of such Pass Through Trust on Schedule II hereto, which Refunding Notes in the aggregate shall be in the principal amounts set forth on Schedule II hereto. Subject to the terms hereof, of the Pass Through Agreements and of the other Operative Agreements, all such Refunding Notes shall be dated and authenticated as of the Refunding Date and shall bear interest therefrom, shall be registered in such names as shall be specified by the Subordination Agent and shall be paid in the manner and at such places as are set forth in the Indenture.

SECTION 3. Conditions Precedent. The obligation of the Pass Through Trustee to make the payment described in Section 1(a)(ii) and the obligations of the Owner Trustee and the Owner Participant to participate in the transactions contemplated by this Agreement on the Refunding Date are subject to the fulfillment, prior to or on the Refunding Date, of the following conditions precedent (except that paragraphs (a), (f) and (j) shall not be conditions precedent to the obligations of the Owner Trustee hereunder and paragraphs (g) and (l) shall not be conditions precedent to the obligations of the Owner Participant hereunder):

(a) The Owner Trustee shall have tendered the Refunding Notes to the Loan Trustee for authentication, and the Loan Trustee shall have authenticated such Refunding Notes and shall have tendered the Refunding Notes to the Subordination Agent on behalf of the Pass Through Trustee in accordance with Section 1.

(b) The Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received executed counterparts or conformed copies of the following documents:

- (1) this Agreement;
- (2) the Lease Amendment No. 2;
- (3) the Indenture Amendment No. 1;
- (4) the PA Amendment No. 2;
- (5) each of the Pass Through Trust Agreements;
- (6) the TIA Amendment (for the Owner Participant only);

(7) the Intercreditor Agreement;

(8) the Liquidity Facility for each of the Class A, Class B and Class C Trusts; and

(9) the Registration Rights Agreement, dated the date hereof, among the Lessee, the Pass Through Trustee and each of the Initial Purchasers, with respect to the Certificates (the "Registration Rights Agreement") (for the Owner Participant only).

(c) The Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received the following:

(1) an incumbency certificate of the Lessee as to the person or persons authorized to execute and deliver this Agreement, the Lease Amendment No. 2, the PA Amendment No. 2, the TIA Amendment, the Pass Through Trust Agreements, the Registration Rights Agreement, the Participation Purchase Agreement and any other documents to be executed on behalf of the Lessee in connection with the transactions contemplated hereby and the signatures of such person or persons;

(2) a copy of the resolutions of the board of directors of the Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of the Lessee, duly authorizing the transactions contemplated hereby and the execution and delivery of each of the documents required to be executed and delivered on behalf of the Lessee in connection with the transactions contemplated hereby; and

(3) a copy of the certificate of incorporation of the Lessee, certified by the Secretary of State of the State of Delaware, a copy of the by-laws of the Lessee, certified by the Secretary or Assistant Secretary of the Lessee, and a certificate or other evidence from the Secretary of State of the State of Delaware, dated as of a date reasonably near the date of this Agreement, as to the due incorporation and good standing of the Lessee in such state.

(d) The Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Lessee, dated the Refunding Date, certifying that:

(1) the Aircraft has been duly certified by the FAA as to type and airworthiness in accordance with the terms of the First Amended Lease and has a current, valid certificate of airworthiness;

(2) the FAA Bill of Sale, the Original Lease, the Lease Amendment No. 1 and the First Amended Indenture have been duly recorded, and the Trust Agreement has been duly filed, with the FAA pursuant to the Federal Aviation Act of 1958, as amended (the "Federal Aviation Act");

(3) the Aircraft has been registered with the FAA in the name of the Owner Trustee and the Lessee has authority to operate the Aircraft;

(4) the representations and warranties contained herein of the Lessee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date);

(5) there has been no material adverse change in the financial condition of the Lessee since September 30, 1995; and

(6) no event has occurred and is continuing which constitutes an Indenture Event of Default or would constitute an Indenture Event of Default but for the requirement that notice be given or time elapse or both, and no event has occurred and is continuing which constitutes an Event of Loss or would constitute an Event of Loss with the lapse of time.

(e) The Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Loan Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Loan Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date).

(f) The Pass Through Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Owner Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Owner Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date).

(g) The Pass Through Trustee and the Owner Trustee each shall have received a certificate signed by an authorized officer of the Owner Participant, dated the Refunding Date, certifying that the representations and warranties contained herein of the Owner Participant are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date).

(h) The Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an independent insurance broker's report, together with certificates of insurance from such broker, as to the due compliance with the terms of Section 11 of the Lease relating to insurance with respect to the Aircraft.

(i) The Pass Through Trustee, the Initial Loan Participant, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Cleary, Gottlieb, Steen & Hamilton, counsel for the Lessee, an opinion addressed to it from Hughes Hubbard & Reed, counsel for the Lessee, and an opinion addressed to it from the Lessee's legal department, in each case in form and substance satisfactory to each of them.

(j) The Pass Through Trustee, the Initial Loan Participant and the Owner Participant each shall have received an opinion addressed to it from Ray, Quinney & Nebeker, special counsel for the Owner Trustee, in form and substance satisfactory to each of them.

(k) The Pass Through Trustee, the Owner Trustee, the Initial Loan Participant and the Owner Participant each shall have received an opinion addressed to it from Richards, Layton & Finger, special counsel for the Loan Trustee, in form and substance satisfactory to each of them.

(l) The Pass Through Trustee and the Owner Trustee each shall have received an opinion addressed to it from Weil, Gotshal & Manges, counsel for the Owner Participant, and an opinion addressed to it from corporate counsel to the Owner Participant, in each case in form and substance satisfactory to each of them.

(m) The Pass Through Trustee shall have received an opinion of Mayer, Brown & Platt, United States counsel to the Liquidity Provider, and internal counsel to the Liquidity Provider, in each case in form and substance satisfactory to the Pass Through Trustee.

(n) The Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Lytle, Soule & Curlee, special counsel in Oklahoma City, Oklahoma, in form and substance satisfactory to each of them.

(o) The Lessee shall have entered into the Purchase Agreement and each of the Pass Through Trust Agreements, the Certificates (other than the Class D Certificates) shall have been issued and sold pursuant to the Purchase Agreement and the Pass Through Trust Agreements, and the Initial Purchasers shall have transferred to the Pass Through Trustees (other than the Class D Trustee) in immediately available funds an amount equal to the aggregate purchase price of the Refunding Notes to be purchased from the Owner Trustee.

(p) No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory authorities or any court that would make it illegal for the Pass Through Trustees to make the payments described in Section 1(a)(ii) or for the Owner Trustee or the Owner Participant to participate in the transactions contemplated by this Agreement on the Refunding Date.

(q) All approvals and consents of any trustee or holder of any indebtedness or obligations of the Lessee which are required in connection with the Pass Through Trustee's making of the payments described in Section 1(a)(ii) or the Owner Trustee's or the Owner Participant's participation in the transactions contemplated by this Agreement on the Refunding Date shall

have been duly obtained.

Promptly following the recording of the Lease Amendment No. 2 and the Indenture pursuant to the Federal Aviation Act and the filing of the Trust Amendment No. 1 pursuant to such Act, the Lessee will cause Lytle, Soule & Curlee, special counsel in Oklahoma City, Oklahoma, to deliver to the Pass Through Trustee, the Lessee, the Loan Trustee, the Owner Participant and the Owner Trustee an opinion as to the due recording of the Lease Amendment No. 2 and the Indenture Amendment No. 1.

SECTION 4. Certain Conditions Precedent to the Obligations of the Lessee; Conditions Precedent with Respect to the Pass Through Trustee. (a) The Lessee's obligation to participate in the transactions contemplated by this Agreement and to execute and deliver the Lease Amendment No. 2 and the PA Amendment No. 2 are subject to the receipt by the Lessee of (i) each opinion referred to in subsections (j) through (n) of Section 3, addressed to the Lessee or accompanied by a letter from counsel rendering such opinion authorizing the Lessee to rely on such opinion as if it were addressed to the Lessee, and (ii) such other documents and evidence with respect to each other party hereto as it may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

(b) The respective obligations of each of the Lessee, the Owner Participant, the Owner Trustee, GE, in its capacity as a Loan Participant, and the Loan Trustee to participate in the transactions contemplated hereby is subject to the receipt by each of them of (i) a certificate signed by an authorized officer of the Pass Through Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Pass Through Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date), (ii) an opinion addressed to each of them of Richards, Layton & Finger, special counsel for the Pass Through Trustee, in form and substance satisfactory to each of them, and (iii) such other documents and evidence with respect to the Pass Through Trustee as it may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

SECTION 5. Amendment of the First Amended Indenture. GE, in its capacities as Loan Participant and Owner Participant, respectively, by execution and delivery hereof, requests, authorizes and directs the Owner Trustee and the Loan Trustee to execute and deliver the Indenture Amendment No. 1, and the Owner Trustee and the Loan Trustee, by execution and delivery hereof, agree to execute and deliver the Indenture Amendment No. 1. The Lessee, by execution and delivery hereof, consents to such execution and delivery of the Indenture Amendment No. 1. The Indenture Amendment No. 1 shall be effective as of the Refunding Date.

SECTION 6. Amendment of the First Amended Lease. The Loan Trustee and the Owner Participant, by execution and delivery hereof, request and instruct the Owner Trustee to execute and deliver the Lease Amendment No. 2, and the Owner Trustee and the Lessee agree, by execution and delivery hereof, to execute and deliver the Lease Amendment No. 2. The Lease Amendment No. 2 shall be effective as of the Refunding Date.

SECTION 7. Amendment of the Participation Agreement. GE, in its capacities as Loan Participant and Owner Participant, respectively, by execution and delivery hereof, request, authorize and direct the Owner Trustee and the Loan Trustee to execute and deliver the PA Amendment No. 2, and the Owner Trustee and the Loan Trustee, by execution and delivery hereof, agree to execute and deliver the PA Amendment No. 2. Upon the execution and delivery of the PA Amendment No. 2 by each of the parties thereto, the First Amended PA shall be amended as set forth in the PA Amendment No. 2, and the Subordination Agent shall be a party thereto from and after the Refunding Date to the extent set forth in such PA Amendment No. 2. The PA Amendment No. 2 shall be effective as of the Refunding Date.

SECTION 8. [Intentionally omitted]

SECTION 9. Lessee's Representations and Warranties. The Lessee represents and warrants to the Pass Through Trustee, the Owner Participant, the Owner Trustee, the Loan Participants, the Liquidity Provider and the Loan Trustee that:

(a) the Lessee is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, is an "air carrier" within the meaning of 49 U.S.C. Section 40102(a), holds a certificate of public convenience and necessity in accordance with 49 U.S.C.

Section 41102, and an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49 of United States Code for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo, is a "citizen of the United States" as defined in 49 U.S.C. Section 40102, has the corporate power and authority to own or hold under lease its properties, has, or had on the respective dates of execution thereof, the corporate power and authority to enter into and perform its obligations under this Agreement, the TIA Amendment, the Lease Amendment No. 2, the PA Amendment No. 2, the Pass Through Trust Agreements, the Registration Rights Agreement, the Participation Purchase Agreement, the Purchase Agreement and the other Operative Agreements to which it is a party, and is duly qualified to do business as a foreign corporation in good standing in each state in which it has a principal office or a major overhaul facility and in which such qualification is required, except where the failure to so qualify would not be reasonably likely to have a material adverse effect on the condition (financial or otherwise), business, properties or results of operations of the Lessee, and its chief executive office (as such term is used in Article 9 of the Uniform Commercial Code in effect in the State of Texas) is located at 2929 Allen Parkway, Houston, Texas 77019;

(b) the execution and delivery by the Lessee of this Agreement, the TIA Amendment, the Lease Amendment No. 2, the PA Amendment No. 2, the Pass Through Trust Agreements, the Registration Rights Agreement, the Participation Purchase Agreement, the Purchase Agreement and each other Operative Agreement to which it is a party, and the performance of its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Agreements, the Registration Rights Agreement, the Participation Purchase Agreement, the Purchase Agreement and each other Operative Agreement to which it is a party, have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, or approval or consent of any trustee or holder of any material indebtedness or material obligations of the Lessee, except such as have been duly obtained and are in full force and effect, and do not contravene any law, governmental rule, regulation or order binding on the Lessee or the certificate of incorporation or by-laws of the Lessee, or contravene the provisions of, or constitute a default under, or result in the creation of any Lien (other than Permitted Liens) upon the property of the Lessee under, any indenture, mortgage, contract or other agreement to which the Lessee is a party or by which it may be bound or affected which contravention, default or Lien, individually or in the aggregate, would be reasonably likely to have a material adverse effect on the condition (financial or otherwise), business, properties or results of operations of the Lessee;

(c) neither the execution and delivery by the Lessee of this Agreement, the TIA Amendment, the Lease Amendment No. 2, the PA Amendment No. 2, the Pass Through Trust Agreements, the Registration Rights Agreement, the Participation Purchase Agreement, the Purchase Agreement or any other Operative Agreement to which it is a party, nor the performance of its obligations hereunder or under the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Agreements, the Registration Rights Agreement, the Participation Purchase Agreement, the Purchase Agreement or the other Operative Agreements to which it is a party, nor the consummation by the Lessee of any of the transactions contemplated hereby or thereby, requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, the Department of Transportation, the FAA, or any other federal, state or foreign governmental authority having jurisdiction, other than (i) the registration of the Exchange Certificates (as defined in each Pass Through Trust Agreement), if any, pursuant to the provisions of the Pass Through Trust Agreements, under the Securities Act of 1933, as amended, and under the securities laws of any state in which the Certificates may be offered for sale if the laws of such state require such action, (ii) the qualification of the Pass Through Trust Agreements under the Trust Indenture Act of 1939, as amended, which qualification will be duly obtained upon the effectiveness of any Registration Statement (as defined in the Registration Rights Agreement) pursuant to an order of the Securities and Exchange Commission, (iii) the registrations and filings referred to in Section 9(e) and (iv) authorizations, consents, approvals, actions, notices and filings required to be obtained, taken, given or made the failure of which to obtain, take, give or make would not be reasonably likely to have a material adverse effect on the condition (financial or otherwise), business, properties or results of operations of the Lessee;

(d) each of this Agreement, the First Amended PA, the GE Tax Indemnity Agreement, the First Amended Lease, the Pass Through Trust Agreements, the Registration Rights

Agreement, the Participation Purchase Agreement and each other Operative Agreement to which the Lessee is a party constitutes, and each of the Participation Agreement, the Tax Indemnity Agreement and the Lease, when the PA Amendment No. 2, the TIA Amendment and the Lease Amendment No. 2 shall have been executed and delivered by each of the parties thereto, will constitute, the legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, whether considered in a proceeding at law or in equity, and except, in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not make the remedies provided in the Lease inadequate for practical realization of the rights and benefits intended to be afforded thereby;

(e) except for the filing for recording pursuant to the Federal Aviation Act of the Indenture Amendment No. 1 and the Lease Amendment No. 2, no further filing or recording of any document (including any financing statement in respect thereof under Article 9 of the Uniform Commercial Code of any applicable jurisdiction) is necessary under the laws of the United States of America or any State thereof in order to perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties, or to perfect the security interest in favor of the Loan Trustee in the Owner Trustee's interest in the Aircraft or the Lease (with respect to such portion of the Aircraft as is covered by the recording system established by the FAA pursuant to 49 U.S.C. Section 44107) in any applicable jurisdiction in the United States and in the Lease in any applicable jurisdiction in the United States other than the Loan Trustee taking possession of the original counterparts of the Lease, the Lease Amendment No. 1 and the Lease Amendment No. 2 (to the extent the Lease, the Lease Amendment No. 1 and the Lease Amendment No. 2 constitute chattel paper) and the filing of continuation statements with respect to the Uniform Commercial Code financing statements in effect on the date hereof covering the security interests created by the Original Indenture or describing the Original Lease as a lease;

(f) neither the Lessee nor any of its affiliates has directly or indirectly offered the Pass Through Certificates for sale to any Person other than in a manner permitted by the Securities Act of 1933, as amended, and by the rules and regulations thereunder;

(g) the Lessee is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended;

(h) no event has occurred and is continuing which constitutes an Indenture Event of Default or would constitute an Indenture Event of Default but for the requirement that notice be given or time lapse or both; and

(i) no event has occurred and is continuing which constitutes an Event of Loss or would constitute an Event of Loss with the lapse of time.

SECTION 10. Representations, Warranties and Covenants. Each of the parties below represents, warrants and covenants to each of the other parties to this Agreement and to the Liquidity Provider as follows:

(a) The Loan Trustee represents, warrants and covenants that:

(1) the Loan Trustee is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 and will resign as Loan Trustee promptly after it obtains actual knowledge that it has ceased to be such a citizen, and has the full corporate power, authority and legal right under the laws of the State of Delaware and the United States pertaining to its banking, trust and fiduciary powers to execute and deliver each of this Agreement, the PA Amendment No. 2, the Indenture Amendment No. 1 and each other Operative Agreement to which it is a party and to carry out its obligations under this Agreement, the Participation Agreement, the Indenture and each other Operative Agreement to which it is a party;

(2) the execution and delivery by the Loan Trustee of this Agreement, the Indenture Amendment No. 1, the PA Amendment No. 2 and each other Operative Agreement to which it is a party and the performance by the Loan Trustee of its obligations under this Agreement, the Participation Agreement, the Indenture and each other Operative Agreement to which it is a party have been duly authorized by the Loan Trustee and will not violate its articles of association or by-laws or the provisions of any indenture,

mortgage, contract or other agreement to which it is a party or by which it is bound; and

(3) this Agreement constitutes, and the Participation Agreement, when the PA Amendment No. 2 has been executed and delivered by the Loan Trustee, and the Indenture, when the Indenture Amendment No. 1 has been executed and delivered by the Loan Trustee, will constitute, the legal, valid and binding obligations of the Loan Trustee enforceable against it in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, whether considered in a proceeding at law or in equity.

(b) The Owner Trustee, in its individual capacity (except as provided in clauses (3), (4), (8) and (9) below) and (but only as provided in clauses (3), (4) and, to the extent that it relates to the Owner Trustee, clauses (8), (10) and (12) below) as Owner Trustee, represents and warrants that:

(1) the Owner Trustee, in its individual capacity, is a national banking association duly organized and validly existing in good standing under the laws of the United States holding a valid certificate to do business as a national banking association, has full corporate power and authority to carry on its business as now conducted, has, or had on the respective dates of execution thereof, the corporate power and authority to execute and deliver the Trust Agreement, has the corporate power and authority to carry out the terms of the Trust Agreement, and has, or had on the respective dates of execution thereof (assuming the authorization, execution and delivery of the Trust Agreement by the Original Owner Participant), as Owner Trustee, and to the extent expressly provided herein or therein, in its individual capacity, the corporate power and authority to execute and deliver and to carry out the terms of this Agreement, the First Amended Indenture, the Indenture Amendment No. 1, the Refunding Notes, the Lease Amendment No. 2, the PA Amendment No. 2 and each other Operative Agreement (other than the Trust Agreement) to which it is a party;

(2) the Owner Trustee in its trust capacity and, to the extent expressly provided therein, in its individual capacity, has duly authorized, executed and delivered the Trust Agreement and (assuming the due authorization, execution and delivery of the Trust Agreement by the Original Owner Participant) each of this Agreement, the First Amended PA, the Trust Agreement, the First Amended Indenture, the First Amended Lease, the Trust Agreement and each other Operative Agreement to which it is a party, constitutes a legal, valid and binding obligation of the Owner Trustee, in its individual capacity, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, whether considered in a proceeding at law or in equity;

(3) assuming the due authorization, execution and delivery of the Trust Agreement by the Original Owner Participant, each of this Agreement, the First Amended PA, the First Amended Indenture, the First Amended Lease and each other Operative Agreement to which it is party constitutes, and each of the Participation Agreement, when the PA Amendment No. 2 shall have been entered into, the Indenture, when the Indenture Amendment No. 1 shall have been entered into, and the Lease, when the Lease Amendment No. 2 shall have been entered into, will constitute, the legal, valid and binding obligation of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, whether considered in a proceeding at law or in equity;

(4) assuming the due authorization, execution and delivery of the Trust Agreement by the Original Owner Participant, the Owner Trustee has duly authorized, and on the Refunding Date shall have duly issued, executed and delivered to the Loan Trustee for authentication, the Refunding Notes pursuant to the terms and provisions hereof and of the Indenture, and each Refunding Note on the Refunding Date will constitute the valid and binding obligation of the Owner Trustee and will be entitled to the benefits and security afforded by the Indenture in accordance with the terms of such Refunding Note and the Indenture;

(5) neither the execution and delivery by the Owner Trustee, in its individual capacity or as Owner Trustee, as

the case may be, of this Agreement, the First Amended PA, the PA Amendment No. 2, the Trust Agreement, the First Amended Indenture, the Indenture Amendment No. 1, the First Amended Lease, the Lease Amendment No. 2 or the Refunding Notes, nor the consummation by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or thereby, nor the compliance by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, with any of the terms and provisions hereof and thereof, (A) requires or will require any approval of its stockholders, or approval or consent of any trustees or holders of any indebtedness or obligations of it, or (B) violates or will violate its articles of association or by-laws, or contravenes or will contravene any provision of, or constitutes or will constitute a default under, or results or will result in any breach of, or results or will result in the creation of any Lien (other than as permitted under the Lease) upon its property under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sale contract, bank loan or credit agreement, license or other agreement or instrument to which it is a party or by which it is bound, or contravenes or will contravene any law, governmental rule or regulation of the United States of America or the State of Utah governing the trust powers of the Owner Trustee, or any judgment or order applicable to or binding on it;

(6) no consent, approval, order or authorization of, giving of notice to, or registration with, or taking of any other action in respect of, any Utah state or local governmental authority or agency or any United States federal governmental authority or agency regulating the trust powers of the Owner Trustee in its individual capacity is required for the execution and delivery of, or the carrying out by, the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or by the Trust Agreement, the Participation Agreement, the Indenture, the Lease or the Refunding Notes, other than any such consent, approval, order, authorization, registration, notice or action as has been duly obtained, given or taken or which is described in Section 9(h);

(7) there exists no Lessor Lien attributable to the Owner Trustee, in its individual capacity, other than any Lessor Liens (A) the existence of which poses no material risk of the sale, forfeiture or loss of the Aircraft, Airframe or any Engine or any interest therein, (B) the existence of which does not interfere in any way with the use or operation of the Aircraft by the Lessee (or any Permitted Sublessee), (C) the existence of which does not affect the priority or perfection of, or otherwise jeopardize, the Lien of the Indenture, (D) which the Owner Trustee is diligently contesting by appropriate proceedings, (E) the existence of which does not result in actual interruption in the receipt and distribution by the Loan Trustee in accordance with the Indenture of Rent assigned to the Loan Trustee for the benefit of the Note Holders, and (F) any property subject to which is not then required to be conveyed to any other Person pursuant to Section 4.6 of the Lease;

(8) there exists no Lessor Lien attributable to the Owner Trustee, as lessor under the Lease, other than any Lessor Liens (A) the existence of which poses no material risk of the sale, forfeiture or loss of the Aircraft, Airframe or any Engine or any interest therein, (B) the existence of which does not interfere in any way with the use or operation of the Aircraft by the Lessee (or any Permitted Sublessee), (C) the existence of which does not affect the priority or perfection of, or otherwise jeopardize, the Lien of the Indenture, (D) which the Owner Trustee is diligently contesting by appropriate proceedings, (E) the existence of which does not result in actual interruption in the receipt and distribution by the Loan Trustee in accordance with the Indenture of Rent assigned to the Loan Trustee for the benefit of the Note Holders, and (F) any property subject to which is not then required to be conveyed to any other Person pursuant to Section 4.6 of the Lease;

(9) there are no Taxes payable by the Owner Trustee, either in its individual capacity or as Owner Trustee, imposed by the State of Utah or any political subdivision thereof in connection with the redemption of the Initial Notes or the issuance of the Refunding Notes, and in its individual capacity or as Owner Trustee, as the case may be, of any of the instruments referred to in clauses (1), (2), (4) and (5) above, that, in each case, would not have been imposed if the Trust Estate had not been created pursuant to the laws of the State of Utah and First Security Bank of Utah, National Association, had not (a) had its principal place of business in, (b) performed (in its individual capacity or as Owner Trustee) any or all of its duties under the Operative Agreements in, and (c) engaged in any activities unrelated to the transactions contemplated by the Operative Agreements in, the State of

Utah;

(10) there are no pending or, to its knowledge, threatened actions or proceedings against the Owner Trustee, either in its individual capacity or as Owner Trustee, before any court or administrative agency which, if determined adversely to it, would materially adversely affect the ability of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to perform its obligations under any of the instruments referred to in clauses (1), (2), (4) and (5) above;

(11) both its chief executive office, and the place where its records concerning the Aircraft and all its interests in, to and under all documents relating to the Trust Estate, are located in Salt Lake City, Utah, and the Owner Trustee, in its individual capacity, agrees to give the Lessee, the Owner Participant, the Loan Trustee and the Pass Through Trustee at least 30 days' prior written notice of any relocation of said chief executive office or said place from its present location;

(12) the Owner Trustee has not, in its individual capacity or as Owner Trustee, directly or indirectly offered any Refunding Note or Certificate or any interest in or to the Trust Estate, the Trust Agreement or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone other than the Pass Through Trustee, the Loan Participants and the Owner Participant; and the Owner Trustee has not authorized anyone to act on its behalf (it being understood that in arranging and proposing the refinancing contemplated hereby and agreed to herein by the Owner Trustee, the Lessee has not acted as agent of the Owner Trustee) to offer directly or indirectly any Refunding Note, any Certificate or any interest in and to the Trust Estate, the Trust Agreement or any similar interest for sale to, or to solicit any offer to acquire any of the same from, any person; and

(13) it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 (without making use of a voting trust agreement or voting powers agreement).

that: (c) The Owner Participant represents and warrants

(1) it is duly incorporated, validly existing and in good standing under the laws of the State of New York and has the corporate power and authority to carry on its present business and operations and to own or lease its properties, has, or had on the respective dates of execution thereof or assumption of rights and obligations thereunder, as the case may be, the corporate power and authority to enter into and to perform its obligations under this Agreement, the Equity Purchase Agreement, the First Amended PA, the GE Tax Indemnity Agreement, the TIA Amendment, the Trust Agreement and the PA Amendment No. 2; and this Agreement, the Equity Purchase Agreement and the GE Tax Indemnity Agreement have been duly authorized, executed and delivered by it and the execution and delivery of the TIA Amendment and the PA Amendment No. 2 has been duly authorized by it; and each of this Agreement, the Equity Purchase Agreement, the First Amended PA, the GE Tax Indemnity Agreement and the Trust Agreement constitutes, and each of the Participation Agreement and the Tax Indemnity Agreement when the PA Amendment No. 2 and the TIA Amendment shall have been entered into, will constitute, the legal, valid and binding obligations of the Owner Participant enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity, whether considered in a proceeding at law or in equity;

(2) neither (A) the execution and delivery by the Owner Participant of this Agreement, the TIA Amendment, the PA Amendment No. 2 or any other Operative Agreement to which it is a party nor (B) compliance by it with all of the provisions thereof, (x) will contravene any law or order of any court or governmental authority or agency applicable to or binding on the Owner Participant (it being understood that no representation or warranty is made with respect to laws, rules or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee other than such laws, rules or regulations relating to the citizenship requirements of the Owner Participant under applicable law), or (y) will contravene the provisions of, or constitutes or has constituted or will constitute a default under, its certificate of incorporation or by-laws or any indenture, mortgage, contract or other agreement or instrument to which the Owner Participant is a party or by which it or any of its property may be bound or affected;

(3) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (other than as required by the Federal

Aviation Act or the regulations promulgated thereunder and except for routine insurance regulatory filings which have been or will be made) is or was required, as the case may be, for the due execution, delivery or performance by it of this Agreement, the Equity Purchase Agreement, the PA Amendment No. 2 and the TIA Amendment;

(4) there are no pending or, to its knowledge, threatened actions or proceedings before any court or administrative agency or arbitrator which would materially adversely affect the Owner Participant's ability to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement and the Trust Agreement;

(5) neither the Owner Participant nor anyone authorized by it to act on its behalf (it being understood that in proposing, facilitating and otherwise taking any action in connection with the refinancing contemplated hereby and agreed to herein by the Owner Participant, the Lessee has not acted as agent of the Owner Participant) has directly or indirectly offered any Refunding Note or Certificate or any interest in and to the Trust Estate, the Trust Agreement or any similar interest for sale to, or solicited any offer to acquire any of the same from, any Person; the Owner Participant's interest in the Trust Estate and the Trust Agreement was acquired for its own account and was purchased for investment and not with a view to any resale or distribution thereof;

(6) on the Refunding Date, the Trust Estate shall be free of Lessor Liens attributable to the Owner Participant other than any Lessor Liens (A) the existence of which poses no material risk of the sale, forfeiture or loss of the Aircraft, Airframe or any Engine or any interest therein, (B) the existence of which does not interfere in any way with the use or operation of the Aircraft by the Lessee (or any Permitted Sublessee), (C) the existence of which does not affect the priority or perfection of, or otherwise jeopardize, the Lien of the Indenture, (D) which the Owner Participant is diligently contesting by appropriate proceedings, (E) the existence of which does not result in actual interruption in the receipt and distribution by the Loan Trustee in accordance with the Indenture of Rent assigned to the Loan Trustee for the benefit of the Note Holders, and (F) any property subject to which is not then required to be conveyed to any other Person pursuant to Section 4.6 of the Lease; and

(7) it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 (without making use of a voting trust agreement or a voting powers agreement).

(d) The Pass Through Trustee represents, warrants and covenants that:

(1) the Pass Through Trustee is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has the full corporate power, authority and legal right under the laws of the State of Delaware and the United States pertaining to its banking, trust and fiduciary powers to execute and deliver each of the Pass Through Trust Agreements, the Registration Rights Agreement, the Intercreditor Agreement and this Agreement and to perform its obligations under this Agreement, the Pass Through Trust Agreements, the Registration Rights Agreement, the Intercreditor Agreement and, when the PA Amendment No. 1 has been executed and delivered by the parties thereto, the Participation Agreement;

(2) each of the Pass Through Trust Agreements, the Registration Rights Agreement, the Intercreditor Agreement and this Agreement has been duly authorized, executed and delivered by the Pass Through Trustee; this Agreement and each of the Pass Through Trust Agreements, the Registration Rights Agreement, the Intercreditor Agreement and the Participation Agreement constitute the legal, valid and binding obligations of the Pass Through Trustee enforceable against it in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, whether considered in a proceeding at law or in equity;

(3) none of the execution, delivery and performance by the Pass Through Trustee of any of the Pass Through Trust Agreements, the Registration Rights Agreement, the Intercreditor Agreement, this Agreement or the Participation Agreement, the purchase by the Pass Through Trustee of the Refunding Notes pursuant to this Agreement, or the issuance of the Certificates pursuant to the Pass Through Trust Agreements, contravenes any law, rule or regulation of the State of Delaware or any United States governmental authority or agency regulating the Pass Through Trustee's banking, trust or fiduciary powers or any judgment or order applicable to or binding on the Pass Through Trustee and does not contravene or result in any

breach of, or constitute a default under, the Pass Through Trustee's articles of association or by-laws or any agreement or instrument to which the Pass Through Trustee is a party or by which it or any of its properties may be bound;

(4) neither the execution and delivery by the Pass Through Trustee of any of the Pass Through Trust Agreements, the Registration Rights Agreement, the Intercreditor Agreement or this Agreement, nor the consummation by the Pass Through Trustee of any of the transactions contemplated hereby or thereby or by the Participation Agreement, requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action with respect to, any Delaware governmental authority or agency or any federal governmental authority or agency regulating the Pass Through Trustee's banking, trust or fiduciary powers;

(5) there are no Taxes payable by the Pass Through Trustee imposed by the State of Delaware or any political subdivision or taxing authority thereof in connection with the execution, delivery and performance by the Pass Through Trustee of this Agreement, any of the Pass Through Trust Agreements, the Registration Rights Agreement, the Intercreditor Agreement or the Participation Agreement (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Agreements), and there are no Taxes payable by the Pass Through Trustee imposed by the State of Delaware or any political subdivision thereof in connection with the acquisition, possession or ownership by the Pass Through Trustee of any of the Refunding Notes (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Agreements), and, assuming that the trusts created by the Pass Through Trust Agreements will not be taxable as corporations, but, rather, each will be characterized as a grantor trust under subpart E, Part I of Subchapter J of the Code, such trusts will not be subject to any Taxes imposed by the State of Delaware or any political subdivision thereof;

(6) there are no pending or threatened actions or proceedings against the Pass Through Trustee before any court or administrative agency which individually or in the aggregate, if determined adversely to it, would materially adversely affect the ability of the Pass Through Trustee to perform its obligations under this Agreement, the Participation Agreement, the Registration Rights Agreement, the Intercreditor Agreement or any Pass Through Trust Agreement;

(7) except for the issue and sale of the Certificates contemplated hereby, the Pass Through Trustee has not directly or indirectly offered any Refunding Note for sale to any Person or solicited any offer to acquire any Refunding Notes from any Person, nor has the Pass Through Trustee authorized anyone to act on its behalf to offer directly or indirectly any Refunding Note for sale to any Person, or to solicit any offer to acquire any Refunding Note from any Person; and the Pass Through Trustee is not in default under any Pass Through Trust Agreement; and

(8) the Pass Through Trustee is not directly or indirectly controlling, controlled by or under common control with the Owner Participant, the Owner Trustee, any Initial Purchaser or the Lessee.

(e) The Subordination Agent represents, warrants and covenants that:

(1) the Subordination Agent is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has the full corporate power, authority and legal right under the laws of the State of Delaware and the United States pertaining to its banking, trust and fiduciary powers to execute and deliver each of the Liquidity Facilities, the Intercreditor Agreement, the PA Amendment No. 2 and this Agreement and to perform its obligations under this Agreement, the Liquidity Facilities and the Intercreditor Agreement and, when the PA Amendment No. 2 has been executed and delivered by each of the parties thereto, the Participation Agreement;

(2) each of the Liquidity Facilities, the Intercreditor Agreement and this Agreement has been duly authorized, executed and delivered by the Subordination Agent; this Agreement, each of the Liquidity Facilities, the Intercreditor Agreement, the PA Amendment No. 2 and the Participation Agreement constitute the legal, valid and binding obligations of the Subordination Agent enforceable against it in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws

affecting the rights of creditors generally and by general principles of equity, whether considered in a proceeding at law or in equity;

(3) none of the execution, delivery and performance by the Subordination Agent of each of the Liquidity Facilities, the Intercreditor Agreement, this Agreement or the PA Amendment No. 2 contravenes any law, rule or regulation of the State of Delaware or any United States governmental authority or agency regulating the Subordination Agent's banking, trust or fiduciary powers or any judgment or order applicable to or binding on the Subordination Agent and do not contravene or result in any breach of, or constitute a default under, the Subordination Agent's articles of association or by-laws or any agreement or instrument to which the Subordination Agent is a party or by which it or any of its properties may be bound;

(4) neither the execution and delivery by the Subordination Agent of any of the Liquidity Facilities, the Intercreditor Agreement, the PA Amendment No. 2 or this Agreement nor the consummation by the Subordination Agent of any of the transactions contemplated hereby or thereby requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action with respect to, any Delaware governmental authority or agency or any federal governmental authority or agency regulating the Subordination Agent's banking, trust or fiduciary powers;

(5) there are no Taxes payable by the Subordination Agent imposed by the State of Delaware or any political subdivision or taxing authority thereof in connection with the execution, delivery and performance by the Subordination Agent of this Agreement, any of the Liquidity Facilities, the Intercreditor Agreement, the PA Amendment No. 2 or the Participation Agreement (other than franchise or other taxes based on or measured by any fees or compensation received by the Subordination Agent for services rendered in connection with the transactions contemplated by the Intercreditor Agreement or any of the Liquidity Facilities), and there are no Taxes payable by the Subordination Agent imposed by the State of Delaware or any political subdivision thereof in connection with the acquisition, possession or ownership by the Subordination Agent of any of the Refunding Notes (other than franchise or other taxes based on or measured by any fees or compensation received by the Subordination Agent for services rendered in connection with the transactions contemplated by the Intercreditor Agreement or any of the Liquidity Facilities);

(6) there are no pending or threatened actions or proceedings against the Subordination Agent before any court or administrative agency which individually or in the aggregate, if determined adversely to it, would materially adversely affect the ability of the Subordination Agent to perform its obligations under this Agreement, the PA Amendment No. 2, the Participation Agreement, the Intercreditor Agreement or any Liquidity Facility;

(7) the Subordination Agent has not directly or indirectly offered any Refunding Note for sale to any Person or solicited any offer to acquire any Refunding Notes from any Person, nor has the Subordination Agent authorized anyone to act on its behalf to offer directly or indirectly any Refunding Note for sale to any Person, or to solicit any offer to acquire any Refunding Note from any Person; and the Subordination Agent is not in default under any Liquidity Facility; and

(8) the Subordination Agent is not directly or indirectly controlling, controlled by or under common control with the Owner Participant, the Owner Trustee, any Initial Purchaser or the Lessee.

(f) The Initial Loan Participant represents and warrants that:

(1) as of the Refunding Date, it is the owner of the Initial LP Notes in the aggregate principal amount of \$437,967,000, free and clear of Liens attributable to it; and

(2) this Agreement has been duly authorized, executed and delivered by the Initial Loan Participant and constitutes the legal, valid and binding obligation of the Initial Loan Participant, enforceable against the Initial Loan Participant in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, whether considered in a proceeding at law or in equity.

(g) GE, as the Loan Participant, represents and warrants that:

(1) as of the Refunding Date, it is the owner of the

Initial Series D Notes in the aggregate principal amount of \$51,300,000, free and clear of Liens attributable to it;

(2) this Agreement and the PA Amendment No. 2 have been duly authorized, executed and delivered by GE and constitute the legal, valid and binding obligations of GE, enforceable against GE in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity, whether considered in a proceeding at law or in equity; and

(3) the Class D Certificates to be issued to it by the Class D Trust pursuant to Section 1(a)(x) are being acquired by it for investment and not with a view to resale or distribution thereof.

SECTION 11. Notices. Unless otherwise specifically provided herein, all notices required or permitted by the terms of this Agreement shall be in English and in writing, and any such notice shall become effective upon being deposited in the United States mail, with proper postage for first-class registered or certified mail prepaid, or when delivered personally or, if promptly confirmed by mail as provided above, when dispatched by telegram, telex, facsimile or other written telecommunication, addressed, if to the Lessee, the Owner Participant, the Owner Trustee, the Pass Through Trustee, the Subordination Agent, either Loan Participant or the Loan Trustee, at their respective addresses or facsimile numbers set forth below the signatures of such parties at the foot of this Agreement.

SECTION 12. Expenses. (a) Except as provided in paragraph (b) below, all of the reasonable out-of-pocket costs, fees and expenses incurred by the Owner Trustee, the Owner Participant, the Pass Through Trustee, the Subordination Agent, the Loan Trustee and the Loan Participants in connection with the transactions contemplated by this Agreement, the other Operative Agreements, the Pass Through Trust Agreements, the Registration Rights Agreement, the Intercreditor Agreement, the Liquidity Facilities and the Purchase Agreement (except, in each case, as otherwise provided therein) shall be paid promptly by the Lessee, including, without limitation:

(1) the reasonable fees, expenses and disbursements allocable to the Refunding Notes issued under the Indenture of (A) Richards, Layton & Finger, special counsel for the Pass Through Trustee and the Loan Trustee, (B) Ray, Quinney & Nebeker, special counsel for the Owner Trustee, (C) Lytle, Soule & Curlee, special counsel in Oklahoma City, Oklahoma, (D) Shearman & Sterling, special counsel for the Initial Purchasers, in an amount separately agreed, and (E) Perkins Coie, special counsel to the Initial Loan Participant; and

(2) the reasonable fees, expenses and disbursements of Weil, Gotshal & Manges, special counsel for the Owner Participant and GE, as the Loan Participant.

Notwithstanding the foregoing, the Lessee shall pay, in amounts separately agreed, the fees, expenses and disbursements of Cleary, Gottlieb, Steen & Hamilton and Hughes Hubbard & Reed, special counsel for the Lessee.

(b) In the event that the transactions contemplated by this Section 12 and the agreements referred to herein are not consummated, the Lessee shall bear and pay all costs, expenses and fees referred to in this Section 12; provided that if the transactions fail to be consummated as a result of the failure of the Owner Participant to act in good faith in consummating the transactions, or to otherwise comply with the terms hereof, the Owner Participant shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel) and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid.

SECTION 13. Reliance of Liquidity Provider. Each of the parties hereto agrees and acknowledges that the Liquidity Provider shall be a third party beneficiary of each of the representations and warranties made herein by such party, and that the Liquidity Provider may rely on such representations and warranties to the same extent as if such representations and warranties were made to the Liquidity Provider directly.

SECTION 14. Miscellaneous. (a) Provided that the transactions contemplated hereby have been consummated, and except as otherwise provided for herein, the representations, warranties and agreements herein of the Lessee, the Owner Trustee, the Loan Trustee, the Owner Participant, the Loan Participants, the Subordination Agent and the Pass Through Trustee, and the Lessee's, the Owner Trustee's, the Loan Trustee's, the Owner Participant's, the Subordination Agent's and the Pass Through Trustee's obligations under any and all thereof, shall survive the expiration or other termination of this Agreement and the other agreements referred to herein.

(b) This Agreement may be executed in any number of

counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Agreement, including a signature page executed by each of the parties hereto, shall be an original counterpart of this Agreement, but all of such counterparts together shall constitute one instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought; and no such termination, amendment, supplement, waiver or modification shall be effective unless a signed copy thereof shall have been delivered to the Loan Trustee. The index preceding this Agreement and the headings of the various Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Lessee and, subject to the terms of the Participation Agreement, its successors and permitted assigns, the Loan Participants, the Pass Through Trustee and its successors as Pass Through Trustee (and any additional trustee appointed) under any of the Pass Through Trust Agreements, the Loan Trustee and its successors as Loan Trustee (and any additional Loan Trustee appointed) under the Indenture, the Subordination Agent and its successors as Subordination Agent under the Intercreditor Agreement, the Owner Trustee and its successors as Owner Trustee under the Trust Agreement, and the Owner Participant, and, subject to the provisions of the Participation Agreement, its successors and permitted assigns. No purchaser or holder of any Refunding Notes shall be deemed to be a successor or assign of either Loan Participant.

SECTION 15. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

CONTINENTAL AIRLINES, INC.,  
as Lessee

By

Name:  
Title:

Address: 2929 Allen Parkway  
Suite 2010  
Houston, TX 77019

Attention: Senior Vice President and  
Chief Financial Officer

Facsimile: (713) 520-6329

GENERAL ELECTRIC COMPANY,  
as Owner Participant and Loan  
Participant

By

Name:  
Title:

Address: c/o GE Capital Aviation  
Services, Inc.  
263 Tresser Boulevard,  
7th Floor  
Stamford, CT 06927-4900  
Attention: Manager, Portfolio  
Operations  
Facsimile: (203) 357-4585

WILMINGTON TRUST COMPANY,  
not in its individual capacity, except  
as otherwise provided herein, but solely  
as Loan Trustee, Pass Through Trustee  
and Subordination Agent

By

Name:

Title:

Address: One Rodney Square

1100 N. Market Street

Wilmington, DE 19890-0001

Attention: Corporate Trust Administration

Facsimile: (302) 651-8882

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as otherwise provided  
herein, but solely as Owner Trustee

By

Name:  
Title:

Address: 79 South Main Street  
Salt Lake City, UT 84111  
Attention: Corporate Trust Department  
Facsimile: (801) 246-5053

THE BOEING COMPANY,  
as Initial Loan Participant

By

Name:  
Title:

Address: P.O. Box 3707  
Seattle, WA 98124-3707  
Attention: Treasurer  
Facsimile: (206) 237-8746

SCHEDULE I to  
Refunding Agreement

PASS THROUGH TRUST AGREEMENTS

1. Continental Airlines 1996-A Pass Through Trust Agreement.
2. Continental Airlines 1996-B Pass Through Trust Agreement.
3. Continental Airlines 1996-C Pass Through Trust Agreement.
4. Continental Airlines 1996-D Pass Through Trust Agreement.

REFUNDING NOTES, PURCHASERS AND PURCHASE PRICE

Purchaser	Interest Rate and Maturity	Principal Amount
Continental Airlines Pass Through Trust		
1996-A	6.94% Refunding Notes due 1/15/2013	\$19,342,666.67
1996-B	7.82% Refunding Notes due 1/15/2013	\$6,769,933.33
1996-C	9.50% Refunding Notes due 1/15/2013	\$5,319,233.33
1996-D	12.48% Refunding Notes due 10/15/2013	\$3,400,000.00

CONFIDENTIAL: Subject to Restrictions on Dissemination  
Set Forth in Section 18 of this Agreement

PARTICIPATION AGREEMENT 104

Dated as of July 15, 1994

Among

CONTINENTAL AIRLINES, INC.,

Lessee,

GAUCHO-2 INC.,

Owner Participant,

THE BOEING COMPANY,

Loan Participant,

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,

Not in its Individual Capacity,  
except as expressly provided herein,  
but solely as Owner Trustee,

Owner Trustee  
and

WILMINGTON TRUST COMPANY,  
Not in its Individual Capacity,  
except as expressly provided herein,  
but solely as Mortgagee,

Mortgagee

One Boeing Model 757-224 Aircraft  
Bearing Manufacturer's Serial No. 27294

CONTENTS

SECTION 1. DEFINITIONS AND CONSTRUCTION . . . . . 2

SECTION 2. PARTICIPATION IN LESSOR'S COST; ISSUANCE OF  
LOAN CERTIFICATES; TERMINATION OF OBLIGATION  
TO PARTICIPATE; ISSUANCE OF GUARANTY. . . . . 2

    2.1 Participation in Lessor's Cost . . . . . 2

    2.2 Nature of Obligations of Participants. . . . . 3

    2.3 Issuance of Loan Certificates. . . . . 3

    2.4 Termination of Obligation to Participate . . . 3

SECTION 3. [INTENTIONALLY OMITTED]. . . . . 3

SECTION 4. COMMITMENT TO LEASE AIRCRAFT . . . . . 3

SECTION 5. PROCEDURE FOR PARTICIPATION IN PAYMENT OF  
LESSOR'S COST; POSTPONEMENT OF SCHEDULED  
DELIVERY DATE. . . . . 4

    5.1 Notices of Scheduled Delivery Date . . . . . 4

    5.2 Payment of Lessor's Cost . . . . . 4

    5.3 Postponement of Scheduled Delivery Date. . . . 5

    5.4 Closing. . . . . 6

    5.5 Closing Instructions . . . . . 7

    5.6 Obligations of WTC . . . . . 7

SECTION 6. CONDITIONS PRECEDENT . . . . . 7

    6.1 Conditions Precedent to Obligations of  
Participants . . . . . 7

    6.2 Conditions Precedent to Obligations of  
Owner Trustee. . . . . 16

    6.3 Conditions Precedent to Obligations of  
Mortgagee. . . . . 17

    6.4 Conditions Precedent to Obligations of  
Lessee . . . . . 17

    6.5 Post-Registration Opinion. . . . . 19

SECTION 7.	REPRESENTATIONS AND WARRANTIES . . . . .	19
7.1	Lessee's Representations and Warranties. . . . .	19
7.2	Owner Participant's Representations and Warranties . . . . .	24
7.3	First Security's Representations and Warranties . . . . .	27
7.4	Loan Participant's Representations and Warranties. . . . .	30
7.5	[Intentionally Omitted]. . . . .	32
7.6	WTC's Representations and Warranties . . . . .	32
SECTION 8.	COVENANTS, UNDERTAKINGS AND AGREEMENTS . . . . .	34
8.1	Covenants of Lessee. . . . .	34
8.2	Covenants of Owner Participant . . . . .	36
8.3	Covenants of First Security and Owner Trustee 39	
8.4	Covenants of WTC and Mortgagee . . . . .	40
8.5	Covenants of Certificate Holders . . . . .	42
8.6	[Intentionally Omitted]. . . . .	46
8.7	Agreements . . . . .	46
SECTION 9.	OPTIMIZATION OF AMORTIZATION SCHEDULE. . . . .	56
SECTION 10.	INDEMNIFICATION AND EXPENSES. . . . .	58
10.1	General Indemnity. . . . .	58
10.2	Expenses . . . . .	66
10.3	General Tax Indemnity. . . . .	66
10.4	[Intentionally Omitted]. . . . .	78
10.5	Payments . . . . .	78
10.6	Interest . . . . .	78
10.7	Benefit of Indemnities . . . . .	78
SECTION 11.	[INTENTIONALLY OMITTED]. . . . .	79
SECTION 12.	ASSIGNMENT OR TRANSFER OF INTERESTS. . . . .	79
12.1	Participants, Owner Trustee and Certificate Holders. . . . .	79
12.2	Effect of Transfer . . . . .	82
12.3	Majority in Interest of Certificate Holders. . . . .	83
SECTION 13.	REFUNDING AND CERTAIN OTHER MATTERS. . . . .	83
13.1	Refunding Generally. . . . .	83
13.2	Private Offering . . . . .	85
13.3	Timing; Refunding Limit; Notice. . . . .	85
13.4	Limitations on Obligation to Refund. . . . .	85
13.5	All Loan Certificates. . . . .	86
13.6	Execution of Certain Documents . . . . .	86
13.7	ERISA. . . . .	86
13.8	Consent to Optional Redemptions. . . . .	86
13.9	Certain Additional Rights Of Lessee. . . . .	87
SECTION 14.	LEASE FOR ALL PURPOSES; SECTION 1110 . . . . .	91
SECTION 15.	OWNER PARTICIPANT'S RIGHT TO RESTRUCTURE . . . . .	91
15.1	General Right to Restructure . . . . .	91
15.2	Limitations on Restructuring Provisions; Additional Terms . . . . .	92
15.3	Transaction Expenses . . . . .	93
SECTION 16.	CHANGE OF CITIZENSHIP. . . . .	93
16.1	Generally. . . . .	93
16.2	Owner Participant. . . . .	94
16.3	Owner Trustee. . . . .	94
16.4	Mortgagee. . . . .	95
SECTION 17.	CONCERNING OWNER TRUSTEE . . . . .	95
SECTION 18.	CONFIDENTIALITY. . . . .	95
SECTION 19.	MISCELLANEOUS. . . . .	96
19.1	Amendments . . . . .	96
19.2	Severability . . . . .	96
19.3	Survival . . . . .	97
19.4	Reproduction of Documents. . . . .	97
19.5	Counterparts . . . . .	97
19.6	No Waiver. . . . .	98
19.7	Notices. . . . .	98
19.8	GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE. . . . .	98
19.9	Third-Party Beneficiary. . . . .	101
19.10	Entire Agreement . . . . .	101
19.11	Further Assurances . . . . .	101
SECTION 20.	ERISA. . . . .	102
20.1	Generally. . . . .	102
20.2	Owner Participant. . . . .	102
20.3	Certificate Holders. . . . .	102
20.4	[Intentionally Omitted]. . . . .	103

20.5	Owner Trustee. . . . .	.103
20.6	Mortgagee. . . . .	.103
20.7	Representations. . . . .	.103
20.8	Certain Agreements . . . . .	.103

ANNEX, SCHEDULES AND EXHIBITS

ANNEX A - Definitions

- SCHEDULE 1 - Accounts; Addresses
- SCHEDULE 2 - Lessee's Address for Service of Process
- SCHEDULE 3 - Commitments
- SCHEDULE 4 - Certain Terms
- SCHEDULE 5 - Reset of Debt Rate
  
- EXHIBIT A - Opinion of special counsel to Lessee
- EXHIBIT B - Opinion of corporate counsel to Lessee
- EXHIBIT C - Opinion of corporate counsel to Airframe  
Manufacturer
- EXHIBIT D - [Intentionally Omitted]
- EXHIBIT E - Opinion of special counsel to Owner Trustee
- EXHIBIT F - Opinion of special counsel to Mortgagee
- EXHIBIT G - Opinion of special counsel to Owner Participant  
and Owner Participant Parent
- EXHIBIT H - Opinion of corporate counsel to Owner Participant  
and Owner Participant Parent
- EXHIBIT I - [Intentionally Omitted]
- EXHIBIT J - [Intentionally Omitted]
- EXHIBIT K - [Intentionally Omitted]
- EXHIBIT L - Opinion of special counsel in Oklahoma City,  
Oklahoma

PARTICIPATION AGREEMENT 104, dated as of July 15, 1994 (this "Agreement"), among (a) CONTINENTAL AIRLINES, INC., a Delaware corporation ("Lessee"), (b) GAUCHO-2 INC., a Delaware corporation ("Owner Participant"), (c) THE BOEING COMPANY ("Loan Participant"), (d) FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee (this and all other capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in Section 1) (in its capacity as Owner Trustee, "Owner Trustee" or "Lessor," and in its individual capacity, "First Security") and (e) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except as expressly provided herein, but solely as Mortgagee (in its capacity as Mortgagee, "Mortgagee" and in its individual capacity, "WTC").

#### RECITALS

A. Owner Participant and First Security, concurrently herewith, are entering into the Trust Agreement, pursuant to which, among other things, Owner Trustee agrees to hold the Trust Estate for the use and benefit of Owner Participant upon and subject to the terms and conditions set forth therein.

B. Lessee and Airframe Manufacturer have entered into the Purchase Agreement, pursuant to which, among other things, Airframe Manufacturer has agreed to manufacture and sell to Lessee and Lessee has agreed to purchase from Airframe Manufacturer, certain aircraft, including the Aircraft.

C. On the Delivery Date, Lessee and Owner Trustee will enter into the Purchase Agreement Assignment, pursuant to which, among other things, Lessee will assign to Owner Trustee certain of its right, title and interest in, to and under the Purchase Agreement, including, without limitation, the right to purchase the Aircraft from Airframe Manufacturer upon and subject to the terms and conditions set forth in the Purchase Agreement and the Purchase Agreement Assignment.

D. Upon and subject to the terms and conditions set forth herein, and in order to permit Owner Trustee to purchase the Aircraft from Airframe Manufacturer, Participants have agreed to participate in the payment of Lessor's Cost by Owner Trustee.

E. Owner Trustee and Mortgagee, concurrently with the execution and delivery hereof, have entered into the Trust Indenture for the benefit of the Certificate Holders, pursuant to which, among other things, Owner Trustee agrees (1) to issue Loan Certificates, in the amounts and otherwise as provided in the Trust Indenture, as evidence of the participation by Loan Participant in the payment of a portion of Lessor's Cost and (2) to mortgage, pledge and assign to Mortgagee all of Owner Trustee's right, title and interest in the Trust Indenture Estate to secure the Secured Obligations, including, without limitation, Owner Trustee's obligations under the Loan Certificates.

F. Concurrently with the execution and delivery hereof, Owner Participant Parent has, for the benefit of Lessee, Owner Trustee and Mortgagee, issued the Owner Participant Guaranty, pursuant to which Owner Participant Parent will guarantee the obligations of Owner Participant under the Operative Agreements.

G. On the Delivery Date, Lessor and Lessee will enter into the Lease, pursuant to which, among other things, Lessor shall lease the Aircraft to Lessee and Lessee shall lease the Aircraft from Lessor upon and subject to the terms and conditions set forth therein.

H. The parties hereto wish to set forth in this Agreement the terms and conditions upon and subject to which the aforesaid transactions shall be effected.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### SECTION 1. DEFINITIONS AND CONSTRUCTION

Capitalized terms used but not defined herein shall have the respective meanings set forth or incorporated by reference, and shall be construed and interpreted in the manner described, in Annex A.

#### SECTION 2. PARTICIPATION IN LESSOR'S COST; ISSUANCE OF LOAN CERTIFICATES; TERMINATION OF OBLIGATION TO PARTICIPATE; ISSUANCE OF GUARANTY

##### 2.1 Participation in Lessor's Cost

Subject to the terms and conditions of this Agreement, including, without limitation, the funding and procedures set forth in Section 5, on the Delivery Date, Owner Participant and Loan Participant shall participate in the payment of Lessor's Cost as follows:

- (a) Owner Participant shall invest in the beneficial ownership of the Aircraft in the amount in Dollars equal to Owner Participant's Percentage multiplied by Lessor's Cost; and
- (b) Loan Participant shall make a non-recourse secured loan to Owner Trustee in the amount in Dollars equal to the Loan Participant's Percentage multiplied by Lessor's Cost (but not in excess of the amount set forth in Schedule 3 opposite Loan Participant's name), such loan to be evidenced by one or more Loan Certificates issued to Loan Participant by Owner Trustee in the manner described in Section 2.3.

## 2.2 Nature of Obligations of Participants

The obligations hereunder of each Participant are several, and not joint, and a Participant shall have no obligation to make available to Owner Trustee any portion of any amount not paid hereunder by the other Participant. The failure by either Participant to perform its obligations hereunder shall not affect the obligations of Lessee toward the other Participant, except to the extent provided in Section 6.4.

## 2.3 Issuance of Loan Certificates

Subject to the terms and conditions of this Agreement and in accordance with the Trust Indenture, on the Delivery Date, Owner Trustee will issue one or more Loan Certificates (as directed by Loan Participant) dated the Delivery Date to Loan Participant (or its nominee) in an aggregate principal amount equal to Loan Participant's Commitment as determined pursuant to Section 2.1(b).

## 2.4 Termination of Obligation to Participate

Notwithstanding any other provision of this Agreement, if the Closing does not occur on or before the Commitment Termination Date, the Commitment of each Participant and its obligation to participate in the payment of Lessor's Cost shall expire and be of no further force and effect; provided, that the liability of any Participant that has defaulted in the payment of its Commitment shall not be released.

## SECTION 3. [INTENTIONALLY OMITTED]

## SECTION 4. COMMITMENT TO LEASE AIRCRAFT

Subject to the terms and conditions of this Agreement, concurrently with the issuance of the Loan Certificates on the Delivery Date, Owner Trustee shall purchase and accept delivery of the Aircraft under and pursuant to the Purchase Agreement and the Purchase Agreement Assignment, and thereupon Owner Trustee shall lease the Aircraft to Lessee, and Lessee shall lease the Aircraft from Owner Trustee, under the Lease.

## SECTION 5. PROCEDURE FOR PARTICIPATION IN PAYMENT OF LESSOR'S COST; POSTPONEMENT OF SCHEDULED DELIVERY DATE

### 5.1 Notices of Scheduled Delivery Date

(a) Lessee agrees to give Participants, Owner Trustee and Mortgagee at least three Business Days' written notice of the Scheduled Delivery Date, which notice shall set forth Lessor's Cost and the amount of each Participant's Commitment.

(b) Each Participant agrees that the making available, in the manner described in Section 5.2, of the Dollar amount of its respective Commitment, shall constitute a waiver of such notice. Owner Trustee and Mortgagee shall be deemed to have waived such notice if Mortgagee shall have received from each Participant funds in the full amount of its respective Commitment.

### 5.2 Payment of Lessor's Cost

(a) Each Participant agrees, subject to the terms and conditions of this Agreement, to make the Dollar amount of its respective Commitment available, by wire transfer of immediately available funds to WTC's account no. 920-1-014363 at The Chase Manhattan Bank (National Association), New York, New York, ABA# 021000021 (contact: Emma Budget, tel. (718) 242-3795), reference Continental Lease 104, at or before 12:00 noon, New York City time, on the Scheduled Delivery Date. All such funds made available by each Participant to WTC shall, until payment thereof to Airframe Manufacturer and Lessee as provided in Section 5.2(b)(ii) or return thereof to the respective Participant as provided in Section 5.3.2, be held by WTC in trust for the benefit of the respective Participant, as the sole and exclusive property of the respective Participant and not as part of the Trust Estate or the Trust Indenture Estate.

(b) Subject to the satisfaction, or waiver by the

applicable party, of the conditions precedent set forth in Section 6, and simultaneously with the receipt by the parties hereto of all amounts to be paid to them on the Delivery Date pursuant to this Section 5.2(b), Owner Trustee shall:

(i) purchase, take title to, and accept delivery of, the Aircraft;

(ii) in consideration of the transfer of title to the Aircraft to Owner Trustee, from the funds made available to WTC hereunder by Participants, direct WTC, on behalf of Owner Trustee, to, and thereupon WTC shall, pay over to (A) Airframe Manufacturer an amount equal to Lessor's Cost minus the BFE Amount, by wire transfer of immediately available funds to Airframe Manufacturer's account set forth in Schedule 1 and (B) Lessee an amount equal to the BFE Amount, by wire transfer of immediately available funds to Lessee's account set forth in Schedule 1 or as otherwise directed by Lessee;

(iii) execute an Aircraft Registration Application, Lease Supplement No. 1 and the initial Trust Indenture Supplement, in each case with respect to the Aircraft;

(iv) execute the Trust Indenture and the initial Trust Indenture Supplement and issue the Loan Certificates to Loan Participant in accordance with Section 2.3; and

(v) lease the Aircraft to Lessee, and Lessee shall lease the Aircraft from Owner Trustee, pursuant to the Lease.

### 5.3 Postponement of Scheduled Delivery Date

#### 5.3.1 Postponement of Scheduled Delivery Date

If for any reason whatsoever the Closing is not consummated on the Scheduled Delivery Date, Lessee may by telephonic notice, given by 5:00 p.m., New York City time (such telephonic notice to be promptly confirmed in writing by personal delivery or facsimile), on the Scheduled Delivery Date to each Participant, Owner Trustee and Mortgagee, designate a Delayed Delivery Date (which date shall be not more than five Business Days after the Scheduled Delivery Date), in which case each Participant will keep its funds available pursuant to Section 5.2.

#### 5.3.2 Return of Funds

WTC shall promptly return to each Participant that makes funds available to it in accordance with Section 5.2(a) such funds, together with interest or income earned thereon pursuant to Section 5.3.3, if the Closing fails to occur on:

(a) the Scheduled Delivery Date, unless a Delayed Delivery Date is specified by Lessee, or

(b) any Delayed Delivery Date, if a Delayed Delivery Date is specified by Lessee but the Closing fails to occur on such Delayed Delivery Date.

#### 5.3.3 Investment of Funds; Interest

(a) If the Closing fails to occur on the Scheduled Delivery Date or, if applicable, any Delayed Delivery Date, WTC shall, if so instructed in the notice from Lessee, use reasonable efforts to invest, at the risk of Lessee, the funds received by it from Participants in Cash Equivalents. Any such obligations purchased by WTC, whether directly or through a repurchase agreement, shall be held in trust by WTC for the benefit of the respective Participants that provided such funds, and not as part of the Trust Estate or the Trust Indenture Estate.

(b) If the Closing fails to occur on the Scheduled Delivery Date, unless WTC returns all funds to the Participants by 1:00 p.m., New York City time, on the Scheduled Delivery Date, Lessee shall, on the Delivery Date or on the date funds are required to be returned to Participants pursuant to Section 5.3.2, reimburse each Participant that has made funds available pursuant to Section 5.2 for the loss of the use of its funds, by paying to such Participant in immediately available funds an amount equal to the excess, if any, of (i) interest at the Debt Rate on the amount of such funds for the period from and including the Scheduled Delivery Date to but excluding the Delivery Date or, if earlier, the day on which such Participant's funds are returned if such return is made by 1:00 p.m., New York City time (or to but excluding the next following Business Day if such return is not made by such time) over (ii) any amount paid to such Participant in respect of interest or income earned by WTC pursuant to Section 5.3.3(a).

(c) On the Delivery Date or on the date funds are required to be returned to Participants pursuant to Section 5.3.2, Lessee shall reimburse WTC, for the benefit of Participants that provided funds which are invested by WTC hereunder, for any losses incurred on such investments. All income and profits on the investment of such funds shall be for the respective accounts of such Participants, and WTC shall not be liable for failure to invest such funds or for any losses incurred on such investments,

except for its own negligence or willful misconduct.

#### 5.4 Closing

The Closing shall occur at the offices of Hughes Hubbard & Reed, One Battery Park Plaza, New York, New York 10004. A related meeting shall be held concurrently at the offices of Perkins Coie, 607 Fourteenth Street, N.W., Washington, D.C. 20005.

#### 5.5 Closing Instructions

Subject to the terms and conditions of this Agreement and the Trust Agreement, Owner Trustee, upon receipt in full by WTC of each Participant's Commitment, together with instructions from each such Participant or its special counsel to release such funds, shall direct WTC, on behalf of Owner Trustee, to transfer such funds to Airframe Manufacturer and Lessee in accordance with Section 5.2(b)(ii), and such instructions from Owner Participant shall constitute, without further act, the authorization and direction by Owner Participant to Owner Trustee to undertake the actions described in Section 5.2(b).

#### 5.6 Obligations of WTC

WTC hereby agrees for the benefit of each other party hereto to perform its covenants and obligations under Sections 5.2 and 5.3.

### SECTION 6. CONDITIONS PRECEDENT

#### 6.1 Conditions Precedent to Obligations of Participants

The obligation of each Participant to make the Dollar amount of its respective Commitment available to Owner Trustee on the Delivery Date is subject to satisfaction or waiver by each such Participant, on or prior to the Delivery Date, of the conditions precedent set forth below in this Section 6.1; provided, that it shall not be a condition precedent to the obligation of any Participant that any document be produced or action taken that is to be produced or taken by such Participant or by a Person within such Participant's control; provided, further, that Sections 6.1.2(iii), (xix) (other than with respect to clause (C) thereof) and (xxvii)(J) and Section 6.1.10 shall not be conditions precedent to the obligation of Loan Participant and Section 6.1.21 shall not be a condition precedent to the obligations of Owner Participant.

##### 6.1.1 Notice

Such Participant shall have received the notice described in Section 5.1(a), when and as required thereby.

##### 6.1.2 Delivery of Documents

Such Participant shall, except as noted below, have received executed counterparts of the following agreements, instruments, certificates or documents, and such counterparts (a) shall have been duly authorized, executed and delivered by the respective party or parties thereto, (b) shall be satisfactory in form and substance to such Participant and (c) shall be in full force and effect:

(i) the Lease; provided, that only Mortgagee shall receive the sole executed chattel paper original thereof;

(ii) Lease Supplement No. 1 in respect of the Aircraft; provided, that only Mortgagee shall receive the sole executed chattel paper original thereof;

(iii) the Tax Indemnity Agreement; provided, that only Owner Participant and Lessee shall receive copies of the Tax Indemnity Agreement;

(iv) the Trust Agreement;

(v) the initial Trust Indenture Supplement in respect of the Aircraft, dated the Delivery Date;

(vi) the Purchase Agreement Assignment;

(vii) the Consent and Agreement and the Engine Consent and Agreement;

(viii) [Intentionally Omitted];

(ix) the Trust Indenture;

(x) the Loan Certificates dated the Delivery Date; provided, that only Loan Participant shall receive its authenticated Loan Certificate or Loan Certificates;

(xi) the Purchase Agreement and the GTA, certified by the Secretary or an Assistant Secretary of Lessee as of the Delivery Date as being true and accurate copies of the same, with all amendments attached respectively thereto in each case, to the extent relating to Airframe Manufacturer's or Engine Manufacturer's respective warranties or related

obligations or any right in the Purchase Agreement or the GTA assigned to Owner Trustee pursuant to the Purchase Agreement Assignment; provided, that only Owner Trustee and Mortgagee shall receive copies of such agreements (copies of which may be inspected by Participants and their respective special counsel on the Delivery Date, but after the Delivery Date such copies shall be retained by Owner Trustee and Mortgagee and may be inspected and reviewed by Owner Participant or Loan Participant or their respective counsel if and only if there shall have occurred and be continuing a Lease Default or Lease Event of Default);

(xii) the Bills of Sale;

(xiii) invoices from Airframe Manufacturer and Lessee to Owner Trustee in respect of the Aircraft (except for the BFE) and the BFE, respectively, countersigned in the case of the invoice from Airframe Manufacturer by Lessee, specifying, in the aggregate, Lessor's Cost of the Aircraft;

(xiv) an appointment of authorized representatives by Owner Trustee, and an acceptance thereof by such representatives in each case, dated the Delivery Date;

(xv) [Intentionally Omitted];

(xvi) the Owner Participant Guaranty;

(xvii) the broker's report and insurance certificates in respect of the Aircraft required by Section 11 of the Lease, executed by Willis Corroon Aerospace or an independent firm of aircraft insurance brokers reasonably acceptable to Participants;

(xviii) all appropriate action required to have been taken prior to the Delivery Date by the FAA, or any governmental or political agency, subdivision or instrumentality of the United States, in connection with the transactions contemplated by this Agreement shall have been taken, and all orders, permits, waivers, authorizations, exemptions and approvals of such entities required to be in effect on the Delivery Date in connection with the transactions contemplated by this Agreement shall have been issued;

(xix) an appraisal or appraisals from an Appraiser, which appraisal or appraisals shall be satisfactory in form and substance to Owner Participant to the effect that, as of the Delivery Date (A) the estimated fair market sales value of the Aircraft at the end of the Base Lease Term, determined without including in such value any increase or decrease for inflation or deflation during such Base Lease Term, will equal at least 20% of Lessor's Cost, (B) the estimated useful life of the Aircraft is at least 125% of the Base Lease Term, (C) Lessor's Cost is approximately equal to, but in any event is not greater than, the fair market sales value of the Aircraft, (D) it will be commercially feasible for Lessor (or a purchaser or lessee therefrom unrelated to Lessee) to lease or otherwise use the Aircraft at the end of the Base Lease Term and (E) such other matters as Owner Participant deems reasonably necessary in connection with the lease transactions; provided, that only Owner Participant and Lessee shall receive copies of such appraisal or appraisals;

(xx) (A) a certified copy of the Certificate of Incorporation of Lessee and a copy of the By-Laws and resolutions of the board of directors of Lessee and/or the executive committee thereof, and, if applicable, evidence of related action taken by the chief executive officer or chief financial officer of Lessee, in each case certified as of the Delivery Date, by the Secretary or an Assistant Secretary of Lessee, duly authorizing the execution, delivery and performance by Lessee of the Lessee Operative Agreements required to be executed and delivered by Lessee on or prior to the Delivery Date in accordance with the provisions hereof and thereof; (B) an incumbency certificate of Lessee, Owner Participant, Owner Participant Parent, Owner Trustee and Mortgagee as to the person or persons authorized to execute and deliver the relevant Operative Agreements on behalf of such party; and (C) a copy of the Certificate of Incorporation or Articles of Incorporation and By-Laws and general authorizing resolutions of the boards of directors (or executive committees) or other satisfactory evidence of authorization of Owner Participant, Owner Participant Parent, Owner Trustee and Mortgagee, certified as of the Delivery Date by the Secretary or an Assistant or Attesting Secretary of Owner Participant, Owner Participant Parent, Owner Trustee and Mortgagee, respectively, which authorize the execution, delivery and performance by Owner Participant, Owner Participant Parent, Owner Trustee and Mortgagee, respectively, of each of the Operative Agreements to which it is a party, together with such other documents and evidence with respect to it as any Participant may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement and the taking of all corporate proceedings in connection therewith;

(xxi) an Officer's Certificate of Lessee, dated as of the Delivery Date;

(xxii) an Officer's Certificate of Owner Trustee, dated as of the Delivery Date;

(xxiii) an Officer's Certificate of Mortgagee, dated as of the Delivery Date;

(xxiv) an application for registration of the Aircraft with the FAA in the name of Owner Trustee; provided, that only special counsel in Oklahoma City, Oklahoma shall receive the sole executed copy thereof for filing with the FAA;

(xxv) a copy of a current, valid Standard Certificate of Airworthiness for the Aircraft duly issued by the FAA;

(xxvi) the Financing Statements;

(xxvii) the following opinions of counsel, in each case dated the Delivery Date:

(A) an opinion of Hughes Hubbard & Reed, special counsel to Lessee, substantially in the form of Exhibit A;

(B) an opinion of Lessee's Legal Department, substantially in the form of Exhibit B;

(C) an opinion of Lorrie D. Scott, Esq., Senior Attorney, Office of the General Counsel, The Boeing Company, corporate counsel to Airframe Manufacturer, substantially in the form of Exhibit C;

(D) [Intentionally Omitted];

(E) an opinion of Ray, Quinney & Nebeker, special counsel to Owner Trustee, substantially in the form of Exhibit E;

(F) an opinion of Richards, Layton & Finger, special counsel to Mortgagee, substantially in the form of Exhibit F;

(G) an opinion of Perkins Coie, special counsel to Owner Participant and Owner Participant Parent, substantially in the form of Exhibit G;

(H) an opinion of Lorrie D. Scott, Esq., Senior Attorney, Office of the General Counsel, The Boeing Company, corporate counsel to Owner Participant and Owner Participant Parent, substantially in the form of Exhibit H;

(I) [Intentionally Omitted];

(J) an opinion of Perkins Coie, special tax counsel to Owner Participant, with respect to certain tax consequences of the transactions contemplated hereby; provided, that only Owner Participant shall receive such opinion; and

(K) an opinion of Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, substantially in the form of Exhibit L;

(xxviii) [Intentionally Omitted];

(xxix) a letter of Lessee, certifying the documents Lessee has provided pursuant to Sections 7.1.6 and 7.1.8 and attaching any such documents not otherwise furnished to Owner Participant; and

(xxx) the Participants and their respective counsel shall have received copies of such documents and papers as such Participants or their respective counsel may reasonably request (other than, in the case of Loan Participant or its respective counsel, copies of the Tax Indemnity Agreement and the Purchase Agreement, provided that special counsel for Loan Participant may inspect the Purchase Agreement, and, in the case of Owner Participant and its special counsel, the Purchase Agreement, provided special counsel for Owner Participant may inspect the Purchase Agreement) in connection with the transactions contemplated hereby or as a basis for such counsel's closing opinion.

#### 6.1.3 Other Commitments

Each other Participant, if any, shall have made available the Dollar amount of its Commitment to Owner Trustee in accordance with Section 5.

#### 6.1.4 Violation of Law

No circumstance or condition shall exist that makes it a violation of Law for (a) Lessee, any Participant, Owner Trustee or Mortgagee to execute, deliver and perform the Operative

Agreements to which any of them is a party or (b) any Participant to make the Dollar amount of its Commitment available or, in the case of Loan Participant, to acquire a Loan Certificate or to realize the benefits of the security afforded by the Trust Indenture.

#### 6.1.5 Consents and Approvals

All approvals, consents, waivers, licenses, permits or authorizations of any trustee or holder of any indebtedness or obligation of Lessee, any Government Entity or any other person, that in any case are required in connection with the consummation of the transactions contemplated by the Operative Agreements to occur on the Delivery Date shall have been duly obtained, made, issued or filed and shall remain in full force and effect on and as of the Delivery Date. All appropriate action, if any, required to have been taken in connection with the consummation of the transactions contemplated by the Operative Agreements to occur on the Delivery Date shall have been duly taken by the FAA, the DOT, the SEC and each other Government Entity having jurisdiction.

#### 6.1.6 Tax Law Change

In respect of Owner Participant, no Adverse Change in Tax Law shall have been enacted, promulgated or issued on or prior to the Delivery Date. Owner Participant agrees to consider promptly, and to consult with Lessee and Loan Participant concerning any such Adverse Change in Tax Law and to advise Lessee and Loan Participant promptly if Owner Participant determines that an Adverse Change in Tax Law which has been enacted or promulgated or, if proposed, has a substantial likelihood of becoming effective, would cause Owner Participant to elect not to close with respect to the Aircraft. At any time on or before the Delivery Date, Owner Participant may notify Lessee and Loan Participant that Owner Participant elects not to close as a result of the enactment, promulgation or issuance of any Adverse Change in Tax Law on or before the Delivery Date, specifying such Adverse Change in Tax Law; and failure to give such notice on or before the Delivery Date shall preclude Owner Participant from not closing with respect to such Aircraft as a result of any Adverse Change in Tax Law.

#### 6.1.7 Representations, Warranties and Covenants

The representations and warranties of each other party to this Agreement made, in each case, in this Agreement and in any other Operative Agreement to which it is a party, shall be true and accurate in all material respects as of the Delivery Date (unless any such representation and warranty shall have been made with reference to a specified date, in which case such representation and warranty shall be true and accurate as of such specified date) and each other party to this Agreement shall have performed and observed, in all material respects, all of its covenants, obligations and agreements in this Agreement and in any other Operative Agreement to which it is a party to be observed or performed by it as of the Delivery Date.

#### 6.1.8 No Default

On the Delivery Date, no event shall have occurred and be continuing, or would result from the sale, mortgage or lease of the Aircraft, which constitutes a Lease Default or Lease Event of Default, or an Indenture Default or Indenture Event of Default.

#### 6.1.9 No Event of Loss

No Event of Loss with respect to the Airframe or any Engine shall have occurred and no circumstance, condition, act or event that, with the giving of notice or lapse of time or both, would give rise to or constitute an Event of Loss with respect to the Airframe or any Engine shall have occurred.

#### 6.1.10 No Purchase Agreement Default

Lessee shall not be in default in any material respect under the Purchase Agreement.

#### 6.1.11 No Lessee Material Adverse Change

Since April 30, 1993, there shall not have been any event, condition or circumstance that could materially and adversely affect Lessee's business or consolidated financial condition or its ability to observe or perform its obligations, liabilities and agreements under the Lessee Operative Agreements.

#### 6.1.12 Payment of Transaction Expenses

Lessee shall have paid to the parties entitled thereto all Transaction Expenses described in clause (a) and clauses (i), (ii) and (iii) (insofar as they relate to clause (a)) of the definition of "Transaction Expenses" to the extent meeting the requirements set forth therein and invoiced to Lessee at least two Business Days (or one Business Day following the delivery of the notice described in Section 5.1(a), if delivered less than three Business Days prior to the Scheduled Delivery Date) before the Delivery Date; provided, that, with respect to counsel fees and disbursements, a preliminary invoice containing a "best

guess" estimate shall be sufficient so long as a "final" invoice is delivered at least one Business Day prior to the Delivery Date.

#### 6.1.13 Title

Owner Trustee shall have good title (subject to recordation of the FAA Bill of Sale with the FAA) to the Aircraft, free and clear of Liens, except (a) the rights of Lessee under the Lease and Lease Supplement No. 1, (b) the Lien created by the Trust Indenture and the initial Trust Indenture Supplement, (c) the beneficial interest of Owner Participant created by the Trust Agreement, (d) Liens permitted by clause "(d)" (solely for taxes not yet due) of Section 6 of the Lease and (e) Liens permitted by clause "(e)" (solely for amounts not yet due) of Section 6 of the Lease.

#### 6.1.14 Certification

The Aircraft shall have been duly certificated by the FAA as to type and airworthiness in accordance with the terms of the Purchase Agreement.

#### 6.1.15 Operational Authority

Lessee shall have obtained permanent or temporary authority to operate the Aircraft on its routes.

#### 6.1.16 Section 1110

Owner Trustee, as lessor under the Lease (and Mortgagee, as assignee of Owner Trustee under the Trust Indenture), shall be entitled to the benefits of Section 1110 (as currently in effect) with respect to the right to take possession of the Airframe and Engines as provided in the Lease in the event of a case under Chapter 11 of the Bankruptcy Code in which Lessee is a debtor.

#### 6.1.17 Filing

On the Delivery Date (a) the FAA Filed Documents shall have been duly filed for recordation with the FAA in accordance with the Act and (b) each Financing Statement shall have been duly filed in the appropriate jurisdiction.

#### 6.1.18 No Proceedings

No action or proceeding shall have been instituted, nor shall any action be threatened, before any Government Entity, nor shall any order, judgment or decree have been issued or proposed to be issued by any Government Entity, to set aside, restrain, enjoin or prevent the completion and consummation of this Agreement or any other Operative Agreement or the transactions contemplated hereby or thereby.

#### 6.1.19 No Change in Law

No change shall have occurred after the date of execution and delivery of this Agreement in applicable Law which, in the opinion of Owner Participant or Loan Participant, as the case may be, would make it a violation of Law for (a) Lessee, Owner Participant, Loan Participant, Owner Trustee or Mortgagee to execute, deliver and perform the Operative Agreements to which any of them is a party or (b) Owner Participant or Loan Participant to make its Commitment available or, in the case of Loan Participant, to acquire a Loan Certificate or realize the benefits of the security afforded by the Trust Indenture.

#### 6.1.20 Perfected Security Interest

On the Delivery Date, after giving effect to the filing of the FAA Filed Documents and the Financing Statements, Mortgagee shall have received a duly perfected first priority security interest in all of Owner Trustee's right, title and interest in the Aircraft and the Lease, subject only to Permitted Liens.

#### 6.1.21 Legal Investment

Loan Participant shall have reasonably determined that its respective Loan Certificates shall qualify on the Delivery Date as a legal investment for Loan Participant under any Law regulating investments to which it may be subject (without recourse to provisions in any such Law permitting limited investments without restriction as to the character of the particular investment), and Loan Participant shall have received such evidence as it may reasonably request to establish compliance with this condition.

#### 6.1.22 [Intentionally Omitted]

#### 6.1.23 [Intentionally Omitted]

#### 6.1.24 [Intentionally Omitted]

### 6.2 Conditions Precedent to Obligations of Owner Trustee

The obligation of Owner Trustee to use the Commitments to pay Lessor's Cost on the Delivery Date is subject to satisfaction or waiver by Owner Trustee, on or prior to the Delivery Date, of

the conditions precedent set forth below in this Section 6.2.

#### 6.2.1 Notice

Owner Trustee shall have received the notice described in Section 5.1(a), when and as required thereby.

#### 6.2.2 Documents

Executed originals of the agreements, instruments, certificates or documents described in Section 6.1.2 shall have been received by Owner Trustee, except as specifically provided therein, unless the failure to receive any such agreement, instrument, certificate or document is the result of any action or inaction by Owner Trustee.

#### 6.2.3 Other Conditions Precedent

Each of the conditions set forth in Sections 6.1.4, 6.1.5, 6.1.7, 6.1.8 and 6.1.16 shall have been satisfied unless the failure of any such condition to be satisfied is the result of any action or inaction by Owner Trustee.

### 6.3 Conditions Precedent to Obligations of Mortgagee

The obligation of Mortgagee to authenticate the Loan Certificates on the Delivery Date is subject to the satisfaction or waiver by Mortgagee, on or prior to the Delivery Date, of the conditions precedent set forth below in this Section 6.3.

#### 6.3.1 Notice

Mortgagee shall have received the notice described in Section 5.1(a), when and as required thereby.

#### 6.3.2 Documents

Executed originals of the agreements, instruments, certificates or documents described in Section 6.1.2 shall have been received by Mortgagee, except as specifically provided therein, unless the failure to receive any such agreement, instrument, certificate or document is the result of any action or inaction by Mortgagee.

#### 6.3.3 Other Conditions Precedent

Each of the conditions set forth in Sections 6.1.4, 6.1.5, 6.1.7, 6.1.8 and 6.1.16 shall have been satisfied unless the failure of any such condition to be satisfied is the result of any action or inaction by Mortgagee.

### 6.4 Conditions Precedent to Obligations of Lessee

The obligation of Lessee to lease the Aircraft on the Delivery Date is subject to the satisfaction or waiver by Lessee, on or prior to the Delivery Date, of the conditions precedent set forth below in this Section 6.4.

#### 6.4.1 Documents

Executed originals of the agreements, instruments, certificates or documents described in Section 6.1.2 shall have been received by Lessee, except as specifically provided therein, and shall be satisfactory to Lessee, unless the failure to receive any such agreement, instrument, certificate or document is the result of any action or inaction by Lessee.

#### 6.4.2 Tax

If Loan Participant is required to execute any form or document in order for payments to it to qualify for exemption from, or reduction of, withholding tax imposed by the U.S. Government in respect of such payments, Loan Participant shall have executed such form or document (including, without limitation, United States Internal Revenue Forms 1001, W-8, and/or 4224) and delivered it to Mortgagee in accordance with applicable regulations to qualify for such exemption or reduction.

#### 6.4.3 Sales Tax

Lessee shall be satisfied that no sales, use, value added, goods and services or like tax, and no stamp tax duty, is payable with respect to the delivery of the Aircraft to Lessee upon the Closing to the extent that Lessee has liability therefor under Section 10.3.

#### 6.4.4 Other Conditions Precedent

Each of the conditions set forth in Sections 6.1.3 (as to all Participants), 6.1.4, 6.1.5, 6.1.7, 6.1.8 (as to Indenture Defaults or Indenture Events of Default not constituting Lease Defaults or Lease Events of Default, respectively), 6.1.9, 6.1.13, 6.1.14, 6.1.15, 6.1.16, 6.1.17 and 6.1.18 shall have been satisfied or waived by Lessee, unless the failure of any such condition to be satisfied is the result of any action or inaction by Lessee.

No Adverse Change in Tax Law shall have been enacted, promulgated or proposed on or prior to the Delivery Date. Lessee agrees to consider promptly, and to consult with Owner Participant and Loan Participant concerning, any such Adverse Change in Tax Law and to advise Owner Participant and Loan Participant promptly if Lessee determines that an Adverse Change in Tax Law which has been enacted or promulgated or, if proposed, has a substantial likelihood of becoming effective, would cause Lessee to elect not to close the transactions contemplated by the Lease and this Agreement. At any time on or before the Delivery Date, Lessee may notify Owner Participant and Loan Participant that Lessee elects not to close the transactions contemplated by the Lease and this Agreement as a result of the enactment, promulgation or proposal of any Adverse Change in Tax Law on or before the Delivery Date, specifying such Adverse Change in Tax Law.

#### 6.5 Post-Registration Opinion

Promptly upon the registration of the Aircraft and the recordation of the FAA Filed Documents pursuant to the Act, Lessee will cause Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, to deliver to Lessee, each Participant, Owner Trustee and Mortgagee a favorable opinion or opinions addressed to each of them with respect to such registration and recordation.

### SECTION 7. REPRESENTATIONS AND WARRANTIES

#### 7.1 Lessee's Representations and Warranties

Lessee represents and warrants to each Participant, Owner Trustee and Mortgagee that:

##### 7.1.1 Organization; Qualification

Lessee is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has the corporate power and authority to conduct the business in which it is currently engaged and to own or hold under lease its properties and to enter into and perform its obligations under the Lessee Operative Agreements. Lessee is duly qualified to do business as a foreign corporation in good standing in the State of Texas and in all other jurisdictions required by Law or in which the nature and extent of the business conducted by it, or the ownership of its properties, makes such qualification necessary or desirable except where the failure to be so qualified would not give rise to a Material Adverse Change to Lessee.

##### 7.1.2 Corporate Authorization

Lessee has taken, or caused to be taken, all necessary corporate action (including, without limitation, the obtaining of any consent or approval of stockholders required by its Certificate of Incorporation or By-Laws) to authorize the execution and delivery of each of the Lessee Operative Agreements, and the performance of its obligations thereunder.

##### 7.1.3 No Violation

The execution and delivery by Lessee of the Lessee Operative Agreements, the performance by Lessee of its obligations thereunder and the consummation by Lessee on the Delivery Date of the transactions contemplated thereby, do not and will not (a) violate or contravene any provision of the Certificate of Incorporation or By-Laws of Lessee, (b) violate or contravene any Law applicable to or binding on Lessee (it being understood that insofar as this representation relates to any Law relating to any Plan, this representation is made assuming the truth of the representations contained in Sections 7.2.9 and 7.4.3 and the continued validity of the position stated by the Department of Labor in paragraph (b) of Interpretive Bulletin 29 C.F.R. Section 2509.75-2 (notwithstanding anything to the contrary contained in *John Hancock Mutual Life Ins. Co. v. Harris Trust & Savings Bank*, 114 S. Ct. 517 (1993))) or (c) violate, contravene or constitute any default under, or result in the creation of any Lien (other than as permitted under the Lease) upon any property of Lessee or any of its subsidiaries under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, loan or other material agreement, instrument or document to which Lessee is a party or by which Lessee or any of its properties is or may be bound or affected.

##### 7.1.4 Approvals

The execution and delivery by Lessee of the Lessee Operative Agreements, the performance by Lessee of its obligations thereunder and the consummation by Lessee on the Delivery Date of the transactions contemplated thereby do not and will not require the consent, approval or authorization of, or the giving of notice to, or the registration with, or the recording or filing of any documents with, or the taking of any other action in respect of, (a) any trustee or other holder of any Debt of Lessee and (b) any Government Entity, other than the filing of the FAA Filed Documents and the Financing Statements (and continuation

statements periodically) and filings, recordings, notices or other ministerial actions pursuant to any routine recording, contractual or regulatory requirements applicable to it.

#### 7.1.5 Valid and Binding Agreements

The Lessee Operative Agreements have been duly authorized, executed and delivered by Lessee and, assuming the due authorization, execution and delivery thereof by the other party or parties thereto, constitute the legal, valid and binding obligations of Lessee and are enforceable against Lessee in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar Laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity.

#### 7.1.6 Litigation

Except as set forth in Lessee's Prospectus dated December 7, 1993 with respect to the offer of shares of Lessee's Class B common stock or any subsequent Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K filed by Lessee with the SEC on or prior to the Delivery Date (copies of which (excluding exhibits), in each case, have been furnished to Owner Participant by Lessee), no action, claim or proceeding is now pending or, to the Actual Knowledge of Lessee, threatened, against Lessee, at law, in equity or otherwise, before any court, board, commission, agency or instrumentality of any foreign government or any federal, state or local government or of any agency or subdivision thereof, or before any arbitrator or panel of arbitrators, which is reasonably likely to be determined adversely to Lessee and if determined adversely to Lessee would result in a Material Adverse Change.

#### 7.1.7 Taxes

Lessee has filed or caused to be filed all material tax returns, reports and statements that are required to be filed and has paid or caused to be paid or is paying pursuant to Lessee's Revised Second Amended Joint Plan of Reorganization, as modified, under Chapter 11 of the Bankruptcy Code, all taxes shown to be due and payable by such returns, reports or statements and any tax assessments received by Lessee to the extent that such taxes have become due and payable (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided).

#### 7.1.8 Financial Condition

The audited consolidated balance sheet of Lessee as of December 31, 1993, and the related consolidated statements of cash flows and non-redeemable preferred stock and common stockholders' deficit for the period then ended (copies of which have been furnished to Owner Participant) have been prepared in accordance with GAAP and fairly present in all material respects the financial condition of Lessee and its consolidated subsidiaries as of such dates and the results of its operations and cash flows for such period, and since December 31, 1993, there has been no material adverse change in such financial condition or operations, except for matters disclosed in the financial statements referred to above or in any subsequent Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K filed by Lessee with the SEC on or prior to the date hereof (copies of which (excluding exhibits) have been delivered to Owner Participant by Lessee).

#### 7.1.9 Registration and Recordation

Except for (a) the registration of the Aircraft with the FAA pursuant to the Act in the name of Owner Trustee, (b) the filing for recordation (and recordation) of the FAA Filed Documents, (c) the filing of the Financing Statements (and continuation statements relating thereto at periodic intervals), (d) the taking of possession and retention by Mortgagee of the original counterparts of the Lease and Lease Supplement No. 1 and (e) the affixation of the nameplates referred to in Section 7.1.3 of the Lease, no further action, including any filing or recording of any document (including any financing statement in respect thereof under Article 9 of the UCC) is necessary or advisable in order to establish and perfect the right, title or interest of Owner Trustee, and the Mortgagee's security interest, in the Aircraft and the Lease, as against Lessee and any other Person, in each case, in any applicable jurisdictions.

#### 7.1.10 Chief Executive Office

The chief executive office (as such term is defined in Article 9 of the UCC) of Lessee is located at 2929 Allen Parkway, Houston, Texas 77019.

#### 7.1.11 No Default

No event which, if the Aircraft were subject to the Lease, constitutes a Lease Default or Lease Event of Default has occurred and is continuing.

#### 7.1.12 No Event of Loss

No Event of Loss has occurred with respect to the Airframe or any Engine, and, to the Actual Knowledge of Lessee, no circumstance, condition, act or event occurred that, with the giving of notice or lapse of time or both gives rise to or constitutes an Event of Loss with respect to the Airframe or any Engine.

#### 7.1.13 Compliance With Laws

(a) Lessee is not in default under, or in violation of, any Law applicable to Lessee or to which Lessee is subject, the violation of which would give rise to a Material Adverse Change to Lessee.

(b) Without limiting the generality of Section 7.1.13(a):

(i) Lessee is a U.S. Air Carrier;

(ii) Lessee holds all licenses, permits and franchises from the appropriate Government Entities necessary to authorize Lessee to lawfully engage in air transportation and to carry on scheduled commercial passenger service as currently conducted, except where the failure to so hold any such license, permit or franchise would not give rise to a Material Adverse Change to Lessee;

(iii) Assuming the truth of the representations contained in Sections 7.2.9 and 7.4.3 and the continued validity of the position stated by the Department of Labor in paragraph (b) of Interpretive Bulletin 29 C.F.R. Section 2509.75-2 (notwithstanding anything to the contrary contained in John Hancock Mutual Life Ins. Co. v. Harris Trust & Savings Bank, 114 S. Ct. 517 (1993)), the execution and delivery of this Agreement, the initial issuance, sale and/or purchase of the Loan Certificates or any interest in, or represented by, such Loan Certificates and Owner Participant's initial acquisition of its beneficial interest in the Trust Estate will not result in, constitute or involve a "prohibited transaction", within the meaning of Section 406(a) of ERISA or Section 4975(c)(1)(A), (B), (C) or (D) of the Code; and

(iv) Lessee is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

#### 7.1.14 Securities Laws

Neither Lessee nor any person authorized to act on its behalf has directly or indirectly offered any beneficial interest or Security relating to the ownership of the Aircraft or the Lease or any interest in the Trust Estate and Trust Agreement, or any of the Loan Certificates or any other interest in or security under the Trust Indenture, for sale to, or solicited any offer to acquire any such interest or security from, or has sold any such interest or security to, any person in violation of the Securities Act or applicable state securities Laws.

#### 7.1.15 All Disclosures Made

No Operative Agreement contains any untrue statement of a material fact by Lessee and Lessee has not omitted to state any material fact necessary to make the statements of fact of Lessee, in light of the circumstances under which they were made, contained herein or therein not misleading. For purposes of this Section 7.1.15, the term "Operative Agreements" shall not include the Tax Indemnity Agreement.

#### 7.1.16 Broker's Fees

No Person acting on behalf of Lessee is or will be entitled to any broker's fee, commission or finder's fee in connection with the Transactions.

#### 7.1.17 Section 1110

Owner Trustee, as lessor under the Lease (and Mortgagee, as assignee of Owner Trustee under the Trust Indenture), is entitled to the benefits of Section 1110 (as currently in effect) with respect to the right to take possession of the Airframe and Engines as provided in the Lease in the event of a case under Chapter 11 of the Bankruptcy Code in which Lessee is a debtor.

### 7.2 Owner Participant's Representations and Warranties

Owner Participant represents and warrants (and, in the case of Section 7.2.9, covenants) to Lessee, Loan Participant, Owner Trustee and Mortgagee that:

#### 7.2.1 Organization, Etc.

Owner Participant is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has the corporate power and authority to conduct the business in which it is currently engaged and to own or hold under lease its properties and to enter into, and perform its

obligations under the Owner Participant Agreements.

#### 7.2.2 Corporate Authorization

Owner Participant has taken, or caused to be taken, all necessary corporate action (including, without limitation, the obtaining of any consent or approval of stockholders required by its Certificate of Incorporation or By-Laws) to authorize the execution and delivery of each of the Owner Participant Agreements, and the performance of its obligations thereunder.

#### 7.2.3 No Violation

The execution and delivery by Owner Participant of the Owner Participant Agreements, the performance by Owner Participant of its obligations thereunder and the consummation by Owner Participant on the Delivery Date of the transactions contemplated thereby, do not and will not (a) violate or contravene any provision of the Certificate of Incorporation or By-Laws of Owner Participant, (b) violate or contravene any Law applicable to or binding on Owner Participant (it being understood that insofar as this representation relates to any Law relating to any Plan, this representation is made assuming the truth of the representations contained in Sections 7.1.13(b)(iii) and 7.4.3 and the continued validity of the position stated by the Department of Labor in paragraph (b) of Interpretive Bulletin 29 C.F.R. Section 2509.75-2 (notwithstanding anything to the contrary contained in John Hancock Mutual Life Ins. Co. v. Harris Trust & Savings Bank, 114 S. Ct. 517 (1993))) or (c) violate, contravene or constitute any default under, or result in the creation of any Lien (other than as provided for or otherwise permitted in the Operative Agreements) upon the Trust Estate under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, loan or other material agreement, instrument or document to which Owner Participant is a party or by which Owner Participant or any of its properties is or may be bound or affected.

#### 7.2.4 Approvals

The execution and delivery by Owner Participant of the Owner Participant Agreements, the performance by Owner Participant of its obligations thereunder and the consummation by Owner Participant on the Delivery Date of the transactions contemplated thereby do not and will not require the consent, approval or authorization of, or the giving of notice to, or the registration with, or the recording or filing of any documents with, or the taking of any other action in respect of, (a) any trustee or other holder of any Debt of Owner Participant and (b) any Government Entity, other than the filing of the FAA Filed Documents and the Financing Statements.

#### 7.2.5 Valid and Binding Agreements

The Owner Participant Agreements have been duly authorized, executed and delivered by Owner Participant and, assuming the due authorization, execution and delivery by the other party or parties thereto, constitute the legal, valid and binding obligations of Owner Participant and are enforceable against Owner Participant in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar Laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity.

#### 7.2.6 Citizenship

On the Delivery Date, Owner Participant is a Citizen of the United States.

#### 7.2.7 No Liens

On the Delivery Date, there are no Lessor Liens attributable to Owner Participant in respect of all or any part of the Trust Estate.

#### 7.2.8 Investment by Owner Participant

Owner Participant's beneficial interest in the Trust Estate is being acquired by it for its own account, for investment and not with a view to any resale or distribution thereof, except that, subject to the restrictions on transfer set forth in Section 12, the disposition by Owner Participant of its beneficial interest in the Trust Estate shall at all times be within its control.

#### 7.2.9 ERISA

No part of the funds to be used by Owner Participant to acquire or hold its interests in the Trust Estate to be acquired by it under this Agreement directly or indirectly constitutes assets of a Plan.

#### 7.2.10 Litigation

There are no pending or, to the Actual Knowledge of Owner Participant, threatened actions or proceedings against Owner

Participant or Owner Participant Parent before any court, administrative agency or tribunal which, if determined adversely to Owner Participant or Owner Participant Parent, would materially adversely affect the ability of Owner Participant to perform its obligations under the Owner Participant Agreements or Owner Participant Parent to perform its obligations under the Owner Participant Guaranty.

#### 7.2.11 Securities Laws

Neither Owner Participant nor any person Owner Participant has authorized to act on its behalf has directly or indirectly offered any beneficial interest in or Security relating to the ownership of the Aircraft or any interest in the Trust Estate, or any of the Loan Certificates or any other interest in or Security under the Trust Indenture for sale to, or solicited any offer to acquire any of the same from, any Person in violation of the Securities Act or applicable state securities Laws.

#### 7.2.12 Broker's Fees

No Person acting on behalf of Owner Participant or Owner Participant Parent is or will be entitled to any broker's fee, commission or finder's fee in connection with the Transactions.

### 7.3 First Security's Representations and Warranties

First Security represents and warrants to Lessee, Owner Participant, Loan Participant and Mortgagee that:

#### 7.3.1 Organization, Etc.

First Security is a national banking association duly organized, validly existing and in good standing under the Laws of the United States, holding a valid certificate to do business as a national banking association with banking authority to execute and deliver, and perform its obligations under, the Owner Trustee Agreements.

#### 7.3.2 Corporate Authorization

First Security has taken, or caused to be taken, all necessary corporate action (including, without limitation, the obtaining of any consent or approval of stockholders required by Law or by its Certificate of Incorporation or By-Laws) to authorize the execution and delivery by First Security, in its individual capacity and as Owner Trustee, of each of the Owner Trustee Agreements, and the performance of its obligations thereunder.

#### 7.3.3 No Violation

The execution and delivery by First Security, in its individual capacity and as Owner Trustee of the Owner Trustee Agreements, the performance by First Security, in its individual capacity and as Owner Trustee, of its obligations thereunder and the consummation by First Security in its individual capacity and as Owner Trustee on the Delivery Date of the transactions contemplated thereby, do not and will not (a) violate or contravene any provision of the Articles of Association or By-Laws of First Security, (b) violate or contravene any Law applicable to or binding on Owner Trustee or First Security or (c) violate, contravene or constitute any default under, or result in the creation of any Lien (other than the lien of the Trust Indenture) upon any property of First Security, in its individual capacity and as Owner Trustee, or any of its subsidiaries under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, loan or other material agreement, instrument or document to which First Security, in its individual capacity and as Owner Trustee, is a party or by which First Security, in its individual capacity and as Owner Trustee, or any of its properties is or may be bound or affected.

#### 7.3.4 Approvals

The execution and delivery by First Security, in its individual capacity and as Owner Trustee, of the Owner Trustee Agreements, the performance by First Security, in its individual capacity and as Owner Trustee on the Delivery Date, of its obligations thereunder and the consummation by First Security, in its individual capacity and as Owner Trustee, of the transactions contemplated thereby do not and will not require the consent, approval or authorization of, or the giving of notice to, or the registration with, or the recording or filing of any documents with, or the taking of any other action in respect of, (a) any trustee or other holder of any Debt of First Security or (b) any Government Entity, other than the filing of the FAA Filed Documents and the Financing Statements.

#### 7.3.5 Valid and Binding Agreements

The Owner Trustee Agreements have been duly authorized, executed and delivered by First Security, in its individual capacity or as Owner Trustee, as the case may be, and constitute the legal, valid and binding obligations of First Security, in its individual capacity and as Owner Trustee, and, assuming the due authorization, execution and delivery thereof by the other

party or parties thereto, are enforceable against First Security, in its individual capacity and as Owner Trustee, in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar Laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity.

#### 7.3.6 Citizenship

On the Delivery Date, First Security is a Citizen of the United States.

#### 7.3.7 Chief Executive Office

The chief executive office (as such term is defined in Article 9 of the UCC) of Owner Trustee is located at 79 South Main Street, Salt Lake City, Utah 84111.

#### 7.3.8 Title

On the Delivery Date, Owner Trustee shall have received whatever title (a) to the Aircraft (other than the BFE) as was conveyed to it by Airframe Manufacturer and (b) to the BFE as was conveyed to it by Lessee.

#### 7.3.9 No Liens; Financing Statements

On the Delivery Date, there are no Lessor Liens attributable to First Security or Owner Trustee in respect of all or any part of the Aircraft, Trust Estate or the Trust Indenture Estate. Except for the Financing Statements, it has not, either in its individual capacity or as Owner Trustee, executed any UCC financing statements relating to the Aircraft or the Lease.

#### 7.3.10 Litigation

There are no pending or, to the Actual Knowledge of First Security, threatened actions or proceedings against First Security and Owner Trustee before any court, administrative agency or tribunal which, if determined adversely to First Security, would materially adversely affect the ability of First Security or Owner Trustee, to perform its obligations under the Owner Trustee Agreements.

#### 7.3.11 Securities Laws

Neither First Security, nor any person authorized to act on its behalf, has directly or indirectly offered any beneficial interest or Security relating to the ownership of the Aircraft or any interest in the Trust Estate or any of the Loan Certificates or any other interest in or security under the Trust Indenture for sale to, or solicited any offer to acquire any such interest or security from, or has sold any such interest or security to, any person other than the Participants.

#### 7.3.12 Expenses and Taxes

There are no Expenses or Taxes that may be imposed on or asserted against the Trust, the Trust Estate or any part thereof or any interest therein, the Trust Indenture Estate, Lessee, Owner Participant, Loan Participant, Owner Trustee or Mortgagee (except as to Owner Trustee, Taxes imposed on the fees payable to Owner Trustee) under the laws of Utah in connection with the execution, delivery or performance of any Operative Agreement by Owner Trustee or in connection with the issuance of the Loan Certificates, which Expenses or Taxes would not have been imposed if Owner Trustee had not (x) had its principal place of business in, (y) performed (in its individual capacity or as Owner Trustee) any or all of its duties under the Operative Agreements in or (z) engaged in any activities unrelated to the transactions contemplated by the Operative Agreements in, the State of Utah.

### 7.4 Loan Participant's Representations and Warranties

Loan Participant (and, by its acceptance of a Loan Certificate, each Certificate Holder) represents and warrants (and, in the case of Section 7.4.3, covenants) to Lessee, Owner Participant, Owner Trustee and Mortgagee that:

#### 7.4.1 Valid and Binding Agreements

The Loan Participant Agreements have been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery by the other party or parties thereto, constitute the legal, valid and binding obligations of it and are enforceable against it in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar Laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity.

#### 7.4.2 Investment by Loan Participant

The Loan Certificates to be issued to it are being acquired by it for its own account, for investment and not with a view to any resale or distribution thereof, except that, subject to the

restrictions on transfer set forth in Sections 8.5.3 and 12.1.3, the disposition by it of its Loan Certificates shall at all times be within its control. Neither it nor any person it has authorized to act on its behalf has directly or indirectly offered any interest in and to the Loan Certificates for sale to, or solicited any offer to acquire any of the same from, any person in violation of the Securities Act or applicable state securities Laws.

#### 7.4.3 ERISA

With respect to the funds used by it to acquire or hold any Loan Certificate or any interest in, or represented by, any Loan Certificate, at least one of the following is true:

(a) (i) the Loan Participant or Certificate Holder, as the case may be, is an insurance company subject to state regulation, (ii) the funds to be used by it to acquire or hold any Loan Certificate or any interest in, or represented by, any Loan Certificate, constitute the assets of its general account and (iii) no portion of such funds constitutes the assets of a separate account or a collective investment fund (as the term "collective investment fund" is defined in Section 7.4.3(c)(i)) maintained by it in which any Plan has any interest;

(b) (i) no part of the funds to be used by it to acquire or hold any Loan Certificate or any interest in, or represented by, any Loan Certificate, directly or indirectly constitutes, or may be deemed under the Code, ERISA or any applicable state law, or any rulings or regulations thereunder, or any court decision, to constitute, the assets of any Plan, and (ii) at no time after acquisition shall any Loan Certificate or any interest in, or represented by, any Loan Certificate directly or indirectly constitute, or be so deemed to constitute, the assets of any Plan;

(c) (i) the funds to be used by it to acquire or hold any Loan Certificate or any interest in, or represented by, any Loan Certificate, constitute the assets of an insurance company "pooled separate account," as such term is used in Prohibited Transaction Class Exemption 90-1 issued by the U.S. Department of Labor, or a "collective investment fund" as defined in Section IV of Prohibited Transaction Class Exemption ("PTCE") 91-38 issued by the U.S. Department of Labor, in which a Plan subject to ERISA or Section 4975 of the Code has an interest, and (ii) such acquisition with such funds is, and the subsequent holding of any Loan Certificate or any interest in, or represented by, any Loan Certificate at all times thereafter shall be, entitled to the exemption provided under PTCE 90-1 or 91-38, as applicable; or

(d) (i) the funds to be used by it to acquire or hold any Loan Certificate or any interest in, or represented by, any Loan Certificate, constitute the assets of an "investment fund", as such term is defined in Section V(b) of PTCE 84-14, in which a Plan has an interest and which is managed by a "qualified professional asset manager", as such term is defined in Section V(a) of PTCE 84-14 and (ii) such acquisition with such funds is, and the subsequent holding of any Loan Certificate or any interest in, or represented by, any Loan Certificate shall at all times thereafter be, entitled to the exemption provided under PTCE 84-14 to the fullest extent provided therein; or

(e) (i) the funds to be used by it to acquire or hold any Loan Certificate or any interest in, or represented by, any Loan Certificate, constitute the assets of a Plan that is a "governmental plan" (as defined in Section 414(d) of the Code and Section 3(32) of ERISA) or a "church plan" (as defined in Section 414(e) of the Code and Section 3(33) of ERISA) that is covered by neither ERISA nor Section 4975 of the Code, and (ii) neither the purchase with such funds nor the subsequent holding of any Loan Certificate or any interest in, or represented by, any Loan Certificate will result in, constitute or involve a transaction that is prohibited under applicable state Law.

#### 7.4.4 Broker's Fees

No Person acting on behalf of Loan Participant is or will be entitled to any broker's fee, commission or finder's fee in connection with the Transactions.

#### 7.5 [Intentionally Omitted]

#### 7.6 WTC's Representations and Warranties

WTC represents and warrants to Lessee, each Participant, and Owner Trustee that:

##### 7.6.1 Organization, Etc.

WTC is a Delaware banking corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, holding a valid certificate to do business as a Delaware banking corporation with banking authority to execute and deliver, and perform its obligations under, the Mortgagee Agreements.

##### 7.6.2 Corporate Authorization

WTC has taken, or caused to be taken, all necessary corporate action (including, without limitation, the obtaining of any consent or approval of stockholders required by Law or by its Certificate of Incorporation or By-Laws) to authorize the execution and delivery by Mortgagee or WTC, as the case may be, of the Mortgagee Agreements, and the performance of its obligations thereunder.

#### 7.6.3 No Violation

The execution and delivery by Mortgagee or WTC, as the case may be, of the Mortgagee Agreements, the performance by Mortgagee or WTC, as the case may be, of its obligations thereunder and the consummation on the Delivery Date of the transactions contemplated thereby, do not and will not (a) violate or contravene any provision of the Certificate of Incorporation or By-Laws of WTC, (b) violate or contravene any Law applicable to or binding on WTC or (c) violate, contravene or constitute any default under, or result in the creation of any Lien (other than the lien of the Trust Indenture) upon any property of WTC or any of its subsidiaries under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, loan or other agreement, instrument or document to which WTC is a party or by which WTC or any of its properties is or may be bound or affected.

#### 7.6.4 Approvals

The execution and delivery by Mortgagee or WTC, as the case may be, of the Mortgagee Agreements, the performance by Mortgagee or WTC, as the case may be, of its obligations thereunder and the consummation on the Delivery Date by Mortgagee or WTC, as the case may be, of the transactions contemplated thereby do not and will not require the consent, approval or authorization of, or the giving of notice to, or the registration with, or the recording or filing of any documents with, or the taking of any other action in respect of, (a) any trustee or other holder of any Debt of WTC or (b) any Government Entity, other than the filing of the FAA Filed Documents and the Financing Statements.

#### 7.6.5 Valid and Binding Agreements

The Mortgagee Agreements have been duly authorized, executed and delivered by WTC and, assuming the due authorization, execution and delivery by the other party or parties thereto, constitute the legal, valid and binding obligations of WTC and are enforceable against WTC in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar Laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity.

#### 7.6.6 Citizenship

WTC is a Citizen of the United States.

#### 7.6.7 No Liens

On the Delivery Date, there are no Lessor Liens attributable to WTC in respect of all or any part of the Trust Estate or the Trust Indenture Estate.

#### 7.6.8 Litigation

There are no pending or, to the Actual Knowledge of WTC, threatened actions or proceedings against Mortgagee or WTC before any court, administrative agency or tribunal which, if determined adversely to Mortgagee or WTC, as the case may be, would materially adversely affect the ability of Mortgagee or WTC, as the case may be, to perform its obligations under any of the Mortgagee Agreements.

#### 7.6.9 Securities Laws

Neither WTC nor any person authorized to act on its behalf has directly or indirectly offered any beneficial interest or Security relating to the ownership of the Aircraft or any interest in the Trust Indenture Estate or any of the Loan Certificates or any other interest in or security under the Trust Indenture for sale to, or solicited any offer to acquire any such interest or security from, or has sold any such interest or security to, any Person other than the Participants.

### SECTION 8. COVENANTS, UNDERTAKINGS AND AGREEMENTS

#### 8.1 Covenants of Lessee

Lessee covenants and agrees, at its own cost and expense, with Owner Participant, Loan Participant, Owner Trustee and Mortgagee as follows:

##### 8.1.1 Corporate Existence; Franchises

Lessee shall at all times maintain its corporate existence, except as permitted by Section 13.2 of the Lease, and shall not wind-up, liquidate or dissolve or take any action, or fail to take any action, that would have the effect of any of the

foregoing. Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its rights (charter and statutory) and franchises, except that Lessee shall not be required to preserve or keep in full force and effect any right or franchise if Lessee shall reasonably determine that the preservation thereof is no longer necessary or desirable in the conduct of its business and if the loss thereof does not (a) adversely affect or diminish the rights of Participants under the Operative Agreements or (b) materially and adversely affect Lessee's ability to observe or perform its obligations, liabilities and agreements under the Lessee Operative Agreements.

#### 8.1.2 U.S. Air Carrier; Section 1110

Lessee shall at all times remain a U.S. Air Carrier and shall at all times be otherwise certificated and registered to the extent necessary to entitle Owner Trustee (and Mortgagee as assignee of Owner Trustee's rights under the Lease) the rights afforded to lessors of aircraft equipment under Section 1110.

#### 8.1.3 Notice of Change of Chief Executive Office

Lessee will give each Participant, Owner Trustee and Mortgagee timely written notice (but in any event not later than three Business Days after its occurrence) of any relocation of its chief executive office (as such term is defined in Article 9 of the UCC) from its then present location and will promptly take any action required by Section 8.1.4(c) as a result of such relocation.

#### 8.1.4 Certain Assurances

(a) Lessee shall duly execute, acknowledge and deliver, or shall cause to be executed, acknowledged and delivered, all such further agreements, instruments, certificates or documents, and shall do and cause to be done such further acts and things, in any case, as any Participant, Owner Trustee or Mortgagee shall reasonably request in connection with its administration of, or to carry out more effectually the purposes of, or to better assure and confirm unto it the rights and benefits to be provided under, this Agreement and the other Operative Agreements.

(b) Lessee shall promptly take such action with respect to the recording, filing, re-recording and re-filing of the Lease, the Trust Agreement and the Trust Indenture and the respective supplements thereto, including, without limitation, Lease Supplement No. 1 and the Trust Indenture Supplement, as shall be necessary to establish, perfect and protect the interests and rights of Owner Trustee in and to the Aircraft and under the Lease and the perfection and priority of the Lien created by the Trust Indenture. Lessee shall furnish to Owner Participant or Owner Trustee such information (other than with respect to the citizenship of Owner Participant and Owner Trustee) in Lessee's possession or otherwise reasonably available to Lessee as may be required to enable Owner Participant or Owner Trustee to make application for registration of the Aircraft under the Act (subject to Lessee's rights under Section 7.1.2 of the Lease) and shall, without limiting the generality of Section 10, pay or cause to be paid all out-of-pocket costs and expenses thereof (including, without limitation, reasonable attorneys' fees and disbursements).

(c) Lessee, at its sole cost and expense, will cause the FAA Filed Documents, the Financing Statements and all continuation statements (and any amendments necessitated by any combination, consolidation or merger pursuant to Section 13.2 of the Lease, or any relocation of its chief executive office) in respect of the Financing Statements to be prepared and, subject only to the execution and delivery thereof by Owner Trustee and Mortgagee, as applicable, duly and timely filed and recorded, or filed for recordation, to the extent permitted under the Act (with respect to the FAA Filed Documents) or the UCC or similar law of any other applicable jurisdiction (with respect to such other documents).

(d) If the Aircraft has been registered in a country other than the United States pursuant to Section 7.1.2 of the Lease, Lessee will furnish to Owner Trustee, Mortgagee and each Participant annually after such registration, commencing with the calendar year after such registration is effected, an opinion of special counsel reasonably satisfactory to the Participants, stating that, in the opinion of such counsel, either that (i) such action has been taken with respect to the recording, filing, rerecording and re-filing of the Operative Agreements and any supplements and amendments thereto as is necessary to establish, perfect and protect Owner Trustee's and Mortgagee's respective right, title and interest in and to the Aircraft and the Operative Agreements, reciting the details of such actions, or (ii) no such action is necessary to maintain the perfection of such right, title and interest.

#### 8.1.5 Securities Laws

Neither Lessee nor any person authorized to act on its behalf will directly or indirectly offer any beneficial interest or Security relating to the ownership of the Aircraft or the Lease or any interest in the Trust Estate and Trust Agreement or

any of the Loan Certificates or any other interest in or security under the Trust Indenture, for sale to, or solicit any offer to acquire any such interest or security from, or sell any such interest or security to, any person in violation of the Securities Act or applicable state or foreign securities Laws.

## 8.2 Covenants of Owner Participant

Owner Participant covenants and agrees with Lessee, and, except with respect to Section 8.2.4, Loan Participant, Owner Trustee and Mortgagee as follows:

### 8.2.1 Liens

Owner Participant (a) will not directly or indirectly create, incur, assume or suffer to exist any Lessor Lien attributable to it on or with respect to all or any part of the Trust Estate, the Trust Indenture Estate or the Aircraft, (b) will, at its own cost and expense, promptly take such action as may be necessary to discharge any Lessor Lien attributable to Owner Participant on all or any part of the Trust Estate, the Trust Indenture Estate or the Aircraft and (c) will make restitution to the Trust Estate for any actual diminution of the assets of the Trust Estate resulting from such Lessor Liens attributable to or caused by it.

### 8.2.2 Revocation of Trust Agreement

(a) Owner Participant will comply with the provisions of the Trust Agreement applicable to it, the non-compliance with which would have a material adverse effect on Lessee, any Certificate Holder or Mortgagee, and will not terminate or revoke the Trust Agreement or the trusts created thereunder without the prior written consent of Lessee and Mortgagee and will not amend, modify or supplement the Trust Agreement, or waive any of the provisions thereof, if such amendment, modification, supplement or waiver would have a material adverse effect on Lessee, without the consent of Lessee, or on Mortgagee or any Certificate Holder, without the consent of Mortgagee.

(b) Notwithstanding Section 8.2.2(a), Owner Participant may at any time remove Owner Trustee pursuant to Section 9.1 of the Trust Agreement.

### 8.2.3 Change of Situs of Owner Trust

If, at any time, any Tax Indemnitee or the Trust Estate becomes subject to any Taxes for which it is indemnified pursuant to Section 10.3 of this Agreement and if, as a consequence thereof, Lessee should request that the situs of the Trust be moved to another state in the United States from the state in which it is then located, the situs of the Trust may be moved with the written consent of Owner Participant (which consent shall not be unreasonably withheld) and Owner Participant will take whatever action may be reasonably necessary to accomplish such removal; provided, that, in any event, (a) Lessee shall provide such additional tax indemnification as Owner Participant and the Certificate Holders may reasonably request to cover any additional unindemnified Taxes or loss of Tax benefits described in the assumptions in the Tax Indemnity Agreement resulting from such change in the situs of the Trust, (b) the rights and obligations under the Operative Agreements of Owner Participant, the Certificate Holders and Mortgagee shall not be adversely affected as a result of the taking of such action, (c) the Lien of the Trust Indenture on the Trust Indenture Estate shall not be adversely affected by such action, and Lessee and Owner Trustee shall execute and deliver such documents as may reasonably be requested by Mortgagee to protect and maintain the perfection and priority of such Lien, (d) Owner Participant and Mortgagee shall have received an opinion or opinions of counsel (which counsel is reasonably satisfactory to Owner Participant and Mortgagee) in scope, form and substance reasonably satisfactory to Owner Participant and Mortgagee to the effect that (i) the Trust, as thus removed, shall remain a validly established trust, (ii) any amendments to the Trust Agreement necessitated by such removal shall have been duly authorized, executed and delivered by the parties thereto and shall constitute the valid and binding obligations of such parties, enforceable in accordance with their terms, (iii) covering such other matters as Owner Participant or Mortgagee may reasonably request, (e) if such removal involves the replacement of Owner Trustee, then Owner Participant and Mortgagee shall have received an opinion of counsel to such successor Owner Trustee in form and substance reasonably satisfactory to Owner Participant and Mortgagee covering the matters described in the opinion delivered pursuant to Section 6.1.2(xxvii)(E) and (f) Lessee shall indemnify and hold harmless Owner Participant, Certificate Holders and First Security, in its individual capacity and as Owner Trustee, on a net after-tax basis against any and all reasonable out-of-pocket costs and expenses including attorneys' fees and disbursements, fees and expenses of any new owner trustee, registration, recording or filing fees and taxes incurred by Owner Participant, Certificate Holders or Owner Trustee in connection with such change of situs. Owner Participant agrees with Lessee that it will not consent to or direct a change in the situs of the Trust Estate without the prior written consent of Lessee.

### 8.2.4 Compliance with Lease Provisions

Owner Participant will, solely for the benefit of Lessee, comply with the express provisions applicable to it contained in Sections 3.2.1 and 8.2.5 of the Lease.

#### 8.2.5 Securities Act

Owner Participant will not directly or indirectly offer any beneficial interest or security relating to the ownership of the Aircraft or any interest in the Trust Estate or any of the Loan Certificates or any other interest in or security under the Trust Indenture for sale to, or solicit any offer to acquire any such interest or security from, or sell any such interest or security to, any Person in violation of the Securities Act or applicable state or foreign securities Laws, provided that the foregoing shall not be deemed to impose on Owner Participant any responsibility with respect to any such offer, sale or solicitation by any other party hereto.

#### 8.2.6 Regarding the Owner Trustee

Owner Participant will not cause Owner Trustee to violate its obligations under any Owner Trustee Agreement.

### 8.3 Covenants of First Security and Owner Trustee

First Security, in its individual capacity and/or as Owner Trustee, as provided below, covenants and agrees with Lessee, each Participant and Mortgagee as follows:

#### 8.3.1 Liens

First Security (a) will not directly or indirectly create, incur, assume or suffer to exist any Lessor Liens attributable to it or Owner Trustee with respect to all or any part of the Trust Estate, the Trust Indenture Estate or the Aircraft, (b) will, at its own cost and expense, promptly take such action as may be necessary to discharge any Lessor Lien attributable to First Security or Owner Trustee on all or any part of the Trust Estate, the Trust Indenture Estate or the Aircraft and (c) will personally hold harmless and indemnify Lessee, Owner Participant, each Certificate Holder, Mortgagee, each of their respective Affiliates, successors and permitted assigns, the Trust Estate and the Trust Indenture Estate from and against (i) any and all Expenses, (ii) any reduction in the amount payable out of the Trust Estate or the Trust Indenture Estate and (iii) any interference with the possession, operation or other use of all or any part of the Aircraft imposed on, incurred by or asserted against any of the foregoing as a consequence of any such Lessor Lien.

#### 8.3.2 Other Business

Owner Trustee will not enter into any business or other activity except as contemplated by the Operative Agreements.

#### 8.3.3 Notice of Change of Chief Executive Office

First Security, in its individual capacity and as Owner Trustee, will give Lessee, each Participant and Mortgagee 30 days' prior written notice of any relocation of its chief executive office (as such term is defined in Article 9 of the UCC) from its then present location and will promptly take any action required by Section 8.3.8 as a result of such relocation.

#### 8.3.4 Securities Act

First Security, in its individual capacity and as Owner Trustee, will not directly or indirectly offer any beneficial interest or Security relating to the ownership of the Aircraft or any interest in the Trust Estate or any of the Loan Certificates or any other interest in or security under the Trust Indenture for sale to, or solicit any offer to acquire any such interest or security from, or sell any such interest or security to, any Person in violation of the Securities Act or applicable state or foreign securities Laws, provided that the foregoing shall not be deemed to impose on First Security in its individual capacity or as Owner Trustee, any responsibility with respect to any such offer, sale or solicitation by any other party hereto.

#### 8.3.5 Performance of Agreements

Subject to the terms and provisions of the Trust Agreement, Owner Trustee shall perform its obligations under the Owner Trustee Agreements in accordance with the terms thereof.

#### 8.3.6 Release of Lien of Trust Indenture

Owner Trustee, in each instance referred to in the Lease in which a transfer of any property is required to be made by Owner Trustee to Lessee or any other Person (other than Mortgagee or Owner Participant), shall, at Lessee's request and expense, use its reasonable efforts to procure from Mortgagee the prompt release of the Lien of the Trust Indenture with respect to such property.

#### 8.3.7 Notices; Documents

In the event any claim with respect to any liabilities is filed against the Owner Trustee in its capacity as such and Owner Trustee shall have Actual Knowledge thereof, the Owner Trustee shall promptly notify Lessee in writing thereof. Owner Trustee further agrees to provide to Lessee promptly any documents (including the certificate of aircraft registration) that it receives from the FAA with respect to the Aircraft.

#### 8.3.8 Filings

After the Delivery Date, Owner Trustee shall duly execute and deliver to Lessee all filings and recordings (including, without limitation, all filings and UCC financing statements under the Act and the UCC and any amendments to UCC financing statements necessitated by any relocation of its chief executive office), prepared and delivered to it by Lessee required to perfect Owner Trustee's title to the Aircraft and the liens of and security interests granted by the Trust Indenture (or to maintain such perfection) and to make such title, liens and security interests valid and enforceable.

#### 8.4 Covenants of WTC and Mortgagee

WTC or Mortgagee, as the case may be, covenants and agrees with Lessee, each Participant and Owner Trustee as follows:

##### 8.4.1 Liens

WTC (a) will not directly or indirectly create, incur, assume or suffer to exist any Lessor Lien attributable to it on or with respect to all or any part of the Trust Estate, the Trust Indenture Estate or the Aircraft, (b) will, at its own cost and expense, promptly take such action as may be necessary to discharge any Lessor Lien attributable to WTC on all or any part of the Trust Estate, the Trust Indenture Estate or the Aircraft and (c) will personally hold harmless and indemnify Lessee, Owner Participant, each Certificate Holder, Owner Trustee, each of their respective Affiliates, successors and permitted assigns, the Trust Estate and the Trust Indenture Estate from and against (i) any and all Expenses, (ii) any reduction in the amount payable out of the Trust Estate or the Trust Indenture Estate and (iii) any interference with the possession, operation or other use of all or any part of the Aircraft, imposed on, incurred by or asserted against any of the foregoing as a consequence of any such Lessor Lien.

##### 8.4.2 Securities Act

Mortgagee will not offer any beneficial interest or Security relating to the ownership of the Aircraft or any interest in the Trust Indenture Estate, or any of the Loan Certificates or any other interest in or security under the Trust Indenture for sale to, or solicit any offer to acquire any such interest or security from, or sell any such interest or security to, any Person in violation of the Securities Act or applicable state or foreign securities Laws, provided that the foregoing shall not be deemed to impose on Mortgagee any responsibility with respect to any such offer, sale or solicitation by any other party hereto.

##### 8.4.3 Performance of Agreements

Subject to the terms and provisions of the Trust Indenture, Mortgagee shall perform its obligations under the Indenture Agreements in accordance with the terms thereof.

##### 8.4.4 [Intentionally Omitted]

##### 8.4.5 Withholding Taxes

WTC shall indemnify (on an after-tax basis) and hold harmless Lessee and Owner Participant against any United States withholding taxes (and related interest, penalties and additions to tax) as a result of the failure by WTC to withhold on payments to any Certificate Holder if such Certificate Holder failed to provide to Mortgagee necessary certificates or forms to substantiate the right to exemption from such withholding tax.

#### 8.5 Covenants of Certificate Holders

Each Certificate Holder (including Loan Participant, whether or not it has elected or elects to have its Loan Certificate(s) registered in the name of a nominee) as to itself only covenants and agrees with Lessee, Owner Participant, Owner Trustee and Mortgagee as follows:

##### 8.5.1 [Intentionally Omitted]

##### 8.5.2 Withholding Taxes

Such Certificate Holder (if it is a Non-U.S. Person) agrees to indemnify (on an after-tax basis) and hold harmless Lessee, Owner Participant and Mortgagee against any United States withholding taxes (and related interest, penalties and additions to tax) as a result of the inaccuracy or invalidity of any certificate or form provided by such Certificate Holder to Mortgagee in connection with such withholding taxes. Any amount payable hereunder shall be paid within 30 days after receipt by a Certificate Holder of a written demand therefor.

### 8.5.3 Transfer; Compliance

(a) Such Certificate Holder will (i) not transfer any Loan Certificate or interest therein in violation of the Securities Act or applicable state or foreign securities law; provided, that the foregoing provisions of this section shall not be deemed to impose on such Certificate Holder any responsibility with respect to any such offer, sale or solicitation by any other party hereto, (ii) for so long as Gaucho-2 Inc. or any Affiliate thereof is Owner Participant hereunder, without the consent of such party, not transfer any Loan Certificate or interest therein to Aetna Life Insurance Company or any Affiliate thereof and (iii) perform and comply with the obligations specified to be imposed on it (as a Loan Participant or Certificate Holder) under each of the Trust Indenture and the form of Loan Certificate set forth in the Trust Indenture.

(b) Each of Loan Participant and each Certificate Holder covenants and agrees that it shall not sell, assign, convey, exchange or otherwise transfer any Loan Certificate or any interest in, or represented by, any Loan Certificate unless the proposed transferee thereof first provides Lessee and Owner Participant with both of the following:

(i) a written representation either that at least one of the statements in clauses (a) through (d) of Section 7.4.3 is true with respect to the funds with which it will acquire the Loan Certificate or interest, or that such transfer will not involve a transaction that constitutes a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Code involving Lessee, Owner Participant or the proposed transferee (other than a transaction that is exempted from the prohibitions of such sections by applicable provisions of ERISA or the Code or administrative exemptions or regulations issued thereunder); and

(ii) a written covenant that it will not transfer any Loan Certificate or any interest in, or represented by, any Loan Certificate unless the subsequent transferee also makes the representations described in clause (i) above and agrees to comply with this clause (ii).

(c) Promptly after discovery by any Certificate Holder that the acquisition or holding of its Loan Certificate has resulted in, or will result in, a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Code, (i) such Certificate Holder shall promptly and diligently use all good faith reasonable efforts to correct such prohibited transaction within a reasonable period (but such period shall not be less than 60 days unless either Lessee or Owner Participant reasonably determines that it could be subject to material adverse consequences were such period to last for 60 days) and (ii) during the Term, so long as such prohibited transaction has not been corrected pursuant to clause (i) above or otherwise, upon notice (which notice shall specifically refer to this Section 8.5.3(c)(ii)) from either Lessee or Owner Participant to such Certificate Holder and Morgan Stanley & Co. Incorporated (unless another Person (which may be Lessee) is designated by Lessee with the consent of Owner Participant, which consent shall not be unreasonably withheld or delayed, in such notice of Lessee or within ten days of any such notice of Owner Participant, which Person confirms in writing to such Certificate Holder and Owner Participant that it will comply with the obligations of the remarketing agent under this Section 8.5.3(c)(ii)) (Morgan Stanley & Co. Incorporated or such Person being referred to herein as the "remarketing agent"), the following actions will be taken:

(A) the remarketing agent will use reasonable efforts promptly, and in any event within 65 days following such notice from Lessee or Owner Participant to the remarketing agent, to identify to Lessee potential purchasers that are not Affiliates of Lessee (including, but not limited to, identifying potential purchasers that, for purposes of Section 7.4.3, would be willing not to assume or rely on the continued validity of the position stated by the Department of Labor in paragraph (b) of Interpretive Bulletin 29 C.F.R. Section 2509.75-2) for such Loan Certificate that are willing to purchase such Loan Certificate pursuant to this Section 8.5.3(c)(ii) and would be willing to pay a commercially reasonable cash purchase price therefor, taking into account, among other things, prevailing interest rates, the security for the Loan Certificates under the Trust Indenture and the market prices of comparable securities;

(B) within 70 days following such notice from Lessee or Owner Participant to the remarketing agent, Lessee shall designate a purchaser (which shall not be an Affiliate of Lessee) to the Certificate Holder and the remarketing agent that is willing to pay a commercially reasonable cash purchase price for such Loan Certificate (it being understood that Lessee will, at its option, designate either (A) the potential purchaser that is (1) willing not to assume or rely on the continued validity of the position stated by the Department of Labor in paragraph (b) of Interpretive Bulletin 29 C.F.R. 2509.75-2, (2) willing not

to require any substantive changes to the Operative Agreements and (3) willing to offer the highest cash purchase price or (B) the potential purchaser willing not to require any substantive changes to the Operative Agreements and willing to offer the highest cash purchase price, in either case if such potential purchaser exists, provided that the foregoing will not preclude Lessee from designating any other potential purchaser with a higher cash purchase price), failing which the remarketing agent shall within two Business Days identify to Lessee and such Certificate Holder the potential purchaser willing to pay the highest cash purchase price and such potential purchaser shall be deemed to be the designated purchaser;

(C) within ten Business Days following such designation by Lessee or the remarketing agent, as the case may be, such Certificate Holder shall sell, assign, transfer and convey all its right, title and interest in and to its Loan Certificate (without recourse or warranty of any kind except against Liens on such Loan Certificate arising by, through or under such Certificate Holder) to the designated purchaser against payment by such designated purchaser to such Certificate Holder in immediately available funds of the purchase price therefor;

(D) upon such sale, assignment, transfer and conveyance, such designated purchaser shall be deemed to have accepted such Loan Certificate for all purposes of the Operative Agreements, including, without limitation, Section 2.07 of the Trust Indenture and Section 12.1.3, and, if agreed between Lessee and such designated purchaser, for purposes of Section 7.4.3, such designated purchaser shall be deemed not to have assumed or relied on the continued validity of the position stated by the Department of Labor in paragraph (b) of Interpretive Bulletin 29 C.F.R. Section 2509.75-2; and

(E) immediately following such sale, assignment, transfer and conveyance (but not as a condition thereto), Lessee shall pay to such former Certificate Holder (x) the excess, if any, of the outstanding principal amount of such transferred Loan Certificate at the date of such sale, assignment, transfer and conveyance, plus accrued interest on such Loan Certificate to such date over the portion of the purchase price paid by the designated purchaser to such former Certificate Holder in respect of such transferred Loan Certificate pursuant to clause (C) above and (y) any other sums then due and payable by Lessee to such former Certificate Holder under the Operative Agreements.

Notwithstanding the foregoing, the notice specified in Section 8.5.3(c)(ii) may be given prior to the end of the period described in Section 8.5.3(c)(i) if Lessee or Owner Participant reasonably determines that it could be subject to material adverse consequences were the Certificate Holder given more time to correct the transaction in accordance with Section 8.5.3(c)(i). In such case, the period specified in Section 8.5.3(c)(i) shall end on the date the Certificate Holder receives such notice.

Neither Lessee nor Owner Participant shall be obligated to give the notice referred to in Section 8.5.3(c)(ii). Any such notice, whether given by Lessee or Owner Participant, may be rescinded by Lessee with the consent of Owner Participant at any time prior to the sale, assignment, transfer and conveyance of such Loan Certificate by delivering written notice of such rescission to such Certificate Holder, Owner Participant and the remarketing agent. Such rescission shall not preclude delivery of another such notice pursuant to Section 8.5.3(c)(ii). No party shall have any liability for the default by the designated purchaser in purchasing such Loan Certificate, but such default shall not preclude the designation of another purchaser under Section 8.5.3(c)(ii). Lessee shall be responsible for paying the fees and expenses of the remarketing agent.

8.6 [Intentionally Omitted]

8.7 Agreements

8.7.1 Owner Trustee Is Owner for All Purposes

Lessee, the Participants, Owner Trustee and Mortgagee agree that for all purposes, after the Closing, Owner Trustee will be the owner of the Aircraft (except that Owner Participant will be the owner for income tax purposes) and Lessee will be the lessee thereof. No transfer, by operation of Law or otherwise, of the beneficial interest of Owner Participant in and to the Trust Estate shall operate to transfer legal title to any part of the Trust Estate to any transferee thereof.

8.7.2 Rights under the Lease

Lessee acknowledges and confirms each of Owner Participant's and Mortgagee's rights under the Lease.

8.7.3 Commencement of Bankruptcy Proceedings

Lessee, each Participant, each Certificate Holder, First Security, Owner Trustee, WTC and Mortgagee agree for the benefit of each of the others that it will not commence or join in any proceeding under the Bankruptcy Code to commence a case under Section 303 of the Bankruptcy Code against the Trust Estate. Nothing contained herein shall be deemed to preclude any Participant, any Certificate Holder, First Security, Owner Trustee, WTC or Mortgagee from filing any claim against the Trust Estate in any case commenced against the Trust Estate.

#### 8.7.4 Certain Bankruptcy Matters

If (a) all or any part of the Trust Estate becomes the property of, or Owner Trustee or Owner Participant becomes, a debtor subject to the reorganization provisions of the Bankruptcy Code, (b) pursuant to such reorganization provisions, including Section 1111(b) of the Bankruptcy Code, First Security or Owner Participant is required, by reason of First Security or Owner Participant being held to have recourse liability to any Certificate Holder or Mortgagee directly or indirectly (other than the recourse liability of First Security or Owner Participant under this Agreement, the Trust Indenture or by separate agreement), to make payment on account of any amount payable as principal, Make-Whole Amount, if any, interest or other amounts on the Loan Certificates, and (c) any Certificate Holder or Mortgagee actually receives any Excess Amount, as defined below, which reflects any payment by First Security or Owner Participant on account of (b) above, then such Certificate Holder or Mortgagee, as the case may be, shall promptly refund to First Security or Owner Participant (whichever shall have made such payment) such Excess Amount.

For purposes of this Section 8.7.4, "Excess Amount" means the amount by which such payment exceeds the amount that would have been received by a Certificate Holder or Mortgagee if First Security or Owner Participant had not become subject to the recourse liability referred to in clause (b) above. Nothing contained in this Section 8.7.4 shall prevent a Certificate Holder or Mortgagee from enforcing any personal recourse obligation (and retaining the proceeds thereof) of First Security or Owner Participant under this Agreement (other than as referred to in clause (b) above) or the Trust Indenture (and any exhibits or annexes thereto) or from retaining any amount paid by Owner Participant under Sections 2.14 or 4.03 of the Trust Indenture.

#### 8.7.5 Quiet Enjoyment; Sale by Owner Trustee Binding

(a) Each Participant, each Certificate Holder, Owner Trustee and Mortgagee agrees as to itself with Lessee that, so long as no Lease Event of Default shall have occurred and be continuing, such Person shall not (and shall not permit any Affiliate or other Person claiming by, through or under it to) interfere with Lessee's rights in accordance with the Lease to the quiet enjoyment, possession and use of the Aircraft during the Term. The foregoing, however, shall not be construed or deemed to modify or condition in any respect the obligations of Lessee pursuant to Section 16 of the Lease, which obligations are absolute and unconditional.

(b) Any assignment, sale, transfer or other conveyance of the Aircraft by Owner Trustee made pursuant to the terms of this Agreement or the Lease shall bind Owner Participant and shall be effective to transfer or convey all right, title and interest of Owner Trustee and Owner Participant in and to the Aircraft. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such assignment, sale, transfer or conveyance, or as to the application of any sale or other proceeds with respect thereto by Owner Trustee, as regards Owner Participant.

#### 8.7.6 Effect of Lessee's Merger

Section 13.2.2 of the Lease is incorporated by reference herein.

#### 8.7.7 Non-Recourse

Loan Participant and Mortgagee agree that (a) obligations of Owner Trustee under the Trust Indenture or any other Operative Agreement and with respect to the Loan Certificates shall be non-recourse to Owner Participant and to First Security and (b) they will look solely to the income and proceeds from the Trust Estate and the Trust Indenture Estate to the extent available for distribution to Loan Participant or Mortgagee as provided in the Trust Indenture and that neither Owner Participant nor First Security will be personally liable to Loan Participant or Mortgagee for any amounts payable by Owner Trustee under the Trust Indenture or any other Operative Agreement. The foregoing is not intended to limit any liability of Owner Participant or First Security to the extent that such liability is expressly set forth in this Agreement (with respect to Owner Participant) or in any of the Operative Agreements (with respect to First Security).

#### 8.7.8 Other Documents; Amendment

(a) Each Participant hereby consents to the terms of the

Lease, the Trust Agreement and the Trust Indenture. Lessee acknowledges receipt of executed copies of the Trust Agreement and the Trust Indenture and hereby consents to the execution and delivery of the Trust Agreement and the Trust Indenture and to all the terms thereunder, including, without limitation, the creation of a Lien in respect of, among other things, the Aircraft and the Lease pursuant to the Trust Indenture. Nothing in this Section 8.7.8 shall be construed to require Lessee's consent to any future supplement to, or amendment, waiver or modification of any other terms of, the Trust Agreement or the Trust Indenture. Notwithstanding the foregoing, so long as the Lease has not terminated or expired, Owner Trustee and Mortgagee hereby agree for the benefit of Lessee (i) to comply with the provisions of the Trust Indenture if failure to so comply would have an adverse effect on Lessee and such noncompliance is not the direct result of an act or failure to act by Lessee, and (ii) not, without the consent of Lessee, directly or indirectly to amend or modify any provisions of Section 2.01, 2.07 (as to reduction of the minimum denominations of Loan Certificates), 2.08, 2.09, 3.02, 3.04, 5.05, 5.06, 5.07, 5.08, 5.09, 8.02 (insofar as Lessee is specified to have rights thereunder), 10.04 or 10.05 of the Trust Indenture, Article I or Article VII of the Trust Indenture or any Loan Certificate in a manner adversely affecting Lessee. Owner Trustee agrees to furnish promptly to Lessee and Owner Participant copies of any amendment, modification, supplement or waiver relating to any of the Operative Agreements to which Lessee or Owner Participant, as the case may be, is not a party.

(b) Owner Trustee agrees to join with Lessee to the extent that action on its part is necessary or appropriate (i) to cause the following to be duly accomplished in accordance with applicable United States federal Law by the time the Aircraft is delivered under this Agreement and the Lease: (A) the application for registration of the Aircraft in the name of Owner Trustee and (B) all related action necessary in order for Lessee to have temporary or permanent authority to operate the Aircraft as contemplated by the Lease and (ii) forthwith upon delivery of the Aircraft under this Agreement and the Lease, to cause all necessary documents to be duly filed for recording in accordance with applicable United States federal Law.

#### 8.7.9 Consents

Each Participant, Owner Trustee and Mortgagee covenants and agrees, for the benefit of Lessee, that it shall not unreasonably withhold its consent to any consent or approval requested of it or of Owner Trustee or Mortgagee under the terms of any of the Operative Agreements which by its terms is not to be unreasonably withheld.

#### 8.7.10 Insurance

Each party hereto (other than Lessee) agrees not to obtain or maintain insurance for its own account as permitted by Section 11.3 of the Lease if such insurance would limit or otherwise adversely affect the coverage of any insurance required to be obtained or maintained by Lessee pursuant to Section 11 and Annex D of the Lease.

#### 8.7.11 Extent of Interest of Certificate Holders

A Certificate Holder shall not, as such, have any further interest in, or other right with respect to, the Trust Estate or the Trust Indenture Estate when and if the principal and Make-Whole Amount, if any, of and interest on the Loan Certificate held by such Holder, and all other sums, then due and payable to such Holder hereunder and under any other Operative Agreement, shall have been paid in full.

#### 8.7.12 Foreign Registration

Each Participant, Owner Trustee and Mortgagee (for purposes of this Section 8.7.12, acting only at the direction of a Majority in Interest of Certificate Holders determined without reference to the second sentence of the definition thereof) hereby agrees, for the benefit of Lessee but subject to the provisions of Section 7.1.2 of the Lease:

(a) that Lessee shall be entitled to register the Aircraft or cause the Aircraft to be registered in a country other than the United States subject to compliance with the following:

(i) each of Lessor and Mortgagee gives its prior written consent; and

(ii) each of the following requirements is satisfied:

(A) Lessee shall deliver such request to Lessor and Mortgagee at least 30 days in advance of the date of any such proposed change of registration;

(B) such registration shall be made, if at all, only after the close of the calendar year in which the seventh anniversary of the Delivery Date occurs or if a Lessee Act (as defined in the Tax Indemnity Agreement) as a result of which indemnification has been required under the Tax Indemnity

Agreement has created a longer Tax Attribute Period (as defined in the Tax Indemnity Agreement), after the close of the Tax Attribute Period, unless in either case Lessee prepays any liability Owner Participant determines would be due under the Tax Indemnity Agreement as a result of such registration based upon the assumption that such registration would continue for the remainder of the term of the Permitted Sublease described in clause (D) below;

- (C) no Lease Default or Lease Event of Default shall have occurred and be continuing at the time of such request;
- (D) such proposed change of registration is made in connection with a Permitted Sublease to a Permitted Air Carrier;
- (E) such country (1) is the domicile of Permitted Sublessee and the country in which Permitted Sublessee maintains its principal place of business and (2) is a country with which the United States then maintains normal diplomatic relations;
- (F) such country would recognize the interests of, and would provide substantially equivalent protection (including the right to take possession of the Aircraft in the event of (1) a Lease Event of Default or a default by Permitted Sublessee or (2) the bankruptcy of Lessee or Permitted Sublessee) for the rights and remedies of, owner participants, lessors, lenders and mortgagees in similar transactions as provided under the Law of the United States;
- (G) the courts of such country would give effect to Lessor's title to and leasehold interest in the Aircraft, to the registration of the Aircraft in the name of Lessor and to the priority of the Lien of the Trust Indenture, in each case substantially to the same extent as provided under the Law of the United States; and
- (H) if requested by Lessor, Lessee or any Permitted Sublessee shall, for purposes of enforcement of the rights and remedies provided for in Section 15 of the Lease, execute an irrevocable power of attorney in form and substance satisfactory to Lessor providing for, among other things, upon and during the continuance of a Lease Event of Default, (1) the deregistration of the Aircraft and (2) the reregistration of the Aircraft in the United States by Lessor, including the ability to obtain export licenses and take any other action necessary or advisable for the repossession, export and redelivery to Lessor of the Airframe, any Engine and any airframe or engine substituted for the Airframe or any Engine, all in accordance with the Lease.

(b) Neither Lessor nor Mortgagee shall unreasonably withhold its consent to such a request by Lessee for a change of registration of the Aircraft in accordance with this Section, if:

- (i) Lessee shall have given to Lessor and Mortgagee assurances reasonably satisfactory to each of them:
  - (A) to the effect that the provisions of Section 11 of the Lease have been complied with after giving effect to such change of registration;
  - (B) of the payment by Lessee of all reasonable expenses of Lessor, each Participant, each Certificate Holder and Mortgagee in connection with such change of registry, including, without limitation (1) the reasonable fees and disbursements of counsel, (2) any filing or recording fees, Taxes or similar payments incurred in connection with the change of registration of the Aircraft and the creation and perfection of the security interest therein in favor of Mortgagee for the benefit of Certificate Holders, (3) all costs and expenses incurred in connection with any filings necessary to continue in the United States the perfection of the security interest in the Aircraft and the Lease in favor of Mortgagee for the benefit of Certificate Holders and (4) any and all other costs, expenses and Taxes under the Law of the country of registry, whether initial or on a continuing basis, incurred by Lessor, each Participant, each Certificate Holder or Mortgagee as a result of the registration of the Aircraft, or the creation, attachment and perfection of the security interest therein, under the laws of the country of registry;

- (C) to the effect that the tax and other indemnities in favor of each person named as an indemnitee under any other Operative Agreement afford each such person substantially the same protection as provided prior to such change of registration (or Lessee shall have agreed upon additional indemnities that, together with such original indemnities, in the reasonable judgment of Lessor and Mortgagee, afford such protection);
- (D) as to the continued status of the Trust Indenture as a first priority perfected Lien (subject to Permitted Liens) on the Trust Indenture Estate (including, without limitation, the Aircraft);
- (E) that any import or export permits necessary to take the Aircraft into or out of such country and any exchange permits necessary to allow all Rent and other payments provided for under the Lease shall be in full force and effect;
- (F) that any value-added tax, customs or import fee or duty, tariff, other Tax or similar governmental charge relating to the change in jurisdiction of registration of the Aircraft shall have been paid in full or adequately provided for by Lessee;
- (G) that such new country of registry imposes aircraft maintenance standards no less stringent than those of the FAA;
- (H) that no Lease Default or Lease Event of Default exists and that no Lease Default or Lease Event of Default will occur or exist upon, or result from, such reregistration; and
- (I) with respect to such other matters as Lessor, any Participant, Owner Participant or Mortgagee may reasonably request; and

(ii) Lessee shall deliver to Lessor, Certificate Holders and Mortgagee a favorable opinion, in form and substance and from counsel in such country, in each case, reasonably satisfactory to Lessor and Mortgagee, to the effect that:

- (A) the terms (including, without limitation, the governing law, service-of-process and jurisdictional submission provisions, and the remedies) of this Agreement, the Lease, the applicable Permitted Sublease and the Trust Indenture are legal, valid, binding and enforceable in such country;
- (B) it is not necessary for Lessor, any Participant, Certificate Holders or Mortgagee to register or qualify to do business in such country as a result, in whole or in part, of the registration of the Aircraft in such country;
- (C) there is no tort liability of or imputed to the owner or lessor, or of persons lending money, on a secured or unsecured basis, or any guarantor of any such person, to such an owner or lessor for the purchase of, an aircraft, under the laws of such country (it being understood that, in the event such latter opinion cannot be given in a form satisfactory to Lessor and each Participant, such opinion shall be waived if insurance or third-party indemnities satisfactory to Lessor and each Participant are available to cover such risk and is provided at or before the time of such change of registration, at Lessee's expense);
- (D) unless Lessee shall have agreed to provide insurance satisfactory to Lessor and each Participant covering the risk of requisition of use of the Aircraft by the government of such country (so long as the Aircraft is registered under the laws of such country), the laws of such country require fair compensation by the government of such country payable in currency freely convertible into Dollars and freely removable from such country (without license or permit, unless Lessee prior to such proposed reregistration has obtained such license or permit) for the taking or loss of use of the Aircraft in the event of the taking or requisition by such government of such use;
- (E) the registration of the Aircraft would be terminable without material burden, penalty or delay by Lessor or Mortgagee upon the occurrence of a Lease Event of Default;
- (F) there shall not exist possessory rights in favor of the government of such country, Lessee or

Permitted Sublessee (including, without limitation, a defense of sovereign immunity) that would, upon the bankruptcy of Lessee or Permitted Sublessee or upon the occurrence of a Lease Event of Default, prevent or delay the return of the Aircraft pursuant to the Lease;

and covering the matters set forth in Sections 8.7.12(a)(ii)(F) and (G) and to such further effect with respect to such other matters as Lessor, each Participant or Certificate Holders may reasonably request.

(c) The parties hereto acknowledge to each other that none of such parties has conducted a review of the countries in which the Permitted Air Carriers are domiciled to determine whether any of the criteria set forth in Section 8.7.12(a) or (b) are currently met.

(d) Any such change in registration shall be at the sole expense of Lessee, and Lessee shall pay all reasonable expenses of Lessor, each Participant, Certificate Holders and Mortgagee in connection with any request to change (and the evaluation thereof), and any actual change, of registration of the Aircraft.

#### 8.7.13 Other Commercial Relations Unaffected

Notwithstanding anything to the contrary set forth in any Operative Agreement:

(a) Except as set forth in the Purchase Agreement Assignment, nothing contained in the Lessee Operative Agreements shall constitute or be deemed to be a waiver by Lessee of any rights, remedies or claims it may have against Airframe Manufacturer or Engine Manufacturer or any subcontractor or supplier of either; and the Lessee Operative Agreements do not and shall not be construed or deemed to create any rights, waivers, immunities or indemnities in favor of Airframe Manufacturer, Engine Manufacturer or any subcontractor or supplier of either with respect to any such rights, remedies or claims of Lessee; and

(b) None of Airframe Manufacturer, by its execution and delivery of the Consent and Agreement, Owner Participant Parent, by its execution and delivery of the Owner Participant Guaranty, and Engine Manufacturer, by its execution and delivery of the Engine Consent and Agreement, shall be deemed to have waived any rights, remedies or claims which Airframe Manufacturer, Engine Manufacturer (or any subcontractor or supplier of either) or Owner Participant Parent, as the case may be, may have against Lessee; and the Operative Agreements do not and shall not be construed or deemed to create any rights, waivers, immunities or indemnities in favor of Lessee with respect to any such rights, remedies or claims of Airframe Manufacturer, Engine Manufacturer (or any subcontractor or supplier of either) or Owner Participant Parent.

#### 8.7.14 Interest in Certain Engines

Each Participant, Owner Trustee and Mortgagee agree, for the benefit of each of the lessor, conditional seller, mortgagee or secured party of any airframe or engine leased to, or purchased by, Lessee or any Permitted Sublessee subject to a lease, conditional sale, trust indenture or other security agreement that it will not acquire or claim, as against such lessor, conditional seller, mortgagee or secured party, any right, title or interest in any engine as the result of such engine being installed on the Airframe at any time while such engine is subject to such lease, conditional sale, trust indenture or other security agreement and owned by such lessor or conditional seller or subject to a trust indenture or security interest in favor of such mortgagee or secured party; provided, that Lessee or any such Permitted Sublessee shall have received from the lessor, conditional seller, mortgagee or secured party in respect of such airframe a written agreement (which may be the lease, conditional sale agreement, trust indenture or other security agreement covering such airframe) whereby such lessor, conditional seller, mortgagee or secured party effectively agrees that neither it nor its successors or assigns will acquire or claim any right, title or interest in any Engine by reason of such Engine being installed on such airframe at any time while such Engine is subject to the Lease or is owned by Owner Trustee.

#### 8.7.15 Trust Agreement

Each of First Security and Owner Trustee hereby (i) agrees with Lessee, Loan Participant and Mortgagee not to amend, supplement, terminate or otherwise modify any provision of the Trust Agreement in such a manner as to adversely affect the rights of any such party without the prior written consent of such party and (ii) agrees with Lessee, Loan Participant and Mortgagee not to revoke the trust created by the Trust Agreement so long as the Trust Indenture remains undischarged or if such revocation would have an adverse effect on the Lessee. Nothing contained in this Agreement shall impair any right under the Trust Agreement of First Security to resign as Owner Trustee.

#### 8.7.16 Release of Lien of Trust Indenture

Each of Lessee, Owner Trustee and Mortgagee agree that in each instance referred to in the Lease in which a transfer of any property is required to be made by Owner Trustee to Lessee or any other Person (other than Mortgagee or Owner Participant), upon full compliance by Lessee with Lessee's obligations, if any, under the applicable section thereof, Mortgagee shall (upon certification by Lessee and Owner Trustee of any such event and without the consent of Certificate Holders) promptly execute such instruments as Owner Trustee or Lessee may reasonably request to evidence the release of the Lien of the Trust Indenture with respect to such property.

8.7.17 [Intentionally Omitted]

#### SECTION 9. OPTIMIZATION OF AMORTIZATION SCHEDULE

(a) In the event that there shall be a Post-Delivery Change in Tax Law, then Lessee may, pursuant to this Section 9 and in accordance with the requirements of Section 3.2.1 of the Lease, request an optimization of the Amortization Schedule by notice given to Owner Participant and Owner Trustee. After receipt of such notice, Owner Participant shall deliver to Lessee, Certificate Holders and Mortgagee, together with the information required to be delivered pursuant to Section 3.2.1(c) of the Lease, a certificate of an authorized representative of the Owner Participant (the "Optimization Certificate") setting forth the proposed revised Amortization Schedule which shall, subject to Section 9(b), minimize Net Present Value of Rents to Lessee while preserving the Net Economic Return. Lessee may demand a verification, pursuant to Section 3.2.1 of the Lease, of the information set forth in the Optimization Certificate. Upon the acceptance by Lessee of the accuracy of the information set forth in the Optimization Certificate or the determination pursuant to such verification procedures of such information, Owner Participant will cause Owner Trustee no sooner than 30 days after delivery of the initial Optimization Certificate, to exchange such new Amortization Schedule for the Amortization Schedule attached to each Loan Certificate outstanding immediately prior to such optimization and Certificate Holders will cause Mortgagee to execute any amendments to the Trust Indenture necessary to effectuate the foregoing.

(b) In connection with optimization adjustments pursuant to this Section 9, (i) Certificate Holders will agree to changes in the Amortization Schedule made in accordance with this Section 9 and (ii) each Certificate Holder will promptly destroy the Amortization Schedules attached to the Loan Certificates held by it immediately prior to such optimization upon receipt of the new Amortization Schedule; provided, that such changes do not (w) increase or decrease the outstanding principal amount of the Loan Certificates as of the time of such exchange, (x) change the final maturity date of any Loan Certificate or, without the prior written consent of all Certificate Holders, increase or decrease the original Weighted Average Life to Maturity of the Loan Certificates by more than six months, (y) result in any interest being capitalized or (z) reduce Basic Rent, Stipulated Loss Value or Termination Value percentages below the amount necessary (together with all other amounts simultaneously payable by Lessee) to permit payment of all amounts payable pursuant to the Loan Certificates.

(c) Lessee shall be entitled to optimize pursuant to this Section 9 only one time. Any optimization hereunder shall be requested by Lessee not later than the end of 15th month after the Delivery Date.

(d) With respect to an optimization pursuant to this Section 9, Lessee shall pay on an after-tax basis all Expenses of all parties hereto incurred in connection with such optimization, including, without limitation, the reasonable fees and expenses of such parties' counsel.

(e) Notwithstanding the foregoing, no optimization shall be permitted under this Section 9 unless:

(i) Lessee shall have caused to be delivered to Owner Trustee and Mortgagee a form of trust indenture supplement to give effect to the optimization;

(ii) Lessee shall have delivered to Mortgagee an Officer's Certificate of Lessee stating that the new Amortization Schedule complies with the proviso to Section 9(b); and

(iii) [Intentionally Omitted]

(f) [Intentionally Omitted]

#### SECTION 10. INDEMNIFICATION AND EXPENSES

##### 10.1 General Indemnity

###### 10.1.1 Indemnity

Whether or not any of the transactions contemplated hereby are consummated, Lessee shall indemnify, protect, defend and hold harmless each Indemnitee from, against and in respect of, and shall pay on demand, any and all Expenses of any kind or nature

whatsoever, and whether arising before, on or after the Delivery Date, that may be imposed on, incurred by or asserted against any Indemnitee, in any way relating to, resulting from, or arising out of or in connection with, in each case, directly or indirectly, any one or more of the following:

(a) The Operative Agreements or any Permitted Sublease or the enforcement of any of the terms of any of the Operative Agreements or any Permitted Sublease;

(b) The Aircraft, the Airframe, any Engine or any Part, including, without limitation, with respect thereto, (i) the manufacture, design, purchase, acceptance, nonacceptance or rejection, ownership, registration, reregistration, deregistration, financing, delivery, nondelivery, lease, sublease, assignment, possession, use or non-use, operation, maintenance, testing, repair, overhaul, condition, alteration, modification, addition, improvement, storage, airworthiness, replacement, repair, sale, substitution, return, abandonment, redelivery or other disposition of the Aircraft, any Engine or any Part, (ii) any claim or penalty arising out of violations of applicable Laws by Lessee (or any Permitted Sublessee), (iii) tort liability, whether or not arising out of the negligence of any Indemnitee (whether active, passive or imputed), (iv) death or property damage of passengers, shippers or others, (v) environmental control, noise or pollution and (vi) any Liens in respect of the Aircraft, any Engine or any Part;

(c) The offer, sale, resale, purchase, delivery or holding of any Loan Certificate or any interest therein or represented thereby or any refunding thereof pursuant to Section 13, whether before, on or after the Delivery Date;

(d) The offer or sale of any interest in the Aircraft, the Loan Certificates, the Trust Estate or the Trust Agreement or any similar interest or in any way resulting from or arising out of the Trust Agreement and the Trust Estate and the Trust Indenture Estate (including for claims resulting from or arising under the Securities Act or other applicable federal, state or foreign securities Law or at common law) in each case on or prior to the Delivery Date;

(e) Any breach of or failure to perform or observe, or any other noncompliance with, any covenant or agreement or other obligation to be performed by Lessee under any Lessee Operative Agreement or the falsity of any representation or warranty of Lessee in any Lessee Operative Agreement other than in the Tax Indemnity Agreement or the occurrence of any Lease Default or Lease Event of Default; and

(f) Any "prohibited transaction," within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Code, in any way relating to, resulting from, or arising out of or in connection with, directly or indirectly, the offer, sale, resale, purchase, delivery or holding of any Loan Certificate or any interest therein or represented thereby or any refunding thereof pursuant to Section 13, or any other transaction contemplated under the Operative Agreements, whether such prohibited transaction occurs before, on or after the Delivery Date.

#### 10.1.2 Exceptions

Notwithstanding anything contained in Section 10.1.1, Lessee shall not be required to indemnify, protect, defend and hold harmless any Indemnitee pursuant to Section 10.1.1 in respect of any Expense of such Indemnitee:

(a) For any Taxes (other than Taxes related to ERISA or assessed under Section 4975 of the Code) or a loss of Tax benefit, whether or not Lessee is required to indemnify therefor pursuant to Section 10.3 or the Tax Indemnity Agreement;

(b) Except to the extent fairly attributable to acts or events occurring or conditions or circumstances existing prior thereto, acts or events (other than acts or events related to the performance by Lessee of its obligations pursuant to the terms of the Lessee Operative Agreements) that occur after the earliest of: (i) with respect to the Airframe, any Engine or any Part, the return of possession of such Airframe, Engine or Part pursuant to the terms of and in compliance with the Lease (other than pursuant to Section 15 thereof, in which case Lessee's liability under this Section 10.1 shall survive for so long as Lessor shall be entitled to exercise remedies under such Section 15), (ii) the termination of the Term in accordance with Sections 9 or 17.3 of the Lease or (iii) the termination of the Term in accordance with Section 10.1.2 of the Lease and the payment by Lessee of all amounts then due and payable under the Lease and hereunder as a result of an Event of Loss with respect to the Aircraft; provided, that nothing in this clause (b) shall be deemed to exclude or limit any claim that any Indemnitee may have under applicable Law by reason of a Lease Event of Default or for damages from Lessee for breach of Lessee's covenants contained in the Lessee Operative Agreements or to release Lessee from any of its obligations under the Lessee Operative Agreements that expressly provide for performance after termination of the Term;

(c) If such Indemnitee shall be a Loan Participant or any

Certificate Holder, for any Expense attributable to any Transfer (voluntary or involuntary) by or on behalf of such Indemnitee of any Loan Certificate or interest therein, except for out-of-pocket costs and expenses incurred as a result of any such Transfer pursuant to the exercise of remedies under any Operative Agreement resulting from a Lease Event of Default or any such Transfer required by an Operative Agreement;

(d) If such Indemnitee shall be Owner Participant, for any Expense asserted against Owner Participant to the extent that the same is so asserted by reason of any Transfer (voluntary or involuntary) by or on behalf of Owner Participant of any interest in the Aircraft, or the Trust Estate except for out-of-pocket costs and expenses incurred as a result of such Transfer, if, at the time of such Transfer, a Lease Event of Default shall have occurred and be continuing;

(e) To the extent such Expense is attributable to the gross negligence or willful misconduct of such Indemnitee or any related Indemnitee (as defined below) (other than gross negligence or willful misconduct imputed to such person by reason of its interest in the Aircraft or any Operative Agreement);

(f) If such Indemnitee is Owner Trustee any Expense or other amount that is enumerated in the proviso to Section 17;

(g) Any Expense to the extent attributable to the incorrectness or breach of any representation or warranty of such Indemnitee or related Indemnitee contained in or made pursuant to any Operative Agreement;

(h) Any Expense to the extent attributable to the failure by such Indemnitee or any related Indemnitee to perform or observe any agreement, covenant or condition on its part to be performed or observed in any Operative Agreement;

(i) Any Expense to the extent attributable to the offer or sale by such Indemnitee or any related Indemnitee of any interest in the Aircraft, the Loan Certificates, the Trust Estate or the Trust Agreement or any similar interest, in violation of the Securities Act or other applicable federal, state or foreign securities Laws, in each case, on or prior to the Delivery Date;

(j) With respect to any Indemnitee (other than Mortgagee), any Expense to the extent attributable to the failure of the Mortgagee to distribute funds received and distributable by it in accordance with the Trust Indenture or the Owner Trustee to distribute funds received and distributable by it in accordance with the Trust Agreement and, with respect to Mortgagee, any Expense to the extent attributable to the negligence or willful misconduct of Mortgagee in the distribution of funds received and distributable by it in accordance with the Trust Indenture;

(k) Other than during the continuation of a Lease Event of Default, any Expense attributable to the authorization or giving or withholding of any future amendments, supplements, waivers or consents with respect to any Operative Agreement other than such as have been requested by Lessee or as are required by or made pursuant to the terms of the Operative Agreements (unless such requirement results from the actions of an Indemnitee not required by or made pursuant to the Operative Agreements);

(l) Any Expense or other amount which such Indemnitee expressly agrees to pay or such Indemnitee expressly agrees shall not be paid by or be reimbursed by Lessee including, without limitation, with respect to Owner Participant, pursuant to Section 15;

(m) Any Expense that is an ordinary and usual operating or overhead expense;

(n) Any Expense by the Owner Participant or Owner Trustee attributable to the deregistration of the Aircraft under the Act as a result of Owner Participant's or Owner Trustee's (or any related Indemnitee of either) not being a Citizen of the United States as a result of any act (other than reregistration of the Aircraft pursuant to Section 7.1.2 of the Lease) of the Owner Participant or the Owner Trustee, or any related Indemnitee of either of the foregoing (not taken at the request of the Lessee);

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

(p) Any Expense to the extent constituting principal, Make-Whole Amount or interest on the Loan Certificates attributable solely to an Event of Default not constituting a Lease Event of Default;

(q) If such Indemnitee shall be a Loan Participant or a Certificate Holder, or any related Indemnitee of either, for any Expense incurred by or asserted against such Indemnitee as a result of any "prohibited transaction", within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Code, including a prohibited transaction described in 10.1.1(f); provided, that this clause (q) shall not negate Lessee's obligation under Section 10.1.1, or any other provision of any Lessee Operative Agreement, to indemnify an Indemnitee, other than a Loan Participant or a Certificate Holder, or any related Indemnitee of

either, for any Expense incurred by or asserted against such Indemnitee as a result of a "prohibited transaction", within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Code, in any way relating to, resulting from, or arising out of or in connection with, directly or indirectly, the offer, sale, resale, purchase, delivery or holding of any Loan Certificate or any interest therein or represented thereby or any refunding thereof pursuant to Section 13, or any other transaction contemplated under the Operative Agreements, whether such prohibited transaction occurs before, on or after the Delivery Date; or

(r) [Intentionally Omitted]

For purposes of this Section 10.1, a Person shall be considered a "related" Indemnitee with respect to an Indemnitee if such Person is a director, officer, employee, agent, Affiliate or employer thereof.

#### 10.1.3 Separate Agreement

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

#### 10.1.4 Notice

If a claim for any material Expense that an Indemnitee shall be indemnified against under this Section 10.1 is made, such Indemnitee shall give prompt written notice thereof to Lessee. Notwithstanding the foregoing, the failure of any Indemnitee to notify Lessee as provided in this Section 10.1.4, or in Section 10.1.5, shall not release Lessee from any of its obligations to indemnify such Indemnitee hereunder, unless such failure is solely responsible for effectively foreclosing Lessee's right to contest such claim.

#### 10.1.5 Notice of Proceedings; Defense of Claims; Limitations

(a) In case any action, suit or proceeding shall be brought against any Indemnitee for which Lessee is responsible under this Section 10.1, such Indemnitee shall notify Lessee of the commencement thereof and Lessee may, at its expense, participate in and to the extent that it shall wish (subject to the provisions of the following paragraph), assume and control the defense thereof, with counsel reasonably satisfactory to such Indemnitee and, subject to Section 10.1.5(c), settle or compromise the same.

(b) Lessee or its insurer(s) shall have the right, at its or their expense, to investigate or, if Lessee or its insurer(s) shall agree not to dispute liability hereunder or under any insurance policies pursuant to which coverage is sought, defend, or participate in the defense of, any action, suit or proceeding, with counsel reasonably satisfactory to the relevant Indemnitee, relating to any Expense for which indemnification is sought pursuant to this Section 10.1, and each Indemnitee shall cooperate with Lessee or its insurer(s) with respect thereto; provided, that Lessee shall not be entitled to control the defense of any such action, suit, proceeding or compromise any such Expense (i) during the continuance of any Lease Event of Default, (ii) if in the reasonable judgment of any Indemnitee, compromise of such Expense could have an adverse impact on the business of such Indemnitee or involve the potential imposition of criminal liability on such Indemnitee or (iii) if such defense or compromise would at any time involve any material risk of the sale, forfeiture or loss of, or the loss of use of, or the creation of any Lien (other than a Permitted Lien) on, the Aircraft, the Airframe, any Engine, any Part, the Trust Indenture Estate or the Trust Estate unless Lessee shall have posted a bond or other security reasonably satisfactory to Owner Participant, Mortgagee and such Indemnitee with respect to such risk. In connection with any such action, suit or proceeding being controlled by Lessee, such Indemnitee shall have the right to participate therein, at its sole cost and expense, with counsel of its choice; provided, that such Indemnitee's participation does not, in the reasonable opinion of the independent counsel appointed by the Lessee or its insurers to conduct such proceedings, interfere with the defense of such case. Lessee shall supply the Indemnitee with such information reasonably requested by the Indemnitee as is necessary or advisable for the Indemnitee to control or participate in any proceeding to the extent permitted by this Section 10.1.

(c) In no event shall any Indemnitee enter into a settlement or other compromise with respect to any Expense without the prior written consent of Lessee (except during the continuance of a Lease Event of Default when such consent shall not be required, if the Indemnitee has given Lessee at least 30 days' prior written notice of the nature and scope of the proposed settlement or compromise), which consent shall not be unreasonably withheld or delayed, unless such Indemnitee waives its right to be indemnified with respect to such Expense under this Section 10.1. Lessee shall not enter into a settlement or other compromise with respect to any Expense absent the giving to such Indemnitee of prior written notice of such settlement or compromise, and Lessee will not enter into such a settlement or

other compromise absent such Indemnitee's prior written consent, which consent shall not be unreasonably withheld or delayed (provided that such consent shall not be required if such settlement or compromise provides for the total and irrevocable release of such Indemnitee with respect to all claims relating to such Expense without admission of any liability of such Indemnitee with respect to such Expense and imposes no conditions or restrictions upon such Indemnitee).

(d) In any circumstance in which Lessee shall not be entitled to control the defense of any action, suit or proceeding described above, or compromise any Expense, Lessee shall have the right to participate therein, at its sole cost and expense, with counsel reasonably acceptable to the involved Indemnitee; provided, that Lessee's participation does not, in the reasonable opinion of independent counsel appointed by such Indemnitee to conduct such proceedings, interfere with the defense of such case.

(e) In the case of any Expense indemnified by the Lessee hereunder which is covered by a policy of insurance maintained by Lessee pursuant to Section 11 of the Lease, at Lessee's expense, each Indemnitee agrees to cooperate with the insurers in the exercise of their rights to investigate, defend or compromise such Expense as may be required to retain the benefits of such insurance with respect to such Expense.

(f) If an Indemnitee is not a party to this Agreement, Lessee may require such Indemnitee to agree in writing to the terms of this Section 10 and Section 19.8 prior to making any payment to such Indemnitee under this Section 10.

(g) Nothing herein shall be deemed to be an assumption by Lessee of obligations of Owner Trustee with respect to, or a guarantee by Lessee of, any amounts payable by Owner Trustee upon Loan Certificates or a guarantee of any residual value of the Aircraft.

(h) Nothing contained in this Section 10.1.5 shall be deemed to require an Indemnified Party to contest any Expense or to assume responsibility for or control of any judicial proceeding with respect thereto.

#### 10.1.6 Information

Lessee will provide the relevant Indemnitee with such information not within the control of such Indemnitee, as is in Lessee's control or is reasonably available to Lessee, which such Indemnitee may reasonably request and will otherwise cooperate with such Indemnitee so as to enable such Indemnitee to fulfill its obligations under Section 10.1.5. The Indemnitee shall supply Lessee with such information not within the control of Lessee, as is in such Indemnitee's control or is reasonably available to such Indemnitee, which Lessee may reasonably request to control or participate in any proceeding to the extent permitted by Section 10.1.5.

#### 10.1.7 Effect of Other Indemnities; Subrogation; Further Assurances

Lessee's obligations under the indemnities provided for in this Agreement shall be those of a primary obligor whether or not the person indemnified is also indemnified with respect to the same matter under the terms of this Agreement, any Operative Agreement or any other agreement, instrument or document, whether or not related to the transactions contemplated hereby, and the person seeking indemnification from Lessee pursuant to any provision of this Agreement may proceed directly against Lessee without first seeking to enforce any other right of indemnification. Upon the payment in full by Lessee of any indemnity provided for under this Agreement, Lessee, without any further action and to the full extent permitted by Law, will be subrogated to all rights and remedies of the person indemnified (other than with respect to any of such Indemnitee's insurance policies or in connection with any indemnity claim such Indemnitee may have under Section 5.03 or 7.01 of the Trust Indenture or Section 5.3 or 7 of the Trust Agreement) in respect of the matter as to which such indemnity was paid. Each Indemnitee will give such further assurances or agreements and cooperate with Lessee to permit Lessee to pursue such claims, if any, to the extent reasonably requested by Lessee and at Lessee's expense.

#### 10.1.8 Refunds

If an Indemnitee receives any refund, in whole or in part, with respect to any Expense paid by Lessee hereunder, it will promptly pay the amount refunded (but not an amount in excess of the amount Lessee or any of its insurers has paid in respect of such Expense) over to Lessee unless a Lease Event of Default shall have occurred and be continuing, in which case such amounts shall be paid over to Owner Trustee (or, so long as the Trust Indenture shall not have been discharged, to Mortgagee) to hold as security for Lessee's obligations under the Lessee Operative Agreements or, if requested by Lessee, applied to satisfy such obligations.

#### 10.2 Expenses

Whether or not all or any portion of the transactions contemplated herein are consummated, Lessee shall pay on demand all Transaction Expenses.

### 10.3 General Tax Indemnity

#### 10.3.1 General

Except as provided in Section 10.3.2, Lessee agrees that each payment of Rent paid by Lessee pursuant to the Lease, and any other payment or indemnity paid by Lessee to a Tax Indemnitee or Indemnitee under any Operative Agreement, shall be free of all withholdings or deductions with respect to Taxes of any nature (other than U.S. federal, state or local withholding taxes on, based on or measured by gross or net income), and in the event that Lessee shall be required by applicable law to make any such withholding or deduction for any such payment, (x) the amount payable by Lessee shall be increased so that after making all required withholdings or deductions such Indemnitee or Tax Indemnitee, as the case may be, receives the same amount that it would have received had no such withholdings or deductions been made, (y) Lessee shall make all such withholdings or deductions and (z) Lessee shall pay the full amount withheld or deducted to the relevant Taxing Authority in accordance with applicable law. Except as provided in Section 10.3.2 and whether or not any of the transactions contemplated hereby are consummated, Lessee shall pay, indemnify, protect, defend and hold each Tax Indemnitee harmless from all Taxes imposed by any Taxing Authority that may from time to time be imposed on or asserted against any Tax Indemnitee or the Aircraft, the Airframe, any Engine or any Part or any interest in any of the foregoing (whether or not indemnified against by any other Person), upon or with respect to the Operative Agreements or the transactions or payments contemplated thereby, including but not limited to any Tax imposed upon or with respect to (x) the Aircraft, the Airframe, any Engine, any Part, any Operative Agreement (including without limitation any Loan Certificate) or any data or any other thing delivered or to be delivered under an Operative Agreement, (y) the purchase, manufacture, acceptance, rejection, sale, transfer of title, return, ownership, mortgaging, delivery, transport, charter, rental, lease, re-lease, sublease, assignment, possession, repossession, presence, use, condition, storage, preparation, maintenance, modification, alteration, improvement, operation, registration, transfer or change of registration, reregistration, repair, replacement, overhaul, location, control, the imposition of any Lien (other than a Lessor Lien), financing, refinancing requested by the Lessee, abandonment or other disposition of the Aircraft, the Airframe, any Engine, any Part, any data or any other thing delivered or to be delivered under an Operative Agreement or (z) rent, interest, fees or any other income, proceeds, receipts or earnings, whether actual or deemed, arising upon, in connection with, or in respect of, any of the Operative Agreements (including the property or income or other proceeds with respect to property held as part of the Trust Indenture Estate) or the transactions contemplated thereby.

#### 10.3.2 Certain Exceptions

The provisions of Section 10.3.1 shall not apply to, and Lessee shall have no liability pursuant to Section 10.3.1 for, Taxes:

(a) imposed on a Tax Indemnitee by the United States Federal government on, based on or measured by gross or net income (including any capital gains taxes, excess profits taxes, minimum taxes from tax preferences, alternative minimum taxes, branch profits taxes, accumulated earnings taxes, personal holding company taxes, succession taxes and estate taxes and any withholding taxes on, based on or measured by net or gross income but excluding any Taxes in the nature of sales, use, rental, ad valorem, license, property, value added or similar Taxes);

(b) imposed on a Tax Indemnitee by any Taxing Authority (other than the United States Federal government)

(i) on, based on, or measured by, the gross or net income or gross or net receipts of any Tax Indemnitee, including capital gains taxes, excess profits taxes, minimum taxes from tax preferences, alternative minimum taxes, branch profits taxes, accumulated earnings taxes, personal holding company taxes, succession taxes and estate taxes, and any state or local withholding taxes on, based on or measured by gross or net income or (ii) on, or with respect to, or measured by, the capital or net worth of any Tax Indemnitee or in the nature of a franchise tax or a tax for the privilege of doing business (other than, in the case of clause (i) or (ii), (A) any such Taxes in the nature of sales, use, rental, ad valorem, license, property, value added or similar Taxes, (B) any withholding Taxes (other than state or local withholding taxes on, based on or measured by gross or net income), and (C) any such Tax if Taxes of such type would not have been imposed on such Tax Indemnitee by such Taxing Authority (other than any Taxing Authority within the jurisdiction of which the Tax Indemnitee is incorporated or maintains its principal place of business) but for (I) the location, use or operation of

the Aircraft, the Airframe, any Engine or any Part by a Lessee Person within the jurisdiction of the Taxing Authority imposing such Tax, (II) the activities of any Lessee Person (except for activities of a Lessee Person that is not an Affiliate, successor or assign of the Lessee, which activities are unrelated to the transactions contemplated by the Operative Agreements) in such jurisdiction, including, but not limited to, use of any other aircraft by Lessee in such jurisdiction, (III) the status of any Lessee Person as a foreign entity or as an entity owned in whole or in part by foreign persons, or (IV) Lessee having made (or having been deemed to have made) payments to such Tax Indemnitee from the relevant jurisdiction);

(c) on, or with respect to, or measured by, any trustee fees, commissions or compensation received by Owner Trustee or Mortgagee;

(d) on the Trust or the Trust Estate that result from treatment of the Trust or the Trust Estate as an entity, such as a corporation, separate and apart from the Owner Participant, provided that such Taxes are not imposed in lieu of indemnifiable Taxes that would have been imposed on another Tax Indemnitee were it not for such treatment;

(e) that are being contested as provided in Section 10.3.4 hereof;

(f) imposed on any Tax Indemnitee to the extent that such Taxes result from the gross negligence or willful misconduct of such Tax Indemnitee or any Affiliate thereof;

(g) imposed on or with respect to a Tax Indemnitee (including the transferee in those cases in which the Tax on transfer is imposed on, or is collected from, the transferee) as a result of a transfer or other disposition by such Tax Indemnitee (or, in the case of the Owner Participant, by Owner Trustee) of any interest in the Aircraft, the Airframe, any Engine or any Part of any of the foregoing, the Rent (other than the assignment of Rent to the Mortgagee pursuant to the Trust Indenture), the Trust or the Trust Estate or any interest arising under the Operative Agreements or any Loan Certificate or a transfer of any interest in the Tax Indemnitee (other than (A) a transfer to Lessee pursuant to Section 17.3 of the Lease or a transfer otherwise initiated at the request of Lessee (other than pursuant to Section 9 of the Lease), (B) a substitution or replacement of the Aircraft, Airframe, any Engine or any Part by a Lessee Person that is treated for Tax purposes as a transfer or disposition, (C) a refunding or refinancing pursuant to Section 13 that is treated for Tax purposes as a transfer or disposition, (D) a transfer pursuant to an exercise of remedies upon a Lease Event of Default that shall have occurred and have been continuing, (E) a transfer pursuant to Section 20.2 or (F) any involuntary transfer or disposition of any of the foregoing interests resulting from any bankruptcy, foreclosure or other proceedings for the relief of debtors in which such Tax Indemnitee is the debtor that is caused by a Lease Event of Default that shall have occurred and be continuing);

(h) imposed on the Owner Participant and indemnified by Lessee pursuant to the Tax Indemnity Agreement;

(i) imposed with respect to any period after the later of (A) the expiration or earlier termination of the Term and, if required pursuant to the terms of the Lease, the return of possession of the Aircraft to Lessor or placement in storage at the request of Lessor in accordance with the Lease and the satisfaction of all of Lessee's obligations under the Lease (but, in the case of the time period after termination or expiration of the Term and before such satisfaction, Lessee will have liability only with respect to Taxes imposed in connection with the satisfaction of or failure to satisfy such obligations, and in the case of storage requested by a Tax Indemnitee, only with respect to Taxes imposed up through the time of delivery of the Aircraft to storage in accordance with the terms of the Lease) or (B) the discharge in full of Lessee's obligation, if any, to pay Stipulated Loss Value or Termination Value, as the case may be, for the Aircraft in accordance with the Lease, unless, in each case, (I) such Taxes relate to events, obligations or other matters arising or occurring prior to or coincidental with such expiration, return or payment, as the case may be, or (II) a Lease Event of Default shall have occurred and be continuing;

(j) consisting of any interest, penalties or additions to tax imposed on a Tax Indemnitee as a result of (in whole or in part) failure of a Tax Indemnitee to file any return properly and timely unless such failure shall be caused by the failure of Lessee to fulfill its obligations, if any, under Section 10.3.6 with respect to such return;

(k) resulting from, or that would not have been imposed but for, any Lessor Liens arising as a result of claims against, or acts or omissions of, or otherwise

attributable to such Tax Indemnitee or any Affiliate thereof;

(l) imposed on any Tax Indemnitee as a result of the breach by such Tax Indemnitee or any Affiliate thereof of any covenant of such Tax Indemnitee or any Affiliate thereof contained in any Operative Agreement or the inaccuracy of any representation or warranty by such Tax Indemnitee or any Affiliate thereof in any Operative Agreement;

(m) imposed on any Tax Indemnitee solely as a result of any Special Structure (as defined in Section 15.1) or refinancing pursuant to Section 15 or redemption or refinancing of the Loan Certificates other than at the request of Lessee except to the extent that the amount of such Taxes does not exceed the amount of Taxes similar in nature and indemnifiable hereunder that would have been imposed on another Tax Indemnitee were it not for such Special Structure (but were not so imposed as a result thereof);

(n) in the nature of an intangible or similar Tax (i) upon or with respect to the value or principal amount of the interest of Loan Participant or any Certificate Holder in any Loan Certificate or the loan evidenced thereby or (ii) upon or with respect to the value of the interest of the Owner Participant in the Trust Estate or the Trust, in each case only if such Taxes are in the nature of franchise Taxes or result from the Tax Indemnitee doing business in the taxing jurisdiction and are imposed because of the place of incorporation or the activities in the taxing jurisdiction of such Tax Indemnitee;

(o) that is included in Lessor's Cost and paid to the appropriate Taxing Authority;

(p) imposed on any Tax Indemnitee that is incorporated or has its principal place of business outside the United States by any foreign government or political subdivision or taxing authority thereof or any territory of possession of the United States or by any international authority (a "Foreign Jurisdiction"), other than any such Tax that would not have been imposed but for, or the amount of which was increased as a result of, the registration, operation, location or use of the Aircraft or the operations of any Lessee Person in the Foreign Jurisdiction imposing such Tax (but only to the extent attributable to the registration, operation, location or use of the Aircraft or activities of the Lessee Person in such jurisdiction); or

(q) Taxes described in the parenthetical of Section 10.1.2(a) relating to ERISA and Section 4975 of the Code.

#### 10.3.3 Payment

(a) Lessee's indemnity obligation to a Tax Indemnitee under this Section 10.3 shall equal the amount which, after taking into account any Tax imposed upon the receipt or accrual of the amounts payable under this Section 10.3 and any tax benefits actually recognized by such Tax Indemnitee (including, without limitation, any benefits recognized as a result of an indemnifiable Tax being utilized by such Tax Indemnitee as a credit against Taxes not indemnifiable under this Section 10.3), as determined in good faith by the relevant Tax Indemnitee (provided, that none of Loan Participant or any Certificate Holder shall have any obligation to claim any benefits, credits or deductions in priority to any other benefits, credits or deductions available to it), shall equal the amount of the Tax indemnifiable under this Section 10.3.

(b) At Lessee's request, the computation of the amount of any indemnity payment owed by Lessee or any amount owed by a Tax Indemnitee to Lessee pursuant to this Section 10.3 shall be verified and certified by an independent public accounting firm selected by such Tax Indemnitee and reasonably satisfactory to Lessee. Such verification shall be binding. The costs of such verification (including the fee of such public accounting firm) shall be borne by Lessee unless such verification shall result in an adjustment in Lessee's favor of 5% or more of the net present value of the payment as computed by such Tax Indemnitee, in which case the costs shall be paid by such Tax Indemnitee.

(c) Each Tax Indemnitee shall provide Lessee with such certifications, information and documentation as shall be in such Tax Indemnitee's possession and as shall be reasonably requested by Lessee to minimize any indemnity payment pursuant to this Section 10.3; provided, that notwithstanding anything to the contrary contained herein, no Tax Indemnitee shall be required to provide Lessee with any Tax returns.

(d) If Owner Participant reimburses Owner Trustee or Mortgagee for any Tax for which indemnification by Lessee would be required hereunder, Lessee will reimburse Owner Participant therefor.

(e) Each Tax Indemnitee shall promptly forward to Lessee any written notice, bill or advice received by it from any Taxing

Authority concerning any Tax for which it seeks indemnification under this Section 10.3. Except as provided in the first sentence of Section 10.3.1 or in Section 10.3.11, Lessee shall pay any amount for which it is liable pursuant to this Section 10.3 directly to the appropriate Taxing Authority if legally permissible or upon demand of a Tax Indemnitee, to such Tax Indemnitee within 30 days of such demand (or, if a contest occurs in accordance with Section 10.3.4, within 30 days after a Final Determination (as defined below)), but in no event more than one Business Day prior to the date the Tax to which such amount payable hereunder relates is due. If requested by a Tax Indemnitee in writing, Lessee shall furnish to the appropriate Tax Indemnitee the original or a certified copy of a receipt for Lessee's payment of any Tax paid by Lessee or such other evidence of payment of such Tax as is acceptable to such Tax Indemnitee. Lessee shall also furnish promptly upon written request such data as any Tax Indemnitee may reasonably require to enable such Tax Indemnitee to comply with the requirements of any taxing jurisdiction unless such data is not reasonably available to Lessee or, unless such data is specifically requested by a Taxing Authority, is not customarily furnished by domestic air carriers under similar circumstances. For purposes of this Section 10.3, a "Final Determination" shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction that occurs pursuant to the provisions of Section 10.3.4, which decision, judgment, decree or other order has become final and unappealable, (ii) a closing agreement or settlement agreement entered into in accordance with Section 10.3.4 that has become binding and is not subject to further review or appeal (absent fraud, misrepresentation, etc.), or (iii) the termination of administrative proceedings and the expiration of the time for instituting a claim in a court proceeding.

(f) If any Tax Indemnitee shall actually recognize (as determined in good faith by the relevant Tax Indemnitee) a tax benefit by reason of any Tax paid or indemnified by Lessee pursuant to this Section 10.3 (whether such tax benefit shall be by means of a foreign tax credit, depreciation or cost recovery deduction or otherwise) not otherwise taken into account in computing such payment or indemnity such Tax Indemnitee shall pay to Lessee an amount equal to the lesser of (i) the amount of such tax benefit plus any tax benefit recognized as the result of any payment made pursuant to this sentence, when, as, if, and to the extent, recognized or (ii) the amount of all payments pursuant to this Section 10.3 by Lessee to such Tax Indemnitee (less any payments previously made by such Tax Indemnitee to Lessee pursuant to this Section 10.3.3 (f))(and the excess, if any, of the amount described in clause (i) over the amount described in clause (ii) shall be carried forward and applied to reduce pro tanto any subsequent obligations of Lessee to make payments pursuant to this Section 10.3); provided, that such Tax Indemnitee shall not be required to make any payment pursuant to this sentence if and so as long as a Lease Event of Default of a monetary nature has occurred and is continuing. For purposes of the preceding sentence, tax benefits shall be calculated on the assumption that Owner Participant utilizes all deductions and credits available to it otherwise than by reason of its having entered into the transactions contemplated by the Operative Agreements before it utilizes any deductions or credits available by reason of its having entered into the transactions contemplated by the Operative Agreements. If a tax benefit is later disallowed or denied, the disallowance or denial shall be treated as a Tax indemnifiable under Section 10.3.1 without regard to the provisions of Section 10.3.2 (other than Section 10.3.2 (f)). Each such Tax Indemnitee shall in good faith use reasonable efforts in filing its tax returns and in dealing with Taxing Authorities to seek and claim any such tax benefit (provided, that none of Loan Participant or any Certificate Holder shall have any obligation to claim any benefits, credits or deductions in priority to any other benefits, credits or deductions available to it).

#### 10.3.4 Contest

(a) If a written claim is made against a Tax Indemnitee for Taxes with respect to which Lessee could be liable for payment or indemnity hereunder, or if a Tax Indemnitee makes a determination that a Tax is due for which Lessee could have an indemnity obligation hereunder, such Tax Indemnitee shall promptly give Lessee notice in writing of such claim; (provided, that failure to so notify Lessee shall not relieve Lessee of its indemnity obligations hereunder unless such failure to notify effectively forecloses Lessee's rights to require a contest of such claim) and shall take no action with respect to such claim without the prior written consent of Lessee for 30 days following the receipt of such notice by Lessee; provided, further, that, in the case of a claim made against a Tax Indemnitee, if such Tax Indemnitee shall be required by law to take action prior to the end of such 30-day period, such Tax Indemnitee shall, in such notice to Lessee, so inform Lessee, and such Tax Indemnitee shall take no action for as long as it is legally able to do so (it being understood that a Tax Indemnitee shall be entitled to pay the tax claimed and sue for a refund prior to the end of such 30-day period if (i)(A) the failure to so pay the tax would result in substantial penalties (unless immediately reimbursed by Lessee) and the act of paying the tax would not materially prejudice the right to contest or (B) the failure to so pay would result in criminal penalties and (ii) such Tax Indemnitee shall take any

action so required in connection with so paying the tax in a manner that is the least prejudicial to the pursuit of the contest). In addition, such Tax Indemnatee shall (provided, that Lessee shall have agreed to keep such information confidential other than to the extent necessary in order to contest the claim) furnish Lessee with copies of any requests for information from any Taxing Authority relating to such Taxes with respect to which Lessee may be required to indemnify hereunder. If requested by Lessee in writing within 30 days after its receipt of such notice, such Tax Indemnatee shall, at the expense of Lessee (including, without limitation, all reasonable costs, expenses and reasonable attorneys' and accountants' fees and disbursements), in good faith contest (or, if permitted by applicable law and in such Tax Indemnatee's sole discretion, allow Lessee to contest) through appropriate administrative and judicial proceedings (including, without limitation, by pursuit of appeals, other than an appeal to the U.S. Supreme Court) the validity, applicability or amount of such Taxes by, in the relevant Tax Indemnatee's sole discretion, (I) resisting payment thereof, (II) not paying the same except under protest if protest is necessary and proper or (III) if the payment is made, using reasonable efforts to obtain a refund thereof in an appropriate administrative and/or judicial proceeding. Such Tax Indemnatee shall consult with Lessee in good faith regarding the manner of contesting such claim and shall keep Lessee reasonably informed regarding the progress of such contest. If and to the extent the Tax Indemnatee is able to separate the contested issue or issues from other issues arising in the same administrative or judicial proceeding that are unrelated to the transactions contemplated by the Operative Agreements without, in the good faith judgment of such Tax Indemnatee, adversely affecting such Tax Indemnatee or any Affiliate, agent or customer thereof, such Tax Indemnatee shall permit Lessee to participate in the conduct of any such proceeding. A Tax Indemnatee shall not fail to take any action expressly required by this Section 10.3.4 (including, without limitation, any action regarding any appeal of an adverse determination with respect to any claim) or settle or compromise any claim without the prior written consent of the Lessee (except as contemplated by Section 10.3.4(b) or (c)).

(b) Notwithstanding the foregoing, in no event shall a Tax Indemnatee be required to pursue any contest (or to permit Lessee to pursue any contest) unless (i) Lessee shall have agreed to pay such Tax Indemnatee on demand all reasonable costs and expenses incurred by such Tax Indemnatee in connection with contesting such Taxes, including, without limitation, all reasonable out of pocket costs and expenses and reasonable attorneys' and accountants' fees and disbursements, (ii) if such contest shall involve the payment of the claim, Lessee shall advance the amount thereof (to the extent indemnified hereunder) plus interest, penalties and additions to tax with respect thereto that are required to be paid prior to the commencement of such contest on an interest-free after-Tax basis to such Tax Indemnatee (and such Tax Indemnatee shall promptly pay to the Lessee any net realized tax benefits resulting from such advance including any tax benefits resulting from making such payment to the extent Lessee realizes any net tax detriment from having made the advance), (iii) such Tax Indemnatee shall have reasonably determined that the action to be taken will not result in any material risk of forfeiture, sale or loss of the Aircraft (unless Lessee shall have made provisions to protect the interests of any such Tax Indemnatee in a manner reasonably satisfactory to such Tax Indemnatee) (provided, that such Tax Indemnatee agrees to notify Lessee in writing promptly after it becomes aware of any such risk), (iv) no Lease Default relating to payments or bankruptcy or Lease Event of Default shall have occurred and be continuing unless Lessee has provided security for its obligations hereunder by advancing to such Tax Indemnatee before proceeding or continuing with such contest, the amount of the Tax being contested, plus any interest and penalties and an amount estimated in good faith by such Tax Indemnatee for expenses and (v) prior to commencing any judicial action, Lessee shall have acknowledged its liability for such claim hereunder, provided that Lessee shall not be bound by its acknowledgment if the Final Determination articulates conclusions of law and fact that clearly and unambiguously demonstrate that Lessee has no liability for the contested amounts hereunder. Notwithstanding the foregoing, if any Tax Indemnatee shall release, waive, compromise or settle any claim which may be indemnifiable by Lessee pursuant to this Section 10.3 without the written permission of Lessee, Lessee's obligation to indemnify such Tax Indemnatee with respect to such claim (and all directly related claims and claims based on the outcome of such claim) shall terminate, subject to Section 10.3.4(c), and subject to Section 10.3.4(c), such Tax Indemnatee shall repay to Lessee any amount previously paid or advanced to such Tax Indemnatee with respect to such claim, plus interest at the rate that would have been payable by the relevant Taxing Authority with respect to a refund of such Tax.

(c) Notwithstanding anything contained in this Section 10.3, a Tax Indemnatee will not be required to contest the imposition of any Tax and shall be permitted to settle or compromise any claim without Lessee's consent if such Tax Indemnatee (i) shall waive its right to indemnity under this Section 10.3 with respect to such Tax (and any directly related claim and any claim the outcome of which is determined based upon the outcome of such claim), (ii) shall pay to Lessee any amount

previously paid or advanced by Lessee pursuant to this Section 10.3 with respect to such Tax, plus interest at the rate that would have been payable by the relevant Taxing Authority with respect to a refund of such Tax, and (iii) shall agree to discuss with Lessee the views or positions of any relevant Taxing Authority with respect to the imposition of such Tax; provided, that if Lessee has agreed in writing to settle a claim for a stated amount and the relevant Tax Indemnatee settles the claim at a higher amount, such Tax Indemnatee shall not be required to waive the indemnity for such claim to the extent of the amount agreed to by Lessee.

#### 10.3.5 Refund

If any Tax Indemnatee shall receive a refund of, or be entitled to a credit against other liability for, all or any part of any Taxes paid, reimbursed or advanced by Lessee, such Tax Indemnatee shall pay to Lessee within 30 days of such receipt an amount equal to the lesser of (a) the amount of such refund or credit plus any net tax benefit (taking into account any Taxes incurred by such Tax Indemnatee by reason of the receipt of such refund or realization of such credit) actually recognized by such Tax Indemnatee as a result of any payment by such Tax Indemnatee made pursuant to this sentence (including this clause (a)) and (b) such tax payment, reimbursement or advance by Lessee to such Tax Indemnatee theretofore made pursuant to this Section 10.3 (and the excess, if any, of the amount described in clause (a) over the amount described in clause (b) shall be carried forward and applied to reduce pro tanto any subsequent obligation of Lessee to make payments pursuant to this Section 10.3). If, in addition to such refund or credit, such Tax Indemnatee shall receive (or be credited with) an amount representing interest on the amount of such refund or credit, such Tax Indemnatee shall pay to Lessee within 30 days of such receipt or realization of such credit that proportion of such interest that shall be fairly attributable to Taxes paid, reimbursed or advanced by Lessee prior to the receipt of such refund or realization of such credit.

#### 10.3.6 Tax Filing

If any report, return or statement is required to be filed with respect to any Tax which is subject to indemnification under this Section 10.3, Lessee shall timely file the same (except for any such report, return or statement which a Tax Indemnatee has timely notified the Lessee in writing that such Tax Indemnatee intends to file, or for which such Tax Indemnatee is required by law to file, in its own name); provided, that the relevant Tax Indemnatee shall furnish Lessee with any information in such Tax Indemnatee's possession or control that is reasonably necessary to file any such return, report or statement and is reasonably requested in writing by Lessee (it being understood that the Tax Indemnatee shall not be required to furnish copies of its actual tax returns, although it may be required to furnish relevant information contained therein). Lessee shall either file such report, return or statement and send a copy of such report, return or statement to such Tax Indemnatee, and Owner Trustee if the Tax Indemnatee is not Owner Trustee, or, where Lessee is not permitted to file such report, return or statement, it shall notify such Tax Indemnatee of such requirement and prepare and deliver such report, return or statement to such Tax Indemnatee in a manner satisfactory to such Tax Indemnatee within a reasonable time prior to the time such report, return or statement is to be filed.

#### 10.3.7 Forms

Each Tax Indemnatee agrees to furnish from time to time to Lessee or Mortgagee or to such other person as Lessee or Mortgagee may designate, at Lessee's or Mortgagee's request, such duly executed and properly completed forms as may be necessary or appropriate in order to claim any reduction of or exemption from any withholding or other Tax imposed by any Taxing Authority, if (x) such reduction or exemption is available to such Tax Indemnatee and (y) Lessee has provided such Tax Indemnatee with any information necessary to complete such form not otherwise reasonably available to such Tax Indemnatee.

#### 10.3.8 Non-Parties

If a Tax Indemnatee is not a party to this Agreement, Lessee may require the Tax Indemnatee to agree in writing, in a form reasonably acceptable to Lessee, to the terms of this Section 10.3 and Section 19.8 prior to making any payment to such Tax Indemnatee under this Section 10.3.

#### 10.3.9 Subrogation

Upon payment of any Tax by Lessee pursuant to this Section 10.3 to or on behalf of a Tax Indemnatee, Lessee, without any further action, shall be subrogated to any claims that such Tax Indemnatee may have relating thereto. Such Tax Indemnatee shall cooperate with Lessee (to the extent such cooperation does not result in any unreimbursed cost, expense or liability to such Tax Indemnatee) to permit Lessee to pursue such claims.

#### 10.3.10 Foreign Withholding Tax On Loan Payments

If an Owner Participant is a resident of a country other than the United States or of a territory, possession or commonwealth of the United States (within the meaning of the tax law of that foreign jurisdiction) or is participating in the transactions contemplated by the Operative Agreements through a branch or office outside the United States and if as a result of such residence or branch or office participation any withholding Taxes are imposed on or with respect to the Loan Certificates or payments thereon, Owner Participant shall reimburse Lessee for any payments Lessee is required to make to or on behalf of Loan Participant or any Certificate Holder under this Section 10.3 as a result of the imposition of such withholding Taxes. The amount payable by Owner Participant to Lessee shall be an amount which, after taking into account any such Taxes, any Tax imposed upon the receipt or accrual by Lessee of such payment by Owner Participant and any tax benefits or tax savings realized by Lessee with respect to the payment of such withholding Tax or the payment hereunder, shall equal the amount of Lessee's payment to or on behalf of Loan Participant or such Certificate Holder.

10.3.11 [Intentionally Omitted]

10.4 [Intentionally Omitted]

10.5 Payments

Any payments made pursuant to this Section 10 shall be due on demand therefor and shall be made directly to the relevant Indemnitee or Tax Indemnitee or to Lessee, in immediately available funds at such bank or to such account as specified by such Indemnitee or Tax Indemnitee or Lessee, as the case may be, in written directives to the payor, or, if no such direction shall have been given, by check of the payor payable to the order of, and mailed to, such Indemnitee or Tax Indemnitee or Lessee, as the case may be, by certified mail, postage prepaid, at its address as set forth in this Agreement.

10.6 Interest

If any amount, payable by Lessee, any Indemnitee or any Tax Indemnitee under this Section 10 is not paid when due, Lessee, such Indemnitee or such Tax Indemnitee shall pay on demand, to the extent permitted by Law, to the person entitled thereto, interest on any such amount for the period from and including the due date for such amount to but excluding the date the same is paid, at the Payment Due Rate. Such interest shall be paid in the same manner as the unpaid amount in respect of which such interest is due.

10.7 Benefit of Indemnities

The obligations of Lessee in respect of all indemnities, obligations, adjustments and payments in this Section 10 are expressly made for the benefit of, and shall be enforceable by, the Indemnitee or Tax Indemnitee entitled thereto, without declaring the Lease to be in default or taking other action thereunder, and notwithstanding any provision of the Trust Indenture.

SECTION 11. [INTENTIONALLY OMITTED]

SECTION 12. ASSIGNMENT OR TRANSFER OF INTERESTS

12.1 Participants, Owner Trustee and Certificate Holders

12.1.1 Owner Participant

(a) During the Term, Owner Participant shall not Transfer any or all of its right, title or interest in the Trust Estate or the Trust Agreement and to this Agreement unless:

(i) The Transferee shall have full power, authority and legal right to execute and deliver and to perform whatever obligations under this Agreement and the other Owner Participant Agreements shall be assumed by such Transferee and shall provide reasonably satisfactory evidence of such power and authority to Lessee, Owner Trustee and Mortgagee;

(ii) The Transferee shall enter into one or more legal, valid, binding and enforceable agreements (accompanied by an opinion of counsel (who may be internal counsel for Owner Participant) addressed to Lessee, Owner Trustee and Mortgagee to the effect that such agreement or agreements are legal, binding and enforceable in accordance with its or their terms, subject to customary bankruptcy and equitable remedies exceptions) effective to confirm that such Transferee agrees for the benefit of Lessee, Owner Trustee and Mortgagee to be bound by all the terms of and to undertake all of the obligations arising after such Transfer of the transferring Owner Participant under this Agreement and the other Owner Participant Agreements, and in which it makes representations and warranties comparable to those contained in Section 7.2;

(iii) Owner Participant shall deliver to Lessee and Mortgagee an opinion of counsel (which may be internal counsel for Owner Participant) to the effect that such

Transfer will not violate the Act, the Securities Act or any other applicable Federal law, and is in accordance with this Section 12.1;

(iv) The Transferee is a Citizen of the United States, if such citizenship is necessary to maintain registration of the Aircraft under the Act (it being understood that the existence of any such requirement is to be determined without giving consideration to Section 47.9 of the FAA Regulations), or shall use a voting powers trust or similar arrangement in order to hold an interest in the Trust Estate such that the Aircraft can be registered in the United States (without giving consideration to Section 47.9 of the FAA Regulations); and

(v) Its Transferee shall be either (A) a Permitted Institution or (B) any other person (other than, without Lessee's consent, a commercial air carrier or Affiliate thereof that is in direct competition with Lessee) the obligations of which under the Owner Participant Agreements are guaranteed by a Permitted Institution or a guarantor consented to by Lessee, Owner Trustee and Mortgagee, in any case, pursuant to a written guaranty, in form and substance reasonably satisfactory to Lessee, Owner Trustee and Mortgagee.

(b) Notwithstanding anything to the contrary contained in this Section 12.1:

(i) Owner Participant may at any time grant participations in its interest in and to this Agreement, the Trust Estate or the Trust Agreement to any person (hereinafter in this Section 12.1.1(b) referred to as a "participant"), so long as (A) no such participant shall be an Owner Participant of record, it being agreed that Lessee, the Certificate Holders, Owner Trustee and Mortgagee shall be entitled to deal solely with Owner Participant of record (who shall not (unless such participant is the sole participant and is a Permitted Institution) be required by contract to obtain the consent of any such participant in order to take action under the Operative Agreements) in connection with the transactions contemplated by this Agreement and the other Operative Agreements and (B) Owner Participant shall provide Lessee, the Certificate Holders, Owner Trustee and Mortgagee with written notice of any such participation specifying the name and address of the proposed participant and shall reimburse Lessee, the Certificate Holders, Owner Trustee and Mortgagee for all reasonable Expenses incurred by such party relating to any such participation;

(ii) Owner Participant may at any time Transfer any or all of its right to receive payment of residual value of the Aircraft (including, without limitation, with respect to a Transfer of all or a portion of (y) any net proceeds from a sale or re-lease of the Aircraft whether at the end of the Term or pursuant to any provision of the Lease or otherwise or (z) the net proceeds received as a result of an Event of Loss or an Event of Default), subject in each case to the Lien of the Trust Indenture (to the extent applicable);

(iii) There shall be no more than two Owner Participants of record at any one time; and

(iv) After the end of the Term, Owner Participant may freely Transfer all or any of its right, title or interest in and to this Agreement the Trust Estate and the Trust Agreement;

provided, that (A) no participant under clause (i) above or transferee under clause (ii) above shall have any direct rights under the Operative Agreements or any Lien on all or any part of the Aircraft, Trust Estate or Trust Indenture Estate, (B) Lessee shall not have any increased liability or obligations as a result of any participation under clause (i) above or Transfer under clause (ii) above and (C) any participation under clause (i) above or Transfer under clause (ii) above shall not cause the Aircraft to be or become ineligible for registration in the name of Owner Trustee under the Act and regulations then applicable thereunder (without giving consideration to Section 47.9 of the FAA Regulations).

(c) Owner Participant shall give written notice to Lessee, Mortgagee and Owner Trustee at least 10 days prior to any such Transfer, specifying the name and address of the proposed Transferee, and providing financial statements of the proposed Transferee evidencing the requirements described in Section 12.1.1(a)(v)(A) or (B) above.

(d) Any fees, charges and expenses, including the reasonable legal fees, charges and expenses incurred by Lessee, Owner Participant, any Certificate Holder or Owner Trustee in connection with any Transfer by Owner Participant permitted by this Section 12.1.1, or by the Transferee in any such case, will be paid for by Lessee, in the case of any Transfer by the initial Owner Participant, and thereafter by the Owner Participant making a transfer, or its Transferee.

#### 12.1.2 Owner Trustee

Owner Trustee may transfer its interests in the Trust Agreement pursuant to Section 9 thereof.

#### 12.1.3 Loan Participant and Certificate Holders

Subject to Section 2.07 of the Trust Indenture, Loan Participant and any other Certificate Holder may, at any time and from time to time, Transfer or grant participations in all or any portion of the Loan Certificates and/or all or any portion of its beneficial interest in its Loan Certificate and the Trust Indenture Estate to any person; provided, that any participant in any such participations shall not have any direct rights under the Operative Agreements or any Lien on all or any part of the Aircraft or Trust Indenture Estate and Lessee shall not have any increased liability or obligations as a result of any such participation. In the case of any such Transfer, the Transferee, by acceptance of Loan Certificates in connection with such Transfer, shall be deemed to have made each of the representations contained in Section 7.4.

#### 12.2 Effect of Transfer

Upon any Transfer in accordance with Section 12.1.1, 12.1.2 or 12.1.3 (other than any Transfer (a) by Owner Participant pursuant to Section 12.1.1(b)(i) or (ii), or (b) by Loan Participant or any Certificate Holder, in each case, to the extent it only grants participations in Loan Certificates or in its beneficial interest therein), Transferee shall be deemed an "Owner Participant," "Owner Trustee" or a "Certificate Holder," respectively, for all purposes of this Agreement and the other Operative Agreements and, in the case of a Transferee of any Participant or Certificate Holder, shall be deemed to have paid its ratable portion of Lessor's Cost previously made by Owner Participant or Loan Participant, respectively, making such conveyance and represented by the interest being conveyed, and each reference herein to Owner Participant, Owner Trustee or Certificate Holder, respectively, shall thereafter be deemed a reference to such Transferee for all purposes, and the transferring Owner Participant, Owner Trustee, Loan Participant or Certificate Holder shall be released (except, in the case of Owner Participant, to the extent of any guaranty provided by it under Section 12.1.1(a)(v)) from all of its liabilities and obligations under this Agreement and any other Operative Agreements to the extent such liabilities and obligations arise after such Transfer and, in each case, to the extent such liabilities and obligations are assumed by the transferee; provided, that such transferring Owner Participant, Owner Trustee, Loan Participant or Certificate Holder (and its respective Affiliates, successors, assigns, agents, servants, representatives, directors and officers) will continue to have the benefit of any rights or indemnities under any Operative Agreement vested or relating to circumstances, conditions, acts or events prior to such Transfer.

#### 12.3 Majority in Interest of Certificate Holders

For purposes of this Section 12, Mortgagee shall only act at the direction of a Majority in Interest of Certificate Holders determined without reference to the second sentence of the definition thereof.

### SECTION 13. REFUNDING AND CERTAIN OTHER MATTERS

#### 13.1 Refunding Generally

Subject to Sections 13.3 and 13.4, in the event that at any time Lessee shall have given written notice to Owner Participant, Owner Trustee, and Mortgagee that Lessee is requesting a voluntary redemption of all, but not less than all, of the outstanding Loan Certificates (in compliance with the provisions of Sections 2.11 and 2.12 of the Trust Indenture) by Owner Trustee as part of a refunding transaction, Owner Participant agrees to negotiate in good faith and promptly conclude an agreement, in form and substance reasonably satisfactory to Owner Participant, with Lessee as to the terms of such refunding transaction (including the terms of any debt to be issued in connection with such refunding transaction and the documentation to be executed in connection therewith), and after Lessee and Owner Participant shall have concluded such an agreement:

##### 13.1.1 Refunding Certificate

Within ten Business Days after reaching such agreement, Owner Participant will deliver to Lessee a Refunding Certificate. The terms of the Refunding Certificate shall not provide for an increase in the then-outstanding principal amount of the Loan Certificates. Within ten Business Days of its receipt of the Refunding Certificate, Lessee may demand a verification pursuant to Section 3.2.1(d) of the Lease of the information set forth in the Refunding Certificate. Upon the acceptance by Lessee of the accuracy of the information set forth in the Refunding Certificate or the determination pursuant to such verification procedures of the Refunding Information, the appropriate parties will take the actions specified in Sections 13.1.2 through 13.1.8 below.

### 13.1.2 Financing Agreements

Owner Trustee, Mortgagee and other appropriate parties will enter into a financing or loan agreement in form and substance satisfactory to Owner Participant with the institution or institutions to be named therein providing for (a) the issuance and sale by Owner Trustee to such institution or institutions on the Refunding Date of the New Debt and (b) the application of the proceeds of the sale of the New Debt to the redemption of all such Loan Certificates on the Refunding Date.

### 13.1.3 Lease Amendments

As a condition to the closing of the refunding transaction, Lessee and Owner Trustee will amend the Lease, as contemplated by Section 3.2.1(b) of the Lease, to provide that (a) Basic Rent in respect of the period from and after the Refunding Date shall be as provided in the Refunding Information and (b) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Refunding Date shall be as provided in the Refunding Information.

### 13.1.4 Security Agreements

Owner Trustee will enter into an agreement to provide for the securing thereunder of the New Debt in like manner as the Loan Certificates and will enter into such amendments and supplements to the Trust Indenture (or such new indenture or other security agreement) as may be necessary to effect such refunding).

### 13.1.5 Make-Whole Amount

At the closing of such refunding (and as indemnification for the loss resulting therefrom), Owner Trustee shall pay, upon receipt of the same from Lessee (which Lessee shall pay as Supplemental Rent as a condition to the closing to the refunding transaction), to each Certificate Holder, the Make-Whole Amount, if any, payable to such Certificate Holder, except that if the Debt Rate on any Loan Certificate is to be reset pursuant to Paragraph A of Schedule 5, no Make-Whole Amount shall be required to be paid by Owner Trustee or Lessee in connection with any refunding transaction occurring within the period from and including the date of commencement of the subsequent Funding Period to and excluding the date sixty days following such date of commencement.

### 13.1.6 Expenses

Whether or not such refunding transaction is consummated, Lessee shall pay or reimburse all of the reasonable Expenses of all parties to such refunding transaction, including, without limitation, the reasonable fees and expenses of such parties' counsel and any related loan or commitment fees and the reasonable fees and expenses of one advisor to Owner Participant.

### 13.1.7 Return of Loan Certificates

Subject to compliance by Owner Trustee and Lessee with all applicable terms and conditions for voluntary prepayment under the Trust Indenture and this Agreement, each Certificate Holder will transfer to Owner Trustee the Loan Certificates held by it for cancellation (and Owner Trustee shall cancel the same), against receipt by such Certificate Holder of the then-outstanding principal amount of such Loan Certificates, accrued and unpaid interest and Make-Whole Amount, if any, thereon, together with payment in full of all other amounts then payable to such Certificate Holder and Mortgagee hereunder or under the Trust Indenture.

### 13.1.8 [Intentionally Omitted]

## 13.2 Private Offering

No refunding shall involve a public offering of the New Debt.

## 13.3 Timing; Refunding Limit; Notice

No such optional refunding shall be permitted until after the last day of the calendar year in which the fifth anniversary of the Delivery Date occurs. Only one such refunding shall be permitted during the Term. Lessee, acting on behalf of Owner Trustee, shall give Mortgagee at least 30 days' revocable prior written notice of the proposed date of the optional redemption.

## 13.4 Limitations on Obligation to Refund

Notwithstanding the foregoing, Owner Participant shall have no obligation to proceed with any refunding transaction as contemplated by this Section 13:

(a) If in Owner Participant's reasonable good faith judgment, such transaction would have an adverse impact on it (including, without limitation, the risk of adverse tax consequences to Owner Participant for which it is not indemnified by Lessee or the unavailability to Owner Trustee or Mortgagee of the benefits of Section 1110 with respect to the Aircraft);

(b) Unless a third party or parties, unaffiliated with Lessee or Owner Participant, shall have committed to (and shall) provide the financing needed to consummate the proposed refunding transaction, it being understood that Owner Participant shall not have any obligation to locate any such party or parties;

(c) Unless Lessee indemnifies Owner Trustee and Owner Participant by agreement in form and substance satisfactory to each of them for any liability, obligation (other than the obligation to pay principal and interest and related payments in respect of the New Debt), cost or expense (including, without limitation, reasonable attorneys' fees) related to or arising out of any such refunding transaction;

(d) [Intentionally Omitted]

(e) If a Lease Default or a Lease Event of Default shall have occurred and be continuing; or

(f) If such refunding is to be denominated in any currency other than Dollars.

### 13.5 All Loan Certificates

Any refinancing pursuant to this Section 13 shall be of all Loan Certificates then outstanding.

### 13.6 Execution of Certain Documents

Lessee, Owner Participant, Owner Trustee and Mortgagee each agree to execute any document necessary or advisable to implement this Section 13 (including, without limitation, the execution, delivery and/or provision of any appropriate additional or modified amendment, representation, warranty, certificate, opinion or other document that may reasonably be requested by Lessee or any other person).

### 13.7 ERISA

Owner Participant shall not be obligated to conclude the proposed refunding transaction unless the agreements utilized to effect such refunding contain provisions satisfactory to Owner Participant, and appropriate to the form of refunding being employed, to reflect the agreement of Lessee and Owner Participant that no funds constituting assets of a Plan shall at any time be used to acquire or hold the New Debt, and the indemnities in respect thereof have been revised, as appropriate, to reflect any changes from such provisions as originally set forth herein.

### 13.8 Consent to Optional Redemptions

Each of Owner Participant, Owner Trustee and Mortgagee agrees with Lessee not to cause an optional redemption of the Loan Certificates that would cause an increase in Lessee's periodic Rent obligations or adversely affect Lessee's voluntary redemption rights under this Section 13 or any of Lessee's other rights or obligations under the Operative Agreements without the prior written consent of Lessee or at Lessee's expense except in connection with the exercise of remedies under the Trust Indenture upon the occurrence and continuation of a Lease Event of Default.

### 13.9 Certain Additional Rights Of Lessee

#### 13.9.1 Other Sections Not Applicable

The provisions of Section 13.1 through 13.8 shall not be applicable to this Section 13.9.

#### 13.9.2 Loan Certificates Initially Issued to Boeing

Subject to Section 13.9.2(e), with respect to any Loan Certificate, the provisions of this Section 13.9.2 shall be applicable to the holder of such Loan Certificate if, and only so long as, such Certificate Holder is The Boeing Company or any majority-owned subsidiary of The Boeing Company (collectively, "The Boeing Group").

(a) Such Certificate Holder shall give Lessee prior written notice of its intention to Transfer to any Person (other than a Person within The Boeing Group) a Loan Certificate held by such Certificate Holder, and Lessee shall then have a period of 30 days following such notice to elect, by written notice to such Certificate Holder, either (i) to provide a Person willing to purchase such Loan Certificate, which Person must be reasonably acceptable to Owner Participant, or (ii) to request that Owner Trustee effect a voluntary redemption of such Loan Certificate. Lessee shall not be obligated to make any election under the prior sentence, and if Lessee fails to make such election the provisions of this Section 13.9.2 shall not be applicable to any Transfer by such Certificate Holder of such Loan Certificate completed after the end of the 30-day period referred to above and on or prior to the 60th day after and excluding the last day of such 30-day period.

(b) If Lessee makes the election under Section 13.9.2(a)(i), then on the date reasonably specified by Lessee, which shall be not earlier than the 15th day after and excluding the date of such election by Lessee and not later than the 60th day after and excluding the last day of the 30-day period referred to in Section 13.9.2(a), such Certificate Holder shall transfer good title to such Loan Certificate, free and clear of all Liens, to the purchaser designated by Lessee, against and subject to payment to and receipt by such Certificate Holder of a purchase price equal to the principal amount of such Loan Certificate outstanding on the date of purchase plus accrued but unpaid interest to such date plus all other sums then due and owing to such Certificate Holder hereunder or under such Loan Certificate or the Trust Indenture, provided that Make-Whole Amount shall not be payable in connection with such purchase. If Lessee makes such election, Lessee may request that Owner Trustee and Mortgagee, concurrently with such sale and purchase transaction, enter into such amendments as Lessee may specify, and Owner Trustee, Owner Participant and Mortgagee agree to negotiate in good faith with Lessee to conclude such amendments as may be reasonably satisfactory in form and substance to each of them.

(c) If Lessee makes the election under Section 13.9.2(a)(ii), on the date reasonably specified by Lessee, which shall be not later than the 60th day after and excluding the last day of the 30-day period referred to in paragraph (a) above, Owner Trustee shall redeem such Loan Certificate on such date, subject to payment by Lessee to Owner Trustee on such date of the amount required to be paid by Owner Trustee to such Certificate Holder under Section 2.11 of the Trust Indenture in connection with such redemption, provided that Make-Whole Amount shall not be payable in connection with such redemption.

(d) If Lessee makes an election under Section 13.9.2(a)(i) or Section 13.9.2(a)(ii) and such purchase or redemption, as the case may be, shall fail to be completed on or prior to the 60th day after and excluding the last day of the 30-day period referred to in Section 13.9.2(a), then, unless such failure would not have resulted but for such Certificate Holder's default, the Debt Rate applicable to such Loan Certificate shall be reset in accordance with the provisions of Paragraph B of Schedule 5 hereto. If any purchase transaction elected under Section 13.9.2(a)(i) fails to be completed as contemplated above in this paragraph (d), then Lessee shall be entitled, upon not less than 15 days' prior written notice to the Certificate Holder, to provide another Person willing to purchase the subject Loan Certificate, which Person must be reasonably acceptable to Owner Participant; and any such purchase transaction shall be effected in accordance with, and subject to the terms and conditions of, Sections 13.9.2(b), 13.9.4, 13.9.5 and 13.9.6. Lessee agrees, however, that notwithstanding its continuing right to provide any such purchaser, the Certificate Holder shall have the continuing right to arrange a Transfer of such Loan Certificate, subject to the requirements and limitations set forth in Sections 13.9.2(a), 13.9.2(b), 13.9.4, 13.9.5 and 13.9.6.

(e) The provisions of this Section 13.9.2 shall not be applicable with respect to any Loan Certificate previously transferred to a Person not within The Boeing Group and later reacquired by a Person within The Boeing Group from any other Person.

### 13.9.3 Additional Redemption Rights

(a) If the Debt Rate applicable to a Loan Certificate is to be reset pursuant to Paragraph A of Schedule 5, and if there has not previously been effected any optional refunding as provided for in Sections 13.1 through 13.8, then Lessee may elect to request that Owner Trustee effect a voluntary redemption of such Loan Certificate. Any such election must be made by written notice of Lessee to Owner Participant, such Certificate Holder, Owner Trustee and Mortgagee, given not earlier than 30 days prior to and excluding the Reset Date (as defined in Schedule 5 hereto) and not later than one day prior to and excluding the Reset Date. If Lessee makes any such election, then on the date reasonably specified by Lessee, which shall be not earlier than 30 days after and excluding the date of Lessee's election and not later than the 60th day after and excluding the Reset Date, Owner Trustee shall arrange to redeem such Loan Certificate, against and subject to payment to and receipt by Owner Trustee of the amount required to be paid by Owner Trustee to such Certificate Holder under Section 2.11 of the Trust Indenture in connection with such redemption, provided that Make-Whole Amount shall not be payable in connection with any such redemption.

(b) Lessee may, at any time after the last day of the calendar year in which the fifth anniversary of the Delivery Date occurs, request that Owner Trustee effect a voluntary redemption of all Loan Certificates. Any such request must be made by written notice of Lessee to Owner Participant, Certificate Holders, Owner Trustee and Mortgagee given not less than 30 days prior to and excluding the proposed date of such redemption. If Lessee gives such notice, then on the first Payment Date occurring after and excluding the 30th day following such notice by Lessee, Owner Trustee shall arrange to redeem all Loan

Certificates, against and subject to payment to and receipt by Owner Trustee of the amount (including, without limitation, Make-Whole Amount, if any) required to be paid by Owner Trustee to the Certificate Holders under Section 2.11 of the Trust Indenture in connection with such redemption.

(c) In connection with, and as a condition to, (i) any redemption under Section 13.9.3(a) that would apply to all then-outstanding Loan Certificates, and (ii) any redemption under Section 13.9.3(b), Lessee shall concurrently with any such redemption purchase or cause to be purchased all right, title and interest of Owner Participant in and to the Trust Estate, Trust Agreement and the other Operative Agreements and in and to the Transactions (except as contemplated by the proviso to Section 12.2) for an amount and on terms reasonably satisfactory to Owner Participant.

#### 13.9.4 Lease Amendments

In connection with any amendment under Section 13.9.2(b) or redemption under Section 13.9.2(c) or Section 13.9.3, and subject to the consent of Owner Participant and (except in the case of a redemption of all Loan Certificates) Mortgagee, such consent not to be unreasonably withheld, Lessee and Owner Trustee will concurrently with such amendment or redemption, as the case may be (or as soon thereafter as reasonably practicable), amend the Lease, as contemplated by Section 3.2.1(b) of the Lease, to provide that Basic Rent, Stipulated Loss Value and Termination Value in respect of the period from and after the date of such amendment or redemption, as the case may be, shall be appropriately adjusted to reflect such amendment or redemption, as the case may be.

#### 13.9.5 Cooperation; Limitations

Lessee, Owner Participant, each Certificate Holder, Owner Trustee and Mortgagee shall cooperate in effecting the transactions contemplated by this Section 13.9, including, without limitation, executing and delivering such documents as may be reasonably satisfactory in form and substance to each of such Persons, and that may be reasonably requested by any such Person, as necessary or advisable to effect such transactions. Notwithstanding the foregoing, Owner Participant shall have no obligation to proceed with any transaction contemplated by this Section 13.9:

(a) If in Owner Participant's reasonable good faith judgment, such transaction would have an adverse impact on it (including, without limitation, the risk of adverse tax consequences to Owner Participant for which it is not indemnified by Lessee or the unavailability to Owner Trustee or Mortgagee of the benefits of Section 1110 with respect to the Aircraft);

(b) Unless Lessee indemnifies Owner Trustee and Owner Participant by agreement in form and substance reasonably satisfactory to each of them for any liability, obligation, cost or expense (including, without limitation, reasonable attorneys' fees) related to or arising out of any such transaction; or

(c) If a Lease Default or a Lease Event of Default shall have occurred and be continuing.

#### 13.9.6 Expenses; Notices

Whether or not any such transaction described in this Section 13.9 is consummated, Lessee shall pay or reimburse all reasonable out-of-pocket expenses incurred by each Participant, Owner Trustee and Mortgagee in connection with such transaction, including, without limitation, the reasonable fees and expenses of each such Person's counsel. Upon any notice or election under this Section 13.9 becoming effective, as provided for in the last sentence of Section 19.7, such notice or election shall become irrevocable.

### SECTION 14. LEASE FOR ALL PURPOSES; SECTION 1110

(a) Each of Lessee, Owner Participant, Loan Participant, Owner Trustee and Mortgagee agrees that the Lease constitutes an agreement of lease and nothing contained therein shall be construed as conveying to Lessee any right, title or interest in the Aircraft except as a lessee only.

(b) It is the intention of each of Lessee, Owner Participant, Loan Participant, the Certificate Holders (such intention being evidenced by each of their acceptance of a Loan Certificate), Owner Trustee and Mortgagee that Owner Trustee, as lessor under the Lease (and Mortgagee as assignee of Owner Trustee under the Trust Indenture), shall be entitled to the benefits of Section 1110 with respect to the right to take possession of the Aircraft, Airframe, Engines and Parts as provided in the Lease in the event of a case under Chapter 11 of the Bankruptcy Code in which Lessee is a debtor, and in any instance where more than one construction is possible of the terms and conditions of the Lease or any other pertinent Operative Agreement, each such party agrees that a construction which would preserve such benefits shall control over any construction which would not preserve such benefits.

## SECTION 15. OWNER PARTICIPANT'S RIGHT TO RESTRUCTURE

### 15.1 General Right to Restructure

Lessee, Loan Participant and each Certificate Holder agree that after the Delivery Date and subject to the limitations of Section 15.2, the original Owner Participant (or any transferee Owner Participant that is an Affiliate of the Owner Participant Parent) shall have the right to restructure the Transactions using (a) a "cross-border lease," a tax lease or a head-lease/sublease structure and (b) any other type of transaction, which may involve special structural arrangements, as such Owner Participant may elect (any such structure described above, a "Special Structure"). Any Special Structure may result in additional persons participating in the Transactions, which persons shall agree to provisions comparable to Sections 8.7.5(a) and 8.7.14. Subject to the provisions of Sections 15.2 and 15.3, Lessee, Loan Participant and each Certificate Holder agree to cooperate in the implementation of any such restructuring and take such action as may reasonably be requested by the original Owner Participant to accomplish such restructuring, including taking such actions as may be reasonable or customary in the type of Special Structure selected. In connection with any proposed Special Structure, Owner Participant shall provide all information reasonably requested by Lessee, Loan Participant or any Certificate Holder with respect thereto. The original Owner Participant shall be entitled to retain all of the benefits of any such transaction.

### 15.2 Limitations on Restructuring Provisions; Additional Terms

#### 15.2.1 Lessee

(a) Notwithstanding Section 15.1 or 15.2.1(b), in no event shall any such Special Structure (a) change the terms and conditions of Lessee's rights and obligations, from those which Lessee would otherwise possess or be subject to in the absence of any such Special Structure, in a manner which is materially adverse to Lessee, (b) expose Lessee to any additional risks (including overall tax risks) beyond those to which Lessee would be exposed in the absence of any such Special Structure unless Lessee shall have been indemnified against such additional risks by Owner Participant Parent, or other participants in such transaction (so long as such other participants shall, as to their creditworthiness at the time any such indemnity is given, be reasonably acceptable to Lessee) in a manner reasonably satisfactory to Lessee. In no event shall Lessee be required to provide an indemnity with respect to any foreign tax benefit of a Special Structure or to indemnify against the failure of a head lease not to constitute a true lease for U.S. federal income tax purposes.

(b) In any Special Structure that may be entered into pursuant to this Section 15, the Termination Values under the Lease (as the same may be restructured) shall not be affected by the termination values under any head-lease, except that any prepayment premiums and any funding or swap breakage costs under such head-lease or similar arrangement will be added in calculating the Termination Values and Stipulated Loss Values under the Lease (as the same may be restructured). Further, upon implementation of any Special Structure, the Stipulated Loss Values payable by Lessee under the Lease (as the same may be restructured) shall in no event be less than the stipulated loss values payable under the applicable head-lease or similar arrangement.

#### 15.2.2 Loan Participant and Certificate Holders

Notwithstanding Section 15.1, in no event shall any such Special Structure (a) change the terms and conditions of Loan Participant's or any Certificate Holder's rights and obligations under the Operative Agreements, from those which Loan Participant and Certificate Holders would otherwise possess or be subject to in the absence of such Special Structure (including, without limitation, the amount and timing of any payment of principal or interest under the Loan Certificates and the priority of Mortgagee's Lien on the Trust Indenture Estate under the Trust Indenture) or (b) expose Loan Participant or any such Certificate Holder to any additional risks beyond those to which Loan Participant or such Certificate Holder would be exposed in the absence of such Special Structure.

#### 15.2.3 [Intentionally Omitted]

### 15.3 Transaction Expenses

Whether or not any proposed restructuring transaction under this Section 15 is consummated, the original Owner Participant shall pay (or cause to be paid) the reasonable costs and expenses incurred by all parties in connection therewith; provided, that, only in connection with a consummated transaction (unless Lessee shall have, by failing to act in good faith, caused a transaction not to be consummated), Lessee shall pay or reimburse such Owner Participant for the original Owner Participant's reasonable estimate of the costs and expenses that would have been incurred by all parties if the Transactions had been restructured as a head-lease/sublease transaction in which the original Owner

Participant, or an Affiliate or designee thereof, were the head lessee/sublessor and Lessee were the sublessee.

## SECTION 16. CHANGE OF CITIZENSHIP

### 16.1 Generally

Without prejudice to the representations, warranties or covenants regarding the status of any party hereto as a Citizen of the United States:

(a) Each of Lessee, First Security, WTC and Mortgagee agrees that it will, immediately upon obtaining knowledge of any facts that would cast doubt upon its continuing status as a Citizen of the United States and promptly upon public disclosure of negotiations in respect of any transaction which would or might adversely affect such status, notify in writing all parties hereto of all relevant matters in connection therewith; and

(b) Owner Participant agrees that, in the event its status is to change or has changed as a Citizen of the United States, or it makes public disclosure of circumstances as a result of which it believes that such status is likely to change, it will notify all the other parties to this Participation Agreement of (i) such change in status promptly after obtaining Actual Knowledge thereof or (ii) such belief as soon as practicable after such public disclosure but in any event within ten Business Days after such public disclosure.

### 16.2 Owner Participant

Owner Participant agrees, solely for the benefit of Lessee and Loan Participant that if, during such time as the Aircraft is registered in the United States, (a) it shall not be a Citizen of the United States and (b) the Aircraft shall be, or would therefore become, ineligible for registration in the name of Owner Trustee under the Act and regulations then applicable thereunder (without giving consideration to Section 47.9 of the FAA Regulations), then Owner Participant shall as soon as is reasonably practicable, but in any event within 30 days after obtaining Actual Knowledge of such ineligibility and of such loss of citizenship, (y) effect voting trust or other similar arrangements (in which case any provisions contained in the Operative Agreements restricting Owner Participant's or Owner Trustee's ability to amend the Trust Agreement shall not apply to the extent necessary to permit the use of such a voting trust or other similar arrangement) or take any other action as may be necessary to prevent any deregistration or maintain the United States registration of the Aircraft or (z) transfer in accordance with the terms of this Agreement all its right, title and interest in and to this Agreement, the Trust Estate and the Trust Agreement in accordance with Section 12.1.

### 16.3 Owner Trustee

Upon First Security giving any notice in accordance with Section 16.1(a), Owner Trustee shall, subject to Section 9.1.1 of the Trust Agreement, resign as Owner Trustee. Upon its receipt of such notice, Owner Participant shall as promptly as practicable appoint a Citizen of the United States as successor Owner Trustee pursuant to Section 9.1 of the Trust Agreement.

### 16.4 Mortgagee

Upon WTC giving any notice in accordance with Section 16.1(a), Mortgagee shall (if and so long as such citizenship is necessary under the Act as in effect at such time or, if it is not necessary, if and so long as Mortgagee's citizenship could have any adverse effect on Lessee, any Participant or any Certificate Holder), subject to Section 8.02 of the Trust Indenture, resign as Mortgagee promptly upon its ceasing to be such a citizen.

## SECTION 17. CONCERNING OWNER TRUSTEE

It is understood and agreed that, except as otherwise expressly provided herein or in the Trust Agreement or the Trust Indenture, Owner Trustee is entering into this Agreement solely in its capacity as trustee as provided in the Trust Agreement and not in its individual capacity and in no case whatsoever will it be liable or accountable in its individual capacity for any of the statements, representations, warranties, agreements or obligations of Owner Trustee hereunder, or for any loss in respect thereof, as to all of which the parties agree to look solely to the Trust Estate; provided, that nothing in this Section 17 shall be deemed to limit in scope or substance the personal liability of First Security (a) to Owner Participant as expressly set forth in the Trust Agreement, (b) in respect of the representations, warranties and agreements of First Security expressly made as such herein or in any other Operative Agreement to which it is a party, and (c) for the consequences of its own gross negligence, willful misconduct, and, in receiving, handling or remitting of funds only, its willful misconduct or simple negligence as a trustee.

## SECTION 18. CONFIDENTIALITY

So long as such documents shall be provided to such party

marked confidential on the cover page thereof, Lessee, Owner Participant, Certificate Holders, Owner Trustee and Mortgagee shall keep Annexes B, C and D and Schedules 1, 2, 3 and 4 to the Lease, the Participation Agreement, the Purchase Agreement Assignment and the Tax Indemnity Agreement confidential and shall not disclose, or cause to be disclosed, the same to any Person, except (A) to prospective and permitted transferees of Lessee's, Owner Participant's, a Certificate Holder's, Owner Trustee's or Mortgagee's interest or their respective counsel or special counsel, independent insurance brokers, auditors, or other agents who agree to hold such information confidential, (B) to Lessee's, Owner Participant's, a Certificate Holder's, Owner Trustee's or Mortgagee's counsel or special counsel, independent insurance brokers, auditors, or other agents, Affiliates or investors who agree to hold such information confidential, (C) as may be required by any statute, court or administrative order or decree, legal process or governmental ruling or regulation, including those of any applicable insurance regulatory bodies (including, without limitation, the National Association of Insurance Commissioners), federal or state banking examiners, Internal Revenue Service auditors or any stock exchange, (D) with respect to Lessee and Owner Participant, by mutual agreement of such parties, to prospective participants in future aircraft transactions of Lessee in which Owner Participant Parent or any Affiliate thereof is to be a party, which prospective participants agree to hold such information confidential, (E) with respect to a Certificate Holder, to a nationally recognized rating agency for the purpose of obtaining a rating on the Loan Certificates or to support an NAIC rating for the Loan Certificates or (F) such other Persons as are reasonably deemed necessary by the disclosing party in order to protect the interests of such party or for the purposes of enforcing such documents by such party; provided, that any and all disclosures permitted by clauses (C), (D), (E) or (F) above shall be made only to the extent necessary to meet the specific requirements or needs of the Persons making such disclosures.

## SECTION 19. MISCELLANEOUS

### 19.1 Amendments

No provision of this Agreement may be amended, supplemented, waived, modified, discharged, terminated or otherwise varied orally, but only by an instrument in writing that specifically identifies the provision of this Agreement that it purports to amend, supplement, waive, modify, discharge, terminate or otherwise vary and is signed by the party against which the enforcement of the amendment, supplement, waiver, modification, discharge, termination or variance is sought. Each such amendment, supplement, waiver, modification, discharge, termination or variance shall be effective only in the specific instance and for the specific purpose for which it is given. No provision of this Agreement shall be varied or contradicted by oral communication, course of dealing or performance or other manner not set forth in an agreement, document or instrument in writing and signed by the party against which enforcement of the same is sought.

### 19.2 Severability

If any provision hereof shall be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the extent permitted by Law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction. If, however, any Law pursuant to which such provisions are held invalid, illegal or unenforceable may be waived, such Law is hereby waived by the parties hereto to the full extent permitted, to the end that this Agreement shall be deemed to be a valid and binding agreement in all respects, enforceable in accordance with its terms.

### 19.3 Survival

The representations, warranties, indemnities and covenants set forth herein shall survive the making available of the respective Commitments by Participants, the delivery or return of the Aircraft, the Transfer of any interest of Owner Participant in this Agreement, the Trust Estate and the Trust Agreement, the Transfer of any interest by any Certificate Holder of its Loan Certificate and the expiration or other termination of this Agreement or any other Operative Agreement.

### 19.4 Reproduction of Documents

This Agreement, all annexes, schedules and exhibits hereto and all agreements, instruments and documents relating hereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed and (b) financial statements, certificates and other information previously or hereafter furnished to any party hereto, may be reproduced by such party by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process, and such party may destroy any original documents so reproduced. Any such reproduction shall be as admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such

reproduction was made by such party in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction likewise is admissible in evidence.

#### 19.5 Counterparts

This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts (or upon separate signature pages bound together into one or more counterparts), each of which when so executed shall be deemed to be an original, and all of which counterparts, taken together, shall constitute one and the same instrument.

#### 19.6 No Waiver

No failure on the part of any party hereto to exercise, and no delay by any party hereto in exercising, any of its respective rights, powers, remedies or privileges under this Agreement or provided at Law, in equity or otherwise shall impair, prejudice or constitute a waiver of any such right, power, remedy or privilege or be construed as a waiver of any breach hereof or default hereunder or as an acquiescence therein nor shall any single or partial exercise of any such right, power, remedy or privilege preclude any other or further exercise thereof by it or the exercise of any other right, power, remedy or privilege by it. No notice to or demand on any party hereto in any case shall, unless otherwise required under this Agreement, entitle such party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of any party hereto to any other or further action in any circumstances without notice or demand.

#### 19.7 Notices

Unless otherwise expressly permitted by the terms hereof, all notices, requests, demands, authorizations, directions, consents, waivers and other communications required or permitted to be made, given, furnished or filed hereunder shall be in writing (it being understood that the specification of a writing in certain instances and not in others does not imply an intention that a writing is not required as to the latter), shall refer specifically to this Agreement or other applicable Operative Agreement, and shall be personally delivered, sent by facsimile or telecommunication transmission (which in either case provides written confirmation to the sender of its delivery), sent by registered mail or certified mail, return receipt requested, postage prepaid, or sent by overnight courier service, in each case to the respective address, or facsimile number set forth for such party in Schedule 1, or to such other address, facsimile or other number as each party hereto may hereafter specify by notice to the other parties hereto. Each such notice, request, demand, authorization, direction, consent, waiver or other communication shall be effective when received or, if made, given, furnished or filed (a) by facsimile or telecommunication transmission, when confirmed, or (b) by registered or certified mail, three Business Days after being deposited, properly addressed, with the U.S. Postal Service.

#### 19.8 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE

(a) THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS. THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK.

(b)(i) EXCEPT AS PROVIDED IN SECTION 19.8(b)(ii), EACH PARTY HERETO HEREBY IRREVOCABLY AGREES, ACCEPTS AND SUBMITS TO, FOR ITSELF AND IN RESPECT OF ANY OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK IN THE CITY AND COUNTY OF NEW YORK AND OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ANY LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTER RELATING TO OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER OPERATIVE AGREEMENT, EXCEPT AS PROVIDED IN SECTION 19.8(g). TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO AGREES FIRST TO SEEK JURISDICTION AGAINST ANY OTHER PARTY HERETO WITH RESPECT TO ANY SUCH ACTION, SUIT OR PROCEEDING IN SUCH COURTS OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK.

(ii) NOTWITHSTANDING THE FOREGOING AGREEMENT AS TO THE EXCLUSIVE NATURE OF SUCH JURISDICTION, IF ANY PARTY HERETO OTHER THAN LESSEE SHALL IN THE FIRST INSTANCE BRING ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE OPERATIVE AGREEMENTS IN THE COURTS DESCRIBED IN SECTION 19.8(b)(i), AND IF EACH OF SUCH COURTS OF THE UNITED STATES AND OF THE STATE OF NEW YORK REFUSES TO ACCEPT JURISDICTION WITH RESPECT THERETO, SUCH SUIT, ACTION OR PROCEEDING MAY BE BROUGHT IN ANY OTHER COURT WITH JURISDICTION.

(iii) NO PARTY TO THIS AGREEMENT MAY MOVE TO (x) TRANSFER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE OPERATIVE AGREEMENTS BROUGHT IN SUCH COURTS OF THE UNITED STATES OR OF THE STATE OF NEW YORK TO ANOTHER JURISDICTION, (y) CONSOLIDATE ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURTS OF THE UNITED STATES OR OF THE STATE OF NEW YORK WITH A SUIT, ACTION OR PROCEEDING IN ANOTHER JURISDICTION OR (z) DISMISS

ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURTS OF THE UNITED STATES OR OF THE STATE OF NEW YORK FOR THE PURPOSE OF BRINGING THE SAME IN ANOTHER JURISDICTION.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS, SUITS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER OPERATIVE AGREEMENT BROUGHT IN ANY OF THE AFORESAID COURTS, AND HEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM THAT ANY SUCH ACTION, SUIT OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(d)(i) EACH PARTY HERETO HEREBY IRREVOCABLY CONSENTS AND AGREES THAT SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE MADE BY MAILING COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, AT THE ADDRESS IN THE STATE, CITY AND COUNTY OF NEW YORK SET FORTH IN SECTION 19.7 OR, IN THE CASE OF LESSEE, AT THE ADDRESS SET FORTH IN SCHEDULE 2, OR AT SUCH OTHER ADDRESS OR UPON SUCH AGENT AS MAY BE DETERMINED PURSUANT TO SECTION 19.8(d)(ii). EACH PARTY HERETO HEREBY AGREES THAT SERVICE UPON IT, OR ANY OF ITS AGENTS, IN EACH CASE IN ACCORDANCE WITH THIS SECTION 19.8(d), SHALL CONSTITUTE VALID AND EFFECTIVE PERSONAL SERVICE UPON SUCH PARTY, AND EACH SUCH PARTY HEREBY AGREES THAT THE FAILURE OF ANY OF ITS AGENTS TO GIVE ANY NOTICE OF SUCH SERVICE TO SUCH PARTY SHALL NOT IMPAIR OR AFFECT IN ANY WAY THE VALIDITY OF SUCH SERVICE ON SUCH PARTY OR ANY JUDGMENT RENDERED IN ANY ACTION OR PROCEEDING BASED THEREON.

(ii) LESSEE SHALL GIVE EACH OTHER PARTY TO THIS AGREEMENT 30 DAYS' PRIOR WRITTEN NOTICE OF ANY CHANGE IN THE LOCATION, OR CLOSING, OF LESSEE'S PLACE OF BUSINESS SET FORTH IN SCHEDULE 2. ANY SUCH NOTICE SHALL (y) IF LESSEE SHALL CONTINUE TO MAINTAIN A PLACE OF BUSINESS IN THE STATE, CITY AND COUNTY OF NEW YORK, SPECIFY THE ADDRESS OF SUCH PLACE OF BUSINESS OR (z) IF LESSEE SHALL NO LONGER MAINTAIN A PLACE OF BUSINESS IN THE STATE, CITY AND COUNTY OF NEW YORK, AND, UNDER THE LAW OF THE STATE OF NEW YORK AS THEN IN EFFECT, ANY PARTY HERETO SHALL NOT BE PERMITTED TO EFFECT OUT-OF-STATE SERVICE UPON LESSEE BY MAIL IN THE MANNER SPECIFIED IN SECTION 19.8(d)(i) (AND SHALL SO NOTIFY LESSEE), DESIGNATE AN AGENT (WHICH AGENT SHALL BE REASONABLY ACCEPTABLE TO OWNER TRUSTEE AND MORTGAGEE), IN EITHER CASE, IN THE STATE, CITY AND COUNTY OF NEW YORK, AT OR UPON WHICH ANY OF THE PARTIES HERETO MAY SERVE PROCESS ON LESSEE PERSONALLY OR IN ACCORDANCE WITH THIS SECTION 19.8(d). IF LESSEE DESIGNATES AN AGENT IN ACCORDANCE WITH CLAUSE (z) ABOVE, LESSEE SHALL PROMPTLY PROVIDE EACH OTHER PARTY HERETO EVIDENCE OF THE APPOINTMENT OF SUCH AGENT (FOR THE THEN-REMAINING TERM) AND THE ACCEPTANCE THEREOF BY SUCH AGENT.

(e) EACH PARTY HERETO HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN ANY COURT IN ANY JURISDICTION BASED UPON OR ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES THAT THE WAIVER OF JURY TRIAL BY IT IN THIS SECTION 19.8(e) IS A MATERIAL INDUCEMENT TO THE OTHER PARTIES HERETO TO ENTER INTO A BUSINESS RELATIONSHIP WITH IT AND THAT THE OTHER PARTIES HERETO HAVE RELIED ON THIS SECTION 19.8(e) IN ENTERING INTO THIS AGREEMENT AND THE OTHER OPERATIVE AGREEMENTS.

(f) EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT FINAL JUDGMENT AGAINST IT RENDERED BY SUCH COURTS IN ANY OF THE AFORESAID ACTIONS, SUITS OR PROCEEDINGS SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION, WITHIN OR WITHOUT THE UNITED STATES, BY SUIT ON THE JUDGMENT, A CERTIFIED OR EXEMPLIFIED COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND AMOUNT OF ITS OBLIGATIONS AND LIABILITIES.

(g) NOTHING HEREIN SHALL, OR SHALL BE CONSTRUED SO AS TO, LIMIT THE RIGHT OF LESSEE, ANY PARTICIPANT, GUARANTOR, OWNER TRUSTEE OR MORTGAGEE TO DEFEND OR TO ASSERT A COUNTERCLAIM IN, OR TO SEEK RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT RENDERED IN, ANY ACTION, SUIT OR PROCEEDING IN THE COURTS OF WHATEVER JURISDICTION THAT MAY BE APPROPRIATE IN THE OPINION OF LESSEE, SUCH PARTICIPANT, GUARANTOR, OWNER TRUSTEE OR MORTGAGEE, AS THE CASE MAY BE.

(h) EACH PARTY HERETO REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS SECTION 19.8 WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY ACCEPTS AND AGREES TO THIS SECTION 19.8 FOLLOWING CONSULTATION WITH SUCH LEGAL COUNSEL. THIS SECTION 19.8 IS IRREVOCABLE AND UNCONDITIONAL AND SHALL APPLY TO ANY AMENDMENTS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

#### 19.9 Third-Party Beneficiary

This Agreement is not intended to, and shall not, provide any person not a party hereto with any rights of any nature whatsoever against any of the parties hereto and no person not a party hereto shall have any right, power or privilege in respect of any party hereto, or have any benefit or interest, arising out of this Agreement.

#### 19.10 Entire Agreement

This Agreement, together with the other Operative

Agreements, on and as of the date hereof, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and all prior or contemporaneous understandings or agreements, whether written or oral, among any of the parties hereto with respect to such subject matter are hereby superseded in their entireties.

#### 19.11 Further Assurances

Each party hereto shall execute, acknowledge and deliver or shall cause to be executed, acknowledged and delivered, all such further agreements, instruments, certificates or documents, and shall do and cause to be done such further acts and things, in any case, as any other party hereto shall reasonably request in connection with the administration of, or to carry out more effectually the purposes of, or to better assure and confirm into such other party the rights and benefits to be provided under this Agreement and the other Operative Agreements.

### SECTION 20. ERISA

#### 20.1 Generally

Without prejudice to the representations, warranties or covenants regarding the Law related to any Plan, including Sections 7.1.3, 7.1.13(b)(iii), 7.2.3, 7.2.9, 7.3.3, 7.4.3 and 7.6.3, each of Lessee, Owner Participant, each Certificate Holder, First Security, Owner Trustee, WTC and Mortgagee agrees that it will, immediately upon obtaining Actual Knowledge (with respect to Lessee, Owner Participant, First Security, Owner Trustee, WTC and Mortgagee) or actual knowledge of a Vice President or more senior officer, or any other officer having responsibility for the Transactions (with respect to any Certificate Holder (or any beneficial owner of a Loan Certificate)) that, with respect to a Certificate Holder, its source of funding with respect to the Loan Certificates it then holds or, with respect to Lessee, Owner Participant, First Security, Owner Trustee, WTC or Mortgagee, its continued participation in the Transaction has resulted in a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Code, promptly notify in writing all other parties hereto. In addition, if any such party obtains any such Knowledge or knowledge with respect to another party, such party shall promptly notify in writing all such other parties hereto.

#### 20.2 Owner Participant

If, at any time, Owner Participant becomes a "party in interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(e)(2) of the Code) with respect to Plan assets so as to cause such a prohibited transaction, and Owner Participant has decided to Transfer, under Section 12.1.1(a), in order to correct such prohibited transaction, then for purposes of such Transfer only (and not any subsequent Transfer unless the provisions of this Section 20.2 are applicable) a "Permitted Institution" shall only be required to have a combined capital and surplus or combined net worth of \$15 million).

#### 20.3 Certificate Holders

Upon any Certificate Holder giving any notice in accordance with the first sentence of Section 20.1, such Certificate Holder shall comply with Section 8.5.3(c).

#### 20.4 [Intentionally Omitted]

#### 20.5 Owner Trustee

Upon First Security giving any notice in accordance with the first sentence of Section 20.1, Owner Trustee shall, subject to Section 9.1.1 of the Trust Agreement, resign as Owner Trustee. Upon its receipt of such notice, Owner Participant shall as soon as is reasonably practicable appoint a successor Owner Trustee pursuant to Section 9.1 of the Trust Agreement.

#### 20.6 Mortgagee

Upon WTC giving any notice in accordance with the first sentence of Section 20.1, Mortgagee shall, subject to Section 8.02 of the Trust Indenture, resign as Mortgagee.

#### 20.7 Representations

The parties hereto acknowledge and agree that in the event John Hancock Mutual Life Ins. Co. v. Harris Trust & Savings Bank, 114 S. Ct. 517 (1993), or any subsequent decision, ruling, law or regulation is interpreted to invalidate the position stated by the Department of Labor in paragraph (b) of Interpretive Bulletin 29 C.F.R. Section 2509.75-2, the parties making the representations contained in Section 7.1.3, 7.1.13(b)(iii), 7.2.3, 7.4.3 or 7.5.3 shall not be considered to have breached such representation as a result of such interpretation.

#### 20.8 Certain Agreements

Owner Participant shall not be entitled to give the notice

described in Section 8.5.3(c)(ii) unless, as a result of the occurrence of a prohibited transaction as described in Section 8.5.3(c), Owner Participant would be exposed to any material risk of liability, cost or other Expense (after taking into account the indemnity of Lessee under Section 10.1.1(f) and the creditworthiness of Lessee at such time). If the procedures specified in Section 8.5.3(c)(ii) are invoked, Owner Participant shall, upon request of Lessee, use reasonable efforts to confirm to Lessee whether or not it believes a transfer to a proposed transferee would correct such prohibited transaction and whether or not such transfer, immediately upon its consummation, would result in another such prohibited transaction. A copy of any notice given by either Lessee or Owner Participant under Section 8.5.3(c)(ii) shall, within one Business Day, be delivered by such party to the other.

Notwithstanding anything in Section 8.5.3(c) to the contrary, if there is a change of law that, in the reasonable judgment of Lessee, Owner Participant and an affected Certificate Holder, establishes a clear standard under which a prohibited transaction in connection with, arising out of, or resulting from the use of the assets of an insurance company's general account would be exempt from excise tax under Section 4975 of the Code, the restrictions imposed by Sections 406 and 407 of ERISA and any penalty under Section 502(i) of ERISA (an "ERISA change of law"), then Lessee, Owner Participant and the Certificate Holders shall negotiate in good faith in order to agree upon a revised representation to cover the use of insurance company general account assets that is reasonably satisfactory to Lessee, Owner Participant and a Majority in Interest of Certificate Holders. Except as otherwise agreed between Lessee, Owner Participant and the Certificate Holders, upon and after delivery of the revised representation covering the use of insurance company general account assets, a Certificate Holder or proposed Certificate Holder shall no longer be permitted to make a representation pursuant to Section 7.4.3(a), but such Certificate Holder or proposed Certificate Holder may in lieu thereof make the revised representation covering the insurance company general account assets used or to be used by it to acquire or hold any Loan Certificate, or any interest in, or represented by, any Loan Certificate. After a Certificate Holder or proposed Certificate Holder makes the revised representation, Section 8.5.3(c) shall no longer be applicable to such Certificate Holder or proposed Certificate Holder; provided, that this sentence shall apply only if each of Lessee and Owner Participant reasonably determines that (i) the ERISA change of law is applicable to Certificate Holder or proposed Certificate Holder making the revised representation and (ii) the elimination of the applicability of Section 8.5.3(c) shall not increase such party's risk of incurring additional costs or penalties on account of, resulting from, or with respect to a prohibited transaction relating to Certificate Holder's or proposed Certificate Holder's source of funding for the acquisition or holding of any Loan Certificate, or any interest in, or represented by, any Loan Certificate.

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IN WITNESS WHEREOF, each of the parties hereto confirms that it has had an opportunity to review, become familiar with and negotiate this Participation Agreement, including, without limitation, Section 19.8, and has caused this Participation Agreement to be duly executed and delivered as of the day and year first above written.

CONTINENTAL AIRLINES, INC.,  
Lessee

By /s/ Michael B. Cox

-----  
Name: Michael B. Cox  
Title: Vice President  
and Treasurer

GAUCHO-2 INC.,  
Owner Participant

By /s/ David A. Edgerton

-----  
Name: David A. Edgerton  
Title: Attorney-in-fact

THE BOEING COMPANY,  
Loan Participant

By /s/ David A. Edgerton

-----  
Name: David A. Edgerton  
Title: Attorney-in-fact

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
not in its individual  
capacity, except as expressly  
provided herein, but solely as  
Owner Trustee,  
Owner Trustee

By /s/ Nancy M. Dahl  
-----  
Name: Nancy M. Dahl  
Title: Assistant Vice  
President

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity,except as expressly  
provided herein, but solely as  
Mortgagee,  
Mortgagee

By /s/ David A. Vanaskey, Jr.  
-----  
Name: David A. Vanaskey, Jr.  
Title: Senior Financial  
Services Officer

ANNEX A - DEFINITIONS  
PARTICIPATION AGREEMENT 104

ANNEX A

DEFINITIONS

GENERAL PROVISIONS

(a) In each Operative Agreement, unless otherwise expressly provided, a reference to:

(i) each of "Lessee," "Lessor," "Owner Trustee," "Owner Participant," "Loan Participant," "Mortgagee," "Certificate Holder" or any other person includes, without prejudice to the provisions of any Operative Agreement, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;

(ii) words importing the plural include the singular and words importing the singular include the plural;

(iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Agreement, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Agreements, and any agreement, instrument or document entered into in substitution or replacement therefor;

(iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Delivery Date, and thereafter from time to time;

(v) the words "Agreement," "this Agreement," "hereby," "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Operative Agreement refer to such Operative Agreement as a whole and not to any particular provision of such Operative Agreement;

(vi) the words "including," "including, without limitation," "including, but not limited to," and terms or phrases of similar import when used in any Operative Agreement, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section," an "Exhibit," an "Annex" or a "Schedule" in any Operative Agreement, or in any annex thereto, is a reference to a section of, or an exhibit, an annex or a schedule to, such Operative Agreement or such annex, respectively.

(b) Each exhibit, annex and schedule to each Operative Agreement is incorporated in, and shall be deemed to be a part of, such Operative Agreement.

(c) Unless otherwise defined or specified in any Operative Agreement, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Agreement are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Agreement.

DEFINED TERMS

"Act" means the Federal Aviation Act of 1958.

"Actual Knowledge" means (a) as it applies to Owner Trustee or Mortgagee, as the case may be, actual knowledge of a responsible officer in the Corporate Trust Department or the Corporate Trust Office, respectively, and (b) as it applies to Lessee or Owner Participant, actual knowledge of a Vice President or more senior officer of Owner Participant or Lessee, respectively, or any other officer of Owner Participant or Lessee, respectively, in each case having responsibility for the transactions contemplated by the Operative Agreements; provided, that each of Lessee, Owner Participant, Owner Trustee and Mortgagee shall be deemed to have "Actual Knowledge" of any matter as to which it has received notice from Lessee, Owner Participant, any Certificate Holder, Owner Trustee or Mortgagee, such notice having been given pursuant to Section 19.7 of the Participation Agreement.

"Additional Insured" is defined by reference to Section 11 of the Lease.

"Adverse Change in Tax Law" means (a) for Lessee, a Change

in Tax Law that Lessee regards as one that could adversely affect the economic consequences of the transactions contemplated by the Participation Agreement and the other Operative Agreements anticipated by Lessee or (b) for Owner Participant, any Change in Tax Law that would adversely affect any of the following tax assumptions:

(i) For federal income tax purposes, the Lease will be a "true" lease for purposes of the Code and Owner Participant will be treated as the owner of the Aircraft and Lessee will be treated as the lessee thereof;

(ii) For federal income tax purposes, Owner Participant will be entitled to depreciation or cost recovery deductions with respect to Lessor's Cost of the Aircraft; and

(iii) For federal income tax purposes, Owner Participant will be entitled to deductions for interest payments on the Loan Certificates.

"Affiliate" means, with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such person. For purposes of this definition, "control" means the power, directly or indirectly, to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise and "controlling," "controlled by" and "under common control with" have correlative meanings.

"Aircraft" means, collectively, the Airframe and Engines.

"Aircraft Bill of Sale" means the full warranty bill of sale covering the Aircraft delivered by Airframe Manufacturer to Owner Trustee on the Delivery Date.

"Aircraft Documents" means all technical data, manuals and log books, and all inspection, modification and overhaul records and other service, repair, maintenance and technical records that are required by the FAA (or the relevant Aviation Authority), the Lease or the Maintenance Program to be maintained with respect to the Aircraft, Airframe, Engines or Parts, or that are of a type required to be delivered by Lessee upon return of the Aircraft, Airframe or Engines under Section 5 of the Lease; and such term shall include all additions, renewals, revisions and replacements of any such materials from time to time made, or required to be made, in accordance with the Lease, the Maintenance Program or such FAA (or other Aviation Authority) regulations, and in each case in whatever form and by whatever means or medium (including, without limitation, microfiche, microfilm, paper or computer disk) such materials may be maintained or retained by or on behalf of Lessee (provided, that all such materials shall be maintained in the English language); and such term shall include, without limitation, the documents described in Section N of Annex B to the Lease.

"Airframe" means (a) the aircraft (excluding Engines or engines from time to time installed thereon) manufactured by Airframe Manufacturer and identified by Airframe Manufacturer's model number, United States registration number and Airframe Manufacturer's serial number set forth in Lease Supplement No. 1 and any Replacement Airframe and (b) any and all Parts incorporated or installed in or attached or appurtenant to such airframe, and any and all Parts removed from such airframe, unless title to such Parts shall not be vested in Lessor in accordance with Section 8.1 and Annex C of the Lease. Upon substitution of a Replacement Airframe under and in accordance with the Lease, such Replacement Airframe shall become subject to the Lease and shall be the "Airframe" for all purposes of the Lease and the other Operative Agreements and thereupon the Airframe for which the substitution is made shall no longer be subject to the Lease, and such replaced Airframe shall cease to be the "Airframe."

"Airframe Manufacturer" means The Boeing Company, a Delaware corporation, solely in its capacity as manufacturer or seller of the Aircraft, Airframe, Engines or Parts (other than BFE and other than any Parts incorporated or installed in or attached or appurtenant to the Aircraft, Airframe or any Engine after delivery of the Aircraft, Airframe and Engines to Tramco, Inc. prior to the Delivery Date) under the Purchase Agreement or any other contract or other services provided for thereunder or related thereto.

"Amortization Amount" means, with respect to any Loan Certificate, as of any Payment Date, the amount determined by multiplying the percentage set forth opposite such Date on the Amortization Schedule by the Original Amount of such Loan Certificate.

"Amortization Schedule" means, with respect to each Loan Certificate, the amortization schedule for the Loan Certificates delivered pursuant to Section 2.02 of the Trust Indenture or, if a revised amortization schedule shall be established pursuant to Section 9 of the Participation Agreement, the amortization schedule so established.

"Appraiser" means a firm of internationally recognized,

independent aircraft appraisers.

"APU" means the auxiliary power unit installed on the Aircraft on the Delivery Date, whether or not installed on the Aircraft from time to time thereafter, unless title to such APU shall not be vested in Lessor in accordance with Section 8.1 of the Lease, and any replacement or substituted auxiliary power unit installed on the Aircraft in accordance with the Lease.

"Aviation Authority" means the FAA or, if the Aircraft is permitted to be, and is, registered with any other Government Entity under and in accordance with Section 7.1.2 of the Lease, such other Government Entity.

"Bankruptcy Code" means the United States Bankruptcy Code, 11 U.S.C. Section 102 et seq.

"Base Lease Term" means the period beginning on and including the Commencement Date and ending on the Scheduled Expiration Date, or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"Basic Rent" means the rent payable for the Aircraft pursuant to Section 3.2.1(a) of the Lease.

"Beneficial Owner" when used in relation to a Loan Certificate means a Person that, by reason of direct ownership, contract, share ownership or otherwise, has the right to receive or participate in receiving, directly or indirectly, payments of principal, interest or Make Whole Amount in respect of such Loan Certificate; provided, that a Person shall not be deemed to be a Beneficial Owner of a Loan Certificate solely because another Person in which such a Person owns common stock or other equity securities is a registered holder or Beneficial Owner of such Loan Certificate unless such Person is an Affiliate of such other Person.

"Bills of Sale" means the FAA Bill of Sale, the Aircraft Bill of Sale and the BFE Bill of Sale.

"BFE" means all appliances, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature sold by Lessee to Owner Trustee pursuant to the BFE Bill of Sale.

"BFE Amount" means the amount paid by Owner Trustee to Lessee to purchase the BFE, and is designated by Dollar amount in Schedule 4 to the Participation Agreement.

"BFE Bill of Sale" means the full warranty bill of sale executed by Lessee in favor of Owner Trustee, dated the Delivery Date, identifying and covering the BFE.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in New York, New York, Houston, Texas or Salt Lake City, Utah.

"Cash Equivalents" means the following securities (which shall mature within 90 days of the date of purchase thereof): (a) direct obligations of the U.S. Government; (b) obligations fully guaranteed by the U.S. Government; (c) certificates of deposit issued by, or bankers' acceptances of, or time deposits or a deposit account with, Owner Trustee, Mortgagee or any bank, trust company or national banking association incorporated or doing business under the laws of the United States or any state thereof having a combined capital and surplus and retained earnings of at least \$500,000,000 and having a rate of "C" or better from the Thomson BankWatch Service; or (d) commercial paper of any issuer doing business under the laws of the United States or one of the states thereof and in each case having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. equal to A1 or higher.

"Certificate Holder" means at any time each holder of one or more Loan Certificates.

"Change in Tax Law" means any amendment, modification, addition or change in or to the provisions of the Code, any other federal tax statutes, the Treasury Regulations promulgated thereunder, the Internal Revenue Service Revenue Rulings, Revenue Procedures or other administrative or judicial interpretations of the Code or the federal tax statutes that affects the tax assumptions set forth in the Tax Indemnity Agreement or otherwise affects Owner Participant's anticipated Net Economic Return (other than a change in the alternative minimum tax or other change that results in Owner Participant being subject to alternative minimum tax or unable to fully utilize tax benefits because of its particular tax situation).

"Citizen of the United States" is defined in Section 102(16) of the Act and in the FAA Regulations.

"Closing" means the closing of the transactions contemplated by the Participation Agreement on the Delivery Date.

"Code" means the Internal Revenue Code of 1986, as amended;

provided, that when used in relation to a Plan, "Code" shall mean the Internal Revenue Code of 1986 and any regulations and rulings issued thereunder, all as amended and in effect from time to time.

"Commencement Date" is defined in Schedule 1 to the Lease.

"Commitment" means, for any Participant, the amount of its participation in the payment of Lessor's Cost.

"Commitment Termination Date" is defined in Schedule 4 to the Participation Agreement.

"Consent and Agreement" means the Manufacturer Consent and Agreement 104, dated as of even date with the Participation Agreement, of Airframe Manufacturer.

"Corporate Trust Department" or "Trust Office" means the principal corporate trust office of Owner Trustee located from time to time at Owner Trustee's address for notices under the Participation Agreement or such other office at which Owner Trustee's corporate trust business shall be administered which Owner Trustee shall have specified by notice in writing to Lessee, Mortgagee and each Certificate Holder.

"Corporate Trust Office" means the principal office of Mortgagee located at Mortgagee's address for notices under the Participation Agreement or such other office at which Mortgagee's corporate trust business shall be administered which Mortgagee shall have specified by notice in writing to Lessee, Owner Trustee and each Certificate Holder.

"CRAF" means the Civil Reserve Air Fleet Program established pursuant to 10 U.S.C. Section 9511-13 or any similar substitute program.

"Damage Payment Threshold" is defined in Schedule 1 to the Lease.

"Debt" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction or any other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"Debt Rate" (a) for the initial Funding Period, is defined in Schedule 4 to the Participation Agreement and (b) for the subsequent Funding Period shall be as determined pursuant to Schedule 5 to the Participation Agreement.

"Default" means any event or condition that with the giving of notice or the lapse of time or both would become an Event of Default.

"Definitive Purchase Notice" is defined in Section 17.1 of the Lease.

"Delayed Delivery Date" means a delayed Delivery Date notified to each Participant, Owner Trustee and Mortgagee by Lessee pursuant to Section 5.3.1 of the Participation Agreement, which delayed Delivery Date shall be a Business Day not later than the Commitment Termination Date.

"Delivery Date" means the Business Day specified in Lease Supplement No. 1 as the date on which, among other things, the Aircraft is delivered to and accepted by Lessee under the Lease and the Closing occurs.

"Dollars," "United States Dollars" or "\$" means the lawful currency of the United States.

"DOT" means the Department of Transportation of the United States or any Government Entity succeeding to the functions of such Department of Transportation.

"Engine" means (a) each of the engines manufactured by Engine Manufacturer and identified by Engine Manufacturer's model number and Engine Manufacturer's serial number set forth in Lease Supplement No. 1 and originally installed on the Airframe on delivery thereof pursuant to the Lease, and any Replacement Engine, in any case whether or not from time to time installed on such Airframe or installed on any other airframe or aircraft, and (b) any and all Parts incorporated or installed in or attached or appurtenant to such engine, and any and all Parts removed from such engine, unless title to such Parts shall not be vested in Lessor in accordance with Section 8.1 and Annex C of the Lease. Upon substitution of a Replacement Engine under and in accordance with the Lease, such Replacement Engine shall become subject to the Lease and shall be an "Engine" for all purposes of the Lease and the other Operative Agreements and thereupon the Engine for which the substitution is made shall no longer be subject to the Lease, and such replaced Engine shall cease to be an "Engine."

"Engine Consent and Agreement" means the Engine Manufacturer Consent and Agreement 104 dated as of even date with the Participation Agreement, of Engine Manufacturer.

"Engine Manufacturer" means Rolls-Royce plc, a corporation

organized under the laws of England.

"ERISA" means the Employee Retirement Income Security Act of 1974 and any regulations and rulings issued thereunder all as amended and in effect from time to time.

"Event of Default" is defined in Section 4.02 of the Trust Indenture.

"Event of Loss" means, with respect to the Aircraft, Airframe or any Engine, any of the following circumstances, conditions or events with respect to such property, for any reason whatsoever:

- (a) the destruction of such property, damage to such property beyond practical or economic repair or rendition of such property permanently unfit for normal use;
- (b) the actual or constructive total loss of such property or any damage to such property, or requisition of title or use of such property, which results in an insurance settlement with respect to such property on the basis of a total loss or constructive or compromised total loss;
- (c) any loss of such property or loss of use of such property for a period of 90 days or more as a consequence of any theft, hijacking or disappearance of such property;
- (d) any seizure, condemnation, confiscation, taking or requisition of title to such property by any Government Entity or purported non-U.S. Government Entity;
- (e) any seizure, condemnation, confiscation, taking or requisition of use of such property, that continues until the earliest of (i) the last day of the Term, (ii) the date upon which the Aircraft is modified, altered or adapted in such a manner as would render conversion of such property for use in normal commercial passenger service impractical or uneconomical, (iii) the date on which such property is operated or located in any area excluded from coverage by any insurance policy required to be maintained in respect of such property pursuant to the Lease (unless an indemnity in lieu of insurance is provided to Lessor and Mortgagee in accordance with Section 11.4 of the Lease) or (iv) the date that is 90 days following the commencement of such loss of use (unless such loss of use results from action by the U.S. Government, in which case this clause (iv) shall not apply to such loss of use); and
- (f) as a result of any law, rule, regulation, order or other action by the Aviation Authority or by any Government Entity of the government of registry of the Aircraft or by any Government Entity otherwise having jurisdiction over the operation or use of the Aircraft, the use of such property in the normal course of Lessee's business of passenger air transportation is prohibited for a period expiring on the earlier to occur of (i) the last day of the Term or (ii) the date that is 180 days following commencement of such prohibition, provided, that if Lessee, prior to the expiration of such 180-day period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by Lessee, then the date that is 360 days following commencement of such prohibition.

The date of such Event of Loss shall be the date of such loss, damage, insurance settlement, seizure, condemnation, confiscation, taking or requisition of title or use or prohibition, except that for purposes of clauses (c), (e) and (f) above, no Event of Loss shall be deemed to have occurred until the date of expiration of the applicable period referred to therein.

"Excluded Payments" means (i) indemnity payments paid or payable by Lessee to or in respect of Owner Participant, or Owner Trustee in its individual capacity, their respective Affiliates, successors and permitted assigns and their directors, officers, employees, servants and agents pursuant to Section 10 of the Participation Agreement or any corresponding payments under the Trust Indenture, (ii) proceeds of public liability insurance paid or payable as a result of insurance claims made, or losses suffered, by Owner Trustee in its individual capacity or by Owner Participant, that are payable directly to Owner Trustee in its individual capacity, or Owner Participant, respectively, for their own account, (iii) proceeds of insurance maintained with respect to the Aircraft by Owner Participant or any Affiliate thereof for its or their own account or benefit (whether directly or through Owner Trustee) and permitted under Section 11.3 of the Lease, (iv) all payments required to be made under the Tax Indemnity Agreement by Lessee whether or not denominated as Supplemental Rent, (v) any interest that pursuant to the

Operative Agreements may from time to time accrue in respect of any of the amounts described in clauses (i) through (iv) above, (vi) any right to enforce the payment of any amount described in clauses (i) through (v) above (provided, that the rights referred to in this clause (vi) shall not be deemed to include the exercise of any remedies provided for in the Lease other than the right to sue for specific performance of any covenant to make such payment or to sue for damages in respect of the breach of any such covenant) and (vii) any right to exercise any election or option or make any decision or determination, or to give or receive any notice, consent, waiver or approval, or to take any other action in respect of, but in each case, only to the extent relating to, any Excluded Payments.

"Expenses" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims (including, without limitation, claims or liabilities based or asserted upon (a) negligence, (b) strict or absolute liability, (c) liability in tort, (d) infringement of patent, trademark or other property or other right and (e) liabilities arising out of violation of any Law), actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation), including, without limitation, all such costs, expenses and disbursements incurred by any person in asserting or establishing, or in defending any claims arising out of its assertion of, any rights it may have under, or its cooperation in connection with any Expenses indemnified pursuant to, Section 10 of the Participation Agreement.

"FAA" means the Federal Aviation Administration of the United States or any Government Entity succeeding to the functions of such Federal Aviation Administration.

"FAA Bill of Sale" means a bill of sale for the Aircraft on AC Form 8050-2 (or such other form as may be approved by the FAA) delivered to Owner Trustee on the Delivery Date by Airframe Manufacturer.

"FAA Filed Documents" means the Lease, Lease Supplement No. 1, the Trust Indenture, the Trust Agreement, the Trust Indenture Supplement, the FAA Bill of Sale and an application for registration of the Aircraft with the FAA in the name of Owner Trustee.

"FAA Regulations" means the Federal Aviation Regulations issued or promulgated pursuant to the Act from time to time.

"Fair Market Rental Value" means the fair market rental value in Dollars for the Aircraft that would apply in an arm's-length transaction between an informed and willing lessee under no compulsion to lease, and an informed and willing lessor under no compulsion to lease, the Aircraft, for the First Renewal Lease Term or the Second Renewal Lease Term, as the case may be, assuming that (a) the Aircraft has been maintained in accordance with, and is in the condition required by, the Lease, (b) payments of rent would be made quarterly, and (c) the Aircraft would be leased during any such Renewal Term on the same terms and conditions as are set forth in the Lease with respect to the Base Lease Term.

"Fair Market Sales Value" means the fair market sales value in Dollars for the Aircraft that would apply in an arm's-length transaction between an informed and willing buyer under no compulsion to buy, and an informed and willing seller under no compulsion to sell, the Aircraft, in a transaction that would close on or about the relevant time of determination, assuming that (a) the Aircraft has been maintained in accordance with, and is in the condition required by, the Lease and (b) the Aircraft would be delivered to such informed and willing buyer in the return condition required by the Lease.

"Financing Statements" means, collectively, UCC-1 (and, where appropriate, UCC-3) financing statements (a) covering the Trust Indenture Estate, by Owner Trustee, as debtor, showing Mortgagee as secured party, for filing in Utah and each other jurisdiction that, in the opinion of Mortgagee, is necessary to perfect its Lien on the Indenture Estate, (b) covering the Lease and the Aircraft, as a precautionary matter, by Lessee, as lessee, showing Owner Trustee as lessor and Mortgagee as assignee of Owner Trustee, for filing in Texas and each other jurisdiction that, in the opinion of Owner Trustee and Mortgagee, is reasonably desirable and (c) for purposes of Section 6.1.2 of the Participation Agreement only, terminating the lien of the (i) Purchase Contract Security Agreement dated December 7, 1993, between Lessee and Engine Manufacturer and (ii) 757 Purchase Agreement Assignment dated February 7, 1994 between Lessee and Airframe Manufacturer.

"First Renewal Lease Term" means, if Lessee exercises its option to renew the Lease at the end of the Base Lease Term pursuant to and in accordance with Section 17.2 of the Lease, the period commencing on the first day following the Scheduled Expiration Date, and ending on the First Renewal Term Expiration Date or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"First Renewal Term Expiration Date" means the first anniversary of the Scheduled Expiration Date.

"First Security" means First Security Bank of Utah, National Association, a national banking association, not in its capacity as Owner Trustee under the Trust Agreement, but in its individual capacity.

"Funding Period" means each of the two successive periods, the first commencing upon the Delivery Date and ending on (but excluding) the Payment Date next preceding the tenth anniversary of the Delivery Date and the second commencing on such Payment Date and ending on (but excluding) the final maturity date of the Loan Certificates.

"GAAP" means generally accepted accounting principles as set forth in the statements of financial accounting standards issued by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, as such principles may at any time or from time to time be varied by any applicable financial accounting rules or regulations issued by the SEC and, with respect to any person, shall mean such principles applied on a basis consistent with prior periods except as may be disclosed in such person's financial statements.

"Government Entity" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Agreements or relating to the observance or performance of the obligations of any of the parties to the Operative Agreements.

"GTA" means the Purchase Contract reference RR/CAL/DEG 2124 dated December 7, 1993, by and between Engine Manufacturer and Lessee (including all exhibits thereto, together with all letter agreements that by their terms constitute part of such Purchase Contract), to the extent assigned pursuant to the Purchase Agreement Assignment.

"Inclusion Event" is defined in the Tax Indemnity Agreement.

"Indemnitee" means (a) First Security and Owner Trustee, (b) WTC and Mortgagee, (c) each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (d) each Participant, (e) Owner Participant Parent (but only in its capacity as issuer of the Owner Participant Guaranty), (f) the Trust Estate and the Trust Indenture Estate, (g) each Affiliate of the persons described in clauses (a) through (e), inclusive, (h) the respective directors, officers, employees, agents and servants of each of the persons described in clauses (a) through (g), inclusive and (i) the successors and permitted assigns of the persons described in clauses (a) through (h), inclusive. If any Indemnitee is Airframe Manufacturer or Engine Manufacturer or any subcontractor or supplier of either thereof, such Person shall be an Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

"Indenture Default" means any condition, circumstance, act or event that, with the giving of notice, the lapse of time or both, would constitute an Indenture Event of Default.

"Indenture Agreements" means the Participation Agreement, the Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement, the Bills of Sale and any other contract, agreement or instrument from time to time assigned or pledged under the Trust Indenture.

"Indenture Event of Default" means any one or more of the conditions, circumstances, acts or events set forth in Section 4.02 of the Trust Indenture.

"Independent Tax Counsel" means independent tax counsel of recognized reputation selected by Owner Participant and reasonably acceptable to Lessee.

"Interim Lease Term" means the period commencing on and including the Delivery Date, and ending on and including the day immediately preceding the Commencement Date or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"Interim Term Value Date" is defined in Schedule 1 to the Lease.

"IRS" means the Internal Revenue Service of the United States or any Government Entity succeeding to the functions of such Internal Revenue Service.

"Law" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"Lease" or "Lease Agreement" means the Lease Agreement 104, dated as of even date with the Participation Agreement, between Owner Trustee and Lessee.

"Lease Default" means any condition, circumstance, act or event that, with the giving of notice, the lapse of time or both, would constitute a Lease Event of Default.

"Lease Event of Default" means any one or more of the conditions, circumstances, acts or events set forth in Section 14 of the Lease.

"Lease Supplement" means a supplement to the Lease, in the form of Exhibit A to the Lease.

"Lease Supplement No. 1" means the initial Lease Supplement, dated the Delivery Date.

"Lessee" means Continental Airlines, Inc., a Delaware corporation.

"Lessee Operative Agreements" means the Participation Agreement, the Lease, Lease Supplement No. 1, the Tax Indemnity Agreement, the BFE Bill of Sale, the Purchase Agreement Assignment and each other agreement between Lessee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Lessee Person" means Lessee, any sublessee, assignee, successor or other user or person in possession of the Aircraft, Airframe or an Engine with or without color of right, or any Affiliate of any of the foregoing (other than any Indemnitee or any related Indemnitee with respect thereto, or any person using or claiming any rights with respect to the Aircraft, Airframe or an Engine directly by or through any of the persons in this parenthetical).

"Lessor" means Owner Trustee in its capacity as lessor under the Lease.

"Lessor Lien" means, with respect to any person and in respect of any property (including, without limitation, the Aircraft, Airframe, Engines, Parts or Aircraft Documents), any Lien on such property which (a) arises from claims against such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) not related to or arising out of, directly or indirectly (i) its ownership of, Lien on or other interest in the Aircraft, Airframe, Engines, Parts or Aircraft Documents or all or any other part of the Trust Estate or Indenture Estate or (ii) any of the transactions contemplated by the Operative Agreements, (b) results from actions taken by such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) (i) in violation of such person's obligations under any of the terms of the Operative Agreements, (ii) not participated in or consented to by Lessee and (iii) not taken in connection with or by reason of the occurrence of a Lease Default or a Lease Event of Default, or (c) is imposed as a result of Taxes against such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) or any of its Affiliates not required to be indemnified by Lessee under the Participation Agreement, the Tax Indemnity Agreement or any other Operative Agreement; provided, that, for purposes of Sections 8.2.1 and 8.3.1 of the Participation Agreement, any Lien that is attributable solely to Owner Participant, First Security or Lessor and would otherwise constitute a Lessor Lien thereunder shall not constitute a Lessor Lien thereunder, so long as (A) the existence of such Lien poses no material risk of the sale, forfeiture or loss of the Aircraft, Airframe or any Engine or any interest therein, (B) the existence of such Lien does not interfere in any way with the use or operation of the Aircraft by Lessee (or any Permitted Sublessee), (C) the existence of such Lien does not affect the priority or perfection of, or otherwise jeopardize, the Lien of the Trust Indenture, (D) First Security, Lessor or Owner Participant, as the case may be, is diligently contesting such Lien by appropriate proceedings, (E) the existence of such Lien does not result in actual interruption in the receipt and distribution by Mortgagee in accordance with the Trust Indenture of Rent assigned to Mortgagee for the benefit of the Certificate Holders, and (F) any property subject to such Lien is not then required to be conveyed to any other Person pursuant to Section 4.6 of the Lease.

"Lessor's Cost" means the aggregate of the amounts paid by Owner Trustee to Airframe Manufacturer, and, with respect to BFE, Lessee, to purchase the Aircraft pursuant to the Purchase Agreement and the Purchase Agreement Assignment, and is designated by Dollar amount in Schedule 4 to the Participation Agreement.

"Liability Deductible" is defined in Schedule 1 to the Lease.

"Lien" means any mortgage, pledge, lien, charge, claim, encumbrance, lease or security interest affecting the title to or any interest in property.

"Loan Certificate Register" is defined in Section 2.07 of the Trust Indenture.

"Loan Certificates" means and includes any Loan Certificates outstanding under the Trust Indenture.

"Loan Participant" means, on or prior to the Delivery Date, the Person executing the Participation Agreement as Loan Participant and thereafter, each Certificate Holder.

"Loan Participant Agreements" means the Participation Agreement and each other agreement or document delivered by Loan Participant under the Participation Agreement or any other Operative Agreement.

"Loan Participant's Percentage," with respect to the Loan Participant, means the Percentage of Lessor's Cost allocated to such Loan Participant in Schedule 3 to the Participation Agreement.

"MACRS Deductions" is defined in the Tax Indemnity Agreement.

"Maintenance Program" is defined in Annex C to the Lease.

"Majority in Interest of Certificate Holders" means as of a particular date of determination, the holders of a majority in aggregate unpaid Original Amount of all Loan Certificates outstanding as of such date (excluding any Loan Certificates held by Owner Trustee, Lessee, Mortgagee or Owner Participant or any Affiliate of any such party or any interests of Owner Trustee or Owner Participant therein by reason of subrogation pursuant to Section 4.03 of the Trust Indenture (unless all Loan Certificates then outstanding shall be held by Owner Trustee, Owner Participant or any Affiliate of any thereof)).

"Make-Whole Amount" means, with respect to a prepayment or purchase of a Loan Certificate, an amount equal to the greater of (i) zero and (ii) (x) the present value, discounted on a quarterly compounded basis utilizing an interest factor equal to the Reinvestment Yield, of the principal payments provided for in the Amortization Schedule for such Loan Certificate (including the payment at final maturity) and the scheduled interest payments from the respective dates on which, but for such prepayment or purchase, such principal payments and interest payments would have been payable on such Loan Certificate, minus (y) the principal amount of such Loan Certificate so to be prepaid or purchase or purchase plus accrued but unpaid interest thereon. For purposes of this definition, "Reinvestment Yield" shall mean the sum of the Yield Adjustment plus the arithmetic mean of the two most recent weekly average yields to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities equal to the remaining Weighted Average Life to Maturity of such Loan Certificate as of the date of the proposed prepayment), as published by the Federal Reserve Board in its Statistical Release H.15(519) or any successor publication for the two calendar weeks ending on the Saturday next preceding such date or, if such average is not published for such period, of such reasonably comparable index as may be designated in good faith by the holder or holders of at least 66-2/3% of the unpaid Original Amount of the Loan Certificates for such period. If no possible maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding each of such relevant periods to the nearest month.

"Material Adverse Change" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Agreements.

"Minimum Liability Insurance Amount" is defined in Schedule 1 to the Lease.

"Minimum Residual Percentage" is defined in Schedule 1 to the Lease.

"Minimum Value Percentage" is defined in Schedule 1 to the Lease.

"Mortgaged Property" is defined in Section 3.03 of the Trust Indenture.

"Mortgagee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as mortgagee under the Trust Indenture.

"Mortgagee Agreements" means, collectively, the Participation Agreement, the Trust Indenture and each other agreement between Mortgagee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Mortgagee Event" means either (i) the Loan Certificates shall have become due and payable pursuant to Section 4.04(b) of the Trust Indenture or (ii) Mortgagee has taken action or notified Owner Trustee that it intends to take action to foreclose the Lien of the Trust Indenture or otherwise commence the exercise of any significant remedy under the Trust Indenture or the Lease.

"Net Economic Return" means Owner Participant's net after-tax yield and aggregate after-tax cash flow computed on the basis of the same methodology and assumptions as were utilized by the initial Owner Participant in determining Basic Rent, Stipulated Loss Value percentages and Termination Value percentages as of the Delivery Date, as such assumptions may be adjusted for events that have been the basis for adjustments to Basic Rent pursuant to Section 3.2.1(b) of the Lease or events giving rise to indemnity payments pursuant to Section 5.1 of the Tax Indemnity Agreement; provided, that, if the initial Owner Participant shall have transferred its interest, Net Economic Return shall be calculated as if the initial Owner Participant had retained its interest; provided further, that, notwithstanding the preceding proviso, solely for purposes of Section 13 of the Participation Agreement and calculating any adjustments to Basic Rent, Stipulated Loss Values and Termination Values in connection with a refunding pursuant to such Section 13 at a time when Owner Participant is a transferee (other than an Affiliate of the initial Owner Participant), the after-tax yield (but not the after-tax cash flow) component of Net Economic Return shall be calculated on the basis of the methodology and assumptions utilized by the transferee Owner Participant as of the date on which it acquired its interest.

"Net Present Value of Rents" means the present value, as of the date of determination, discounted at ten percent per annum, compounded quarterly to the date of determination, of all unpaid Basic Rent payments during the then-remaining portion of the Base Lease Term, expressed as a percentage of Lessor's Cost.

"Net Worth" means, for any person, the excess of its total assets over its total liabilities.

"New Debt" means debt securities in an aggregate principal amount specified in the Refunding Information, which amount shall be no greater than the aggregate principal amount of all Loan Certificates outstanding on the Refunding Date.

"Non-U.S. Person" means any Person other than a United States person, as defined in Section 7701(a)(30) of the Code.

"Officer's Certificate" means, in respect of any party to the Participation Agreement, a certificate signed by the Chairman, the President, any Vice President or Assistant Vice President, the Treasurer or the Secretary of such party.

"Operative Agreements" means, collectively, the Participation Agreement, the Trust Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement, the Lease, Lease Supplement No. 1, the Trust Indenture, the initial Trust Indenture Supplement, the Bills of Sale, the Tax Indemnity Agreement, the Owner Participant Guaranty, the Loan Certificates and each other Lessee Operative Agreement.

"Optimization Certificate" is defined in Section 9(a) of the Participation Agreement.

"Original Amount," with respect to a Loan Certificate, means the stated original principal amount of such Loan Certificate and, with respect to all Loan Certificates, means the aggregate stated original principal amounts of all Loan Certificates.

"Owner Participant" means the person executing the Participation Agreement as "Owner Participant" or, if a second person becomes an "Owner Participant" pursuant to Section 12.1.1 of the Participation Agreement, both of such persons.

"Owner Participant Agreements" means, collectively, the Participation Agreement, the Tax Indemnity Agreement, the Trust Agreement and each other agreement between Owner Participant and any other party to the Participation Agreement relating to the Transactions, delivered on the Delivery Date.

"Owner Participant Guaranty" means the Guaranty by Corporate Affiliate of Owner Participant 104 dated the Delivery Date from Owner Participant Parent to the beneficiaries named therein.

"Owner Participant Parent" means the person executing the Owner Participant Guaranty.

"Owner Participant's Percentage" means the percentage of Lessor's Cost allocated to the Owner Participant in Schedule 3 to the Participation Agreement.

"Owner Trustee" means First Security Bank of Utah, National Association, a national banking association, not in its individual capacity, except as expressly provided in any Operative Agreement, but solely as Owner Trustee under the Trust Agreement.

"Owner Trustee Agreements" means, collectively, the Participation Agreement, the Lease, Lease Supplement No. 1, the Trust Agreement, the Trust Indenture, the initial Trust Indenture Supplement, the Loan Certificates, the Purchase Agreement Assignment, and each other agreement between Owner Trustee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Participants" means, collectively, Owner Participant and Loan Participant and "Participant" means Owner Participant or Loan Participant, individually.

"Participation Agreement" means the Participation Agreement 104 dated as of July 15, 1994 among Lessee, Owner Participant, Loan Participant, Owner Trustee and Mortgagee.

"Parts" means all appliances, parts, components, instruments, appurtenances, accessories, furnishings, seats and other equipment of whatever nature (including, without limitation, all BFE, avionics, the APU and Passenger Convenience Equipment, but excluding Engines or engines), that may from time to time be installed or incorporated in or attached or appurtenant to the Airframe or any Engine; provided, that the term "Parts" shall not be deemed to include any Passenger Convenience Equipment if and for so long as such Equipment shall be owned by, or shall be subject to a security interest, license or other interest of, another Person (other than any Affiliate of Lessee) as provided under Section D.3 of Annex C to the Lease.

"Passenger Convenience Equipment" means components or systems installed on or affixed to the Airframe that are used to provide individual telecommunications or electronic entertainment to passengers aboard the Aircraft.

"Payment Date" is defined in Schedule 1 to the Lease.

"Payment Due Rate" is defined in Schedule 1 to the Lease.

"Permitted Air Carrier" means any U.S. Air Carrier or any air carrier listed on Schedule 5 to the Lease.

"Permitted Institution" means (a) any bank, trust company, insurance company, pension trust, finance or leasing corporation, financial institution or other person (other than, without Lessee's consent, a commercial air carrier or Affiliate thereof that is in direct competition with Lessee), in each case with a combined capital and surplus or net worth of at least \$50,000,000, or (b) any Affiliate of any person described in clause (a) in respect of which such person has provided a written guarantee of the obligations assumed by such Affiliate under the Owner Participant Agreements in form and substance reasonably satisfactory to Lessee, Owner Trustee and Mortgagee.

"Permitted Lien" means any Lien described in clauses (a) through (f), inclusive, of Section 6 of the Lease.

"Permitted Sublease" means a sublease permitted under Section 7.2.7 of the Lease.

"Permitted Sublessee" means the sublessee under a Permitted Sublease.

"Persons" or "persons" means individuals, firms, partnerships, joint ventures, trusts, trustees, Government Entities, organizations, associations, corporations, government agencies, committees, departments, authorities and other bodies, corporate or incorporate, whether having distinct legal status or not, or any member of any of the same.

"Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA, and any plan within the meaning of Section 4975(e)(1) of the Code.

"Post-Delivery Change in Tax Law" means a Change in Tax Law that is enacted, promulgated or issued after the Delivery Date and on or prior to the first anniversary of the Delivery Date that is based on or similar in substance or effect to one or more elements of the provisions of a proposal made after April 27, 1993 and on or before the Delivery Date by the President, the Department of the Treasury, the Majority Leader or Minority Leader of the House of Representatives or the staff or any member of the House Ways and Means Committee, the Senate Finance Committee or the Joint Committee on Taxation; provided, that such proposal was active or pending on the Delivery Date.

"Preliminary Notice" is defined in Section 17.1 of the Lease.

"Purchase Agreement" means the Purchase Agreement No. 1783, dated March 18, 1993 between Airframe Manufacturer and Lessee (including all exhibits thereto, together with all letter agreements entered into that by their terms constitute part of such Purchase Agreement), to the extent assigned pursuant to the Purchase Agreement Assignment.

"Purchase Agreement Assignment" means the Purchase Agreement and Engine Warranties Assignment 104, dated as of even date with

the Participation Agreement, between Lessee and Owner Trustee.

"Purchase Date" means the last Business Day of any of the Base Lease Term, First Renewal Lease Term, Second Renewal Lease Term, Third Renewal Lease Term or Fourth Renewal Lease Term, as specified in any Purchase Notice.

"Purchase Notice" is defined in Section 17.3.1 of the Lease.

"Refunding Certificate" means a certificate of an authorized representative of Owner Participant delivered pursuant to Section 13.1.1 of the Participation Agreement, setting forth (a) the Refunding Date and (b) the following information, subject to the limitations set forth in Section 13 of the Participation Agreement: (i) the principal amount of debt to be issued by Owner Trustee on the Refunding Date and (ii) the proposed revised schedules of Basic Rent, Stipulated Loss Value percentages and Termination Value percentages and the proposed Amortization Schedules.

"Refunding Date" means the proposed date on which the outstanding Loan Certificates will be redeemed and refinanced pursuant to Section 13 of the Participation Agreement.

"Refunding Information" means the information set forth in the Refunding Certificate (other than the Refunding Date) as such information may have been revised by any verification procedures demanded by Lessee pursuant to Section 3.2.1(d) of the Lease.

"Renewal Lease Term" means, collectively, the First Renewal Lease Term and the Second Renewal Lease Term, in each case, if any.

"Renewal Notice" is defined in Section 17.2.1 of the Lease.

"Renewal Rent" for the Aircraft means the rent payable therefor in respect of a Renewal Lease Term determined pursuant to Section 17.2.2 of the Lease.

"Rent" means, collectively, Basic Rent, Renewal Rent and Supplemental Rent.

"Replacement Airframe" means any airframe substituted for the Airframe pursuant to Section 10 of the Lease.

"Replacement Engine" means an engine substituted for an Engine pursuant to Section 5.3, 7.2, 9 or 10 of the Lease.

"Return Acceptance Supplement" means a Return Acceptance Supplement, dated as of the date the Aircraft is returned to Lessor pursuant to Section 5 of the Lease, by Lessor and Lessee substantially in the form of Exhibit B to the Lease.

"Scheduled Delivery Date" means the expected Delivery Date notified to each Participant, Owner Trustee and Mortgagee by Lessee pursuant to Section 5.1(a) of the Participation Agreement, which expected Delivery Date shall be a Business Day not later than the Commitment Termination Date.

"Scheduled Expiration Date" means the Business Day next preceding the twentieth anniversary of the Delivery Date.

"SEC" means the Securities and Exchange Commission of the United States, or any Government Entity succeeding to the functions of such Securities and Exchange Commission.

"Second Renewal Lease Term" means, if Lessee exercises its option to renew the Lease at the end of the First Renewal Lease Term pursuant to and in accordance with Section 17.2 of the Lease, the period commencing on the first day following the First Renewal Term Expiration Date, and ending on the second anniversary of the Scheduled Expiration Date.

"Section 1110" means 11 U.S.C. Section 1110 of the Bankruptcy Code or any successor or analogous section of the federal bankruptcy Law in effect from time to time.

"Secured Obligations" is defined in Section 2.06 of the Trust Indenture.

"Securities Act" means the Securities Act of 1933.

"Security" means a "security" as defined in Section 2(1) of the Securities Act.

"Similar Aircraft" means a Boeing Model 757-200 aircraft (other than the Aircraft) having a passenger compartment configuration (of the type used in Block Nos. ND301-325 as specified in Boeing Detail Specification D924N104-3 dated as of March 18, 1993, as amended or supplemented) most similar to the Aircraft.

"SLV Rate" is defined in Schedule 1 to the Lease.

"Stipulated Loss Value" means, with respect to the Aircraft, (a) during the Base Lease Term, the amount determined by multiplying (i) the percentage set forth in Schedule 3 to the Lease (as adjusted from time to time in accordance with

Section 3.2.1 of the Lease) opposite the Stipulated Loss Value Date by (ii) Lessor's Cost and (b) during any Renewal Term, the amount determined pursuant to Section 17.2.3 of the Lease. Notwithstanding anything to the contrary in any Operative Agreement, Stipulated Loss Value shall always be sufficient to pay in full, as of the date of payment thereof (assuming timely payment of the Loan Certificates prior to such date), the aggregate unpaid principal amount of all Loan Certificates outstanding as of such date, together with accrued and unpaid interest on all such Loan Certificates as of such date.

"Stipulated Loss Value Date" means (i) for any month, specified in Schedule 3 to the Lease, which precedes the month in which the Commencement Date occurs, the applicable Interim Term Value Date, and (ii) for any month, specified in Schedule 3 to the Lease, which includes or follows the month in which the Commencement Date occurs, the day in such month that corresponds to the day of the month on which the Commencement Date occurred or, if such day is not a Business Day, the immediately succeeding Business Day.

"Supplemental Rent" means all Expenses, Transaction Expenses and all other amounts, liabilities, indemnities and obligations (other than Basic Rent or Renewal Rent but including Make-Whole Amount, if any) that Lessee assumes or becomes obliged to or agrees to pay under any Lessee Operative Agreement to or on behalf of Lessor or any other person, including, without limitation, payments of Stipulated Loss Value, Termination Value and payments of indemnities under Section 10 of the Participation Agreement.

"Taxes" means all license, recording, documentary, registration and other similar fees and all taxes, levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever imposed by any Taxing Authority, together with any penalties, additions to tax, fines or interest thereon or additions thereto.

"Tax Attribute Period" is defined in Section 3.4 of the Tax Indemnity Agreement.

"Tax Indemnitee" means (a) First Security and Owner Trustee, (b) WTC and Mortgagee, (c) each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (d) each Participant, (e) the Trust Estate and the Trust Indenture Estate and (f) the respective successors, assigns, agents and servants of the foregoing. For purposes of this definition, the term "Owner Participant" shall include any member of an affiliated group (within the meaning of Section 1504 of the Code) of which Owner Participant is, or may become, a member if consolidated, joint or combined returns are filed for such affiliated group for federal, state or local income tax purposes.

If the Tax Indemnitee is the Airframe Manufacturer or Engine Manufacturer, such Person shall be a Tax Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement 104, dated as of even date with the Participation Agreement, between Lessee and Owner Participant.

"Taxing Authority" means any federal, state or local government or other taxing authority in the United States, any foreign government or any political subdivision or taxing authority thereof, any international taxing authority or any territory or possession of the United States or any taxing authority thereof.

"Term" means the term, commencing on the Delivery Date, for which the Aircraft is leased pursuant to Section 3 of the Lease, and shall include the Interim Lease Term, the Base Lease Term and, if applicable, any Renewal Lease Term.

"Termination Date" means any Payment Date occurring after the tenth anniversary of the Delivery Date and on or before the date one year prior to the Scheduled Expiration Date on which the Lease shall terminate in accordance with Section 9 of the Lease.

"Termination Value" means, with respect to the Aircraft, the amount determined by multiplying (a) the percentage set forth in Schedule 4 to the Lease (as adjusted from time to time in accordance with Section 3.2.1 of the Lease) opposite the Termination Value Date by (b) Lessor's Cost. Notwithstanding anything to the contrary in any Operative Agreement, Termination Value shall always be sufficient to pay in full, as of the date of payment thereof (assuming timely payment of the Loan Certificates prior to such date), the aggregate unpaid principal amount of all Loan Certificates outstanding as of such date, together with accrued and unpaid interest on all such Loan Certificates as of such date.

"Termination Value Date" means (i) for any month specified in Schedule 4 to the Lease, which precedes the month in which the Commencement Date occurs, the applicable Interim Term Value Date, and (ii) for any month, specified in Schedule 4 to the Lease, which includes or follows the month in which the Commencement Date occurs, the day in such month that corresponds to the day of

the month on which the Commencement Date occurred or, if such day is not a Business Day, the immediately succeeding Business Day.

"Transactions" means the transactions contemplated by the Participation Agreement and the other Operative Agreements.

"Transaction Expenses" means all costs and expenses incurred by Owner Participant, Loan Participant, Owner Trustee and Mortgagee in connection with (a) the preparation, execution and delivery of the Operative Agreements and the recording or filing of any documents, certificates or instruments in accordance with any Operative Agreement, including, without limitation, the FAA Filed Documents and the Financing Statements, (b) any sublease or transfer of possession of the Aircraft or Airframe or any Engine, any Event of Loss with respect to the Aircraft, any Engine or any Part, any payment of Stipulated Loss Value or Termination Value and any replacement of any Engine or Part pursuant to the Lease, (c) any optimization pursuant to Section 9 of the Participation Agreement, any refunding of the Loan Certificates pursuant to Section 13 of the Participation Agreement or, pursuant to Section 15.3 of the Participation Agreement, any restructuring of the transactions in accordance with Section 15 of the Participation Agreement, (d) any transfer of title to the Aircraft or any Engine contemplated by Section 4.6 of the Lease, (e) all waivers, amendments or other agreements in connection with the Operative Agreements or the transactions contemplated thereby, in each case, except during the continuation of a Lease Event of Default, only to the extent requested by Lessee or required by or made pursuant to the terms of the Operative Agreements (unless such requirement results from the actions of the party incurring such costs or expenses not required by or made pursuant to the Operative Agreements), whether or not any of the same are also indemnified against by any other person, and (f) with respect to Owner Trustee and Mortgagee, otherwise in connection with the administration of the transactions contemplated by the Participation Agreement, including, without limitation, in each such case (a) through (f), (i) the reasonable fees and disbursements of counsel for each Participant, counsel for Owner Trustee, counsel for Mortgagee and special counsel in Oklahoma City, Oklahoma, in each case, in connection with the Closing, (ii) all initial and ongoing fees, disbursements and expenses of Owner Trustee and Mortgagee, (iii) except as may be expressly provided in the Lease the fees, expenses and disbursements of any Appraiser retained under or as contemplated by the Participation Agreement or the Lease, and (iv) the reasonable fees, disbursements of counsel and other out-of-pocket expenses, of any Participant or Certificate Holder, or of Owner Trustee or Mortgagee incurred in connection with an optimization of the Amortization Schedule under Section 9 of the Participation Agreement.

"Transfer" means the transfer, sale, assignment or other conveyance of all or any interest in any property, right or interest.

"Transferee" means a person to which any Owner Participant, Owner Trustee or any Loan Participant or Certificate Holder purports or intends to Transfer any or all of its right, title or interest in the Trust Estate or in its Loan Certificate and the Trust Indenture Estate, respectively, as described in Section 12.1.1(a), 12.1.2 or 12.1.3 (but excluding participants in any participation referred to in Section 12.1.3), respectively, of the Participation Agreement.

"Trust" means the trust created by the Trust Agreement.

"Trust Agreement" means the Trust Agreement 104, dated as of even date with the Participation Agreement, between Owner Participant and Owner Trustee.

"Trust Estate" means all estate, right, title and interest of Owner Trustee in and to the Aircraft, the Lease, any Lease Supplement, the Purchase Agreement and the GTA including, without limitation, all amounts of Basic Rent and Supplemental Rent including, without limitation, insurance proceeds (other than insurance proceeds payable to or for the benefit of Owner Participant, Loan Participant, Certificate Holders or WTC) and requisition, indemnity or other payments or any kind for or with respect to the Aircraft (except amounts owing to Owner Participant, Loan Participant, Certificate Holders or WTC, or to any of their respective directors, officers, employees, servants and agents, pursuant to Section 10 of the Participation Agreement). Notwithstanding the foregoing, "Trust Estate" shall not include any Excluded Payment.

"Trust Indenture" means the Trust Indenture and Mortgage 104, dated as of even date with the Participation Agreement, between Owner Trustee and Mortgagee.

"Trust Indenture Estate" is defined in the "Granting Clause" of the Trust Indenture.

"Trust Indenture Supplement" means a Trust Indenture and Mortgage 104 Supplement, substantially in the form of Exhibit A to the Trust Indenture, with appropriate modifications to reflect the purpose for which it is being used.

"UCC" means the Uniform Commercial Code as in effect in any

applicable jurisdiction.

"U.S. Air Carrier" means any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Act, and as to which there is in force an air carrier operating certificate issued pursuant to Part 121 of the regulations promulgated under the Act, or which may operate as an air carrier by certification or otherwise under any successor or substitute provisions therefor or in the absence thereof.

"U.S. Person" means any Person described in Section 7701(a)(30) of the Code.

"United States" or "U.S." means the United States of America; provided, that for geographic purposes, "United States" means, in aggregate, the 50 states and the District of Columbia of the United States of America.

"U.S. Government" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"WTC" means Wilmington Trust Company, a Delaware banking corporation, not in its capacity as Mortgagee under the Trust Indenture, but in its individual capacity.

"Weighted Average Life to Maturity" of each Loan Certificate means at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of such Loan Certificate by the then outstanding principal amount of such Loan Certificate. The term "Remaining Dollar-years" shall mean the amount obtained by (1) multiplying the amount of each then-remaining principal payment on such Loan Certificate provided for in the Amortization Schedule for such Loan Certificate by the number of years (calculated at the nearest one-twelfth) that will elapse between the date of determination of the Weighted Average Life to Maturity of such Loan Certificate and the date of that required payment and (2) totaling all the products obtained in clause (1) above.

"Wet Lease" means any arrangement whereby Lessee agrees to furnish the Airframe and Engines or engines installed thereon to a third party pursuant to which the Airframe and such Engines or engines (i) shall at all times be in the sole possession and control of Lessee, (ii) shall be operated in all respects solely by regular employees of Lessee possessing all current certificates and licenses that are required under the Act or any FAA Regulations for the possession, use and operation of the Airframe and such Engines or engines (or, if the Airframe is then under foreign registration, in accordance with Section 7.1.2 of the Lease, the foregoing requirement shall apply in respect of all certificates and licenses required by such government of registration and the applicable Aviation Authority for the possession, use and operation of the Airframe and such Engines or engines), and (iii) shall in all events be maintained, insured and otherwise used and operated in compliance with the terms and provisions of the Lease.

"Yield Adjustment" means, with respect to any prepayment of the Loan Certificates, .50%.

SCHEDULE 1  
TO  
PARTICIPATION AGREEMENT

ACCOUNTS; ADDRESSES

Account for Payments  
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Address for Notices  
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Continental Airlines, Inc.	The Chase Manhattan Bank (National Association) New York, New York 10081 Account No.: 910-2-499291 ABA#: 021-000021 Attention: Pat Settembrino Reference: Continental Lease 104	Continental Airlines, Inc. 2929 Allen Parkway Suite 2010 Houston, Texas 77019 Attention: Senior Vice President and Chief Financial Officer Facsimile: (713) 520-6329
Gaicho-2 Inc.	c/o The Boeing Company The Chase Manhattan Bank (National Association) New York, New York 10081 Account No.: 910-1-012764 ABA#: 021-000021 Attention: Pat Settembrino Reference: Continental Lease 104	Gaicho-2 Inc. 7755 East Marginal Way South Seattle, Washington 98108 Attention: Treasurer M/S 68-34 Facsimile: (206) 237-8746
The Boeing Company	The Chase Manhattan Bank (National Association) New York, New York 10081 Account No.: 910-1-012764 ABA#: 021-000021 Attention: Pat Settembrino Reference: Continental Lease 104	The Boeing Company P.O. Box 3707 Seattle, Washington 98124- 3707 Attention: Treasurer MS 68-34 Facsimile: (206) 237-8746
First Security Bank of Utah, National Association	First Security Bank of Utah, National Association 79 South Main Street Salt Lake City, Utah 84111 Account No.: 051-0922115 Corporate Trust Department ABA#: 124-000012 Reference: Continental Lease 104	First Security Bank of Utah, National Association 79 South Main Street Salt Lake City, Utah 84111 Attention: Corporate Trust Department Facsimile: (801) 246-5053
Wilmington Trust Company	The Chase Manhattan Bank (National Association) New York, New York 10081 Account No.: 920-1-014363 ABA#: 021-000021 Attention: Corporate Trust Administration Reference: Continental Lease 104	Wilmington Trust Company One Rodney Square 1100 North Market Street Wilmington, Delaware 19890 Attention: Corporate Trust Administration Facsimile: (302) 651-1576

SCHEDULE 2  
TO  
PARTICIPATION AGREEMENT

LESSEE'S ADDRESS FOR SERVICE OF PROCESS

Continental Airlines, Inc.  
65 East 55th Street  
14th Floor  
New York, New York 10022

SCHEDULE 3  
TO  
PARTICIPATION AGREEMENT

COMMITMENTS

Participant -----	Percentage of Lessor's Cost -----	Dollar Amount -----
Owner Participant	Owner Participant's Percentage	
Gaicho-2 Inc.	20%	\$ 8,916,299.80
Loan Participant	Loan Participant's Percentage	
The Boeing Company	80%	\$35,665,199.20
Total	100%	\$44,581,499.00

SCHEDULE 4  
TO  
PARTICIPATION AGREEMENT

CERTAIN TERMS

[Intentionally omitted as containing  
confidential financial information]

SCHEDULE 5  
TO  
PARTICIPATION AGREEMENT

RESET OF DEBT RATE

A. Subsequent Funding Period

Each Certificate Holder shall be entitled to elect, with respect to any Loan Certificate or Loan Certificates held by it at the time of such election, to reset the Debt Rate applicable to such Loan Certificate. Any such election must be made, if at all, on or prior to the date which is the three year anniversary of the Delivery Date. Such election shall be solely at the option of such Certificate Holder, and shall not in any event be required hereunder. If any such election is made by a Certificate Holder, the reset of the subject Loan Certificate or Loan Certificates shall be effected on and as of the Payment Date next preceding the date which is the ten year anniversary of the Delivery Date (such Payment Date referred to herein as the "Reset Date"), and such Debt Rate, as reset, shall be applicable only in respect of the period from and after such Reset Date.

The Debt Rate, as reset, with respect to a subject Loan Certificate shall equal the sum of

(i) the yield to maturity, as of the Reset Date, on a U.S. Treasury Note or Bond with a remaining maturity approximately equal to, but in no case shorter than, the Weighted Average Life to Maturity of such Loan Certificate, as of the Reset Date, and that is then trading in the public securities markets at as close to par as other U.S. Treasury securities of comparable remaining maturities; plus

(ii) a credit spread to be determined, as specified below, with reference to pricing then available (as of the Reset Date) to Lessee in the marketplace for the debt component of a leveraged lease financing of an aircraft similar to the Aircraft and to the Transactions.

For purposes of making the determinations contemplated in clauses (i) and (ii) above, the subject Certificate Holder (or, if there be more than one, a majority in interest of such Certificate Holders) and Lessee shall together designate, on or before the date which is 60 days prior to and excluding the Reset Date, a mutually acceptable independent investment banking firm to make such determinations. If such Certificate Holder (or such majority in interest, as the case may be) and Lessee cannot agree on such designation on or before such date, then such Certificate Holder (or such majority in interest, as the case may be) and Lessee shall each independently designate, on or before the date which is 45 days prior to and excluding the Reset Date, an investment banking firm, and such two firms shall in turn designate, on or before the date which is 30 days prior to and excluding the Reset Date, a third investment banking firm to make the determinations contemplated above, provided that such third firm so designated must be nationally recognized with expertise in transactions similar to the Transactions. The fees and expenses of any and all such firms shall be solely for the account of, and shall be paid by, Lessee.

In making the required determinations, comparable aircraft leveraged lease financing transactions involving Lessee or similarly creditworthy airlines shall be considered in which funds are provided by commercial lenders and institutional investors (but, in any case, not including manufacturers or operating lessors, or providers of so-called "walk-away" lease financing), and entered into during the period commencing six months prior to the Reset Date; provided, that

(A) pricing or other terms relating to any such transaction that vary from normal or customary industry practices or that are substantially more or substantially less favorable than the pricing and other terms set forth in the majority of such transactions shall not be taken into account in making the determinations contemplated in clauses (i) and (ii) above, and

(B) in evaluating the pricing or other terms in a comparable transaction, such pricing and terms shall be taken as a whole in the context of the entire transaction.

The engagement of any such firm to make such determinations shall require that the conclusions of such firm shall be set forth in writing and delivered to each such Certificate Holder and to Lessee no later than the date which is seven days prior to and excluding the Reset Date. Such writing shall identify with reasonable specificity the scope and character of such firm's due diligence in evaluating such market terms and conditions, and generally shall contain sufficient detail to reasonably demonstrate the thoroughness and fairness of such conclusions.

B. Failure to Prepay or Refinance

In the event that (i) with respect to the proposed transfer of a Loan Certificate, Lessee elects, pursuant to Section 13.9.2 of the Participation Agreement, to provide a purchaser for such Loan Certificate or to effect a voluntary redemption of such Loan Certificate, or (ii) with respect to a reset of the Debt Rate applicable to a Loan Certificate, as provided above in this Schedule 5, Lessee elects, pursuant to Section 13.9.3 of the Participation Agreement, to request a voluntary redemption of such Loan Certificate, and (iii) the elected transaction fails to close for any reason (other than as a result of the default of the subject Certificate Holder) within a period of 60 days after and excluding the date of Lessee's election, then the Debt Rate applicable to such Loan Certificate shall, without need of further act or agreement, be reset as of the first day (the "Reference Date") following such 60-day period to a rate of interest per annum equal to the sum of the Debt Rate, as in effect immediately prior to such reset, plus one and one-half percent (1 1/2%). In addition, such Debt Rate, as reset, shall be further reset on each anniversary of the Reference Date to a rate of interest per annum equal to the sum of the Debt Rate, as in effect immediately prior to such reset, plus one and one-half percent (1 1/2%).

Notwithstanding anything to the contrary set forth in Paragraph A above or in any Operative Agreement, if the Debt Rate applicable to a Loan Certificate has been, or is subject to, reset pursuant to the provisions of this Paragraph B, then (i) such Debt Rate shall not in any event be reduced as a result of any reset of the Debt Rate otherwise provided for under Paragraph A above, and (ii) the provisions of this Paragraph B, and the resets provided for herein, shall continue to apply to such Loan Certificate in addition to any reset of the Debt Rate otherwise provided for or effected under Paragraph A above.

For purposes of this Paragraph B, the date of any Lessee election shall be the date upon which Lessee's notice of such election is deemed to be effective under, and in accordance with, the last sentence of Section 19.7 of the Participation Agreement. Nothing set forth in this Paragraph B shall limit Lessee's right to effect a transfer or voluntary redemption of a Loan Certificate under, and in accordance with, the provisions of Section 13.9.2 or 13.9.3 of the Participation Agreement.

#### C. Related Revisions

Upon any resetting of the Debt Rate as provided above, the Amortization Schedule, and the percentages of Basic Rent, Stipulated Loss Values and Termination Values set forth in Schedules 2, 3 and 4 of the Lease, shall be revised to reflect such change in the Debt Rate, all as contemplated in Section 2.13 of the Trust Indenture and Section 3.2.1 of the Lease. Unless and until any such resetting of the Debt Rate is completed, as provided in this Schedule 5, the Debt Rate in effect as of the Delivery Date will continue to apply for all purposes (including, without limitation, for purpose of computing amounts of Basic Rent, Stipulated Loss Value, Termination Value and Make-Whole Amount) of the Operative Agreements and the Transactions.

WAIVER, CONSENT AND AMENDMENT TO PARTICIPATION AGREEMENT 104, dated as of December 22, 1995 (this "Amendment") among (a) CONTINENTAL AIRLINES, INC., a Delaware corporation ("Lessee"), (b) GAUCHO-2 INC., a Delaware corporation ("Owner Participant"), (c) THE BOEING COMPANY ("Loan Participant"), (d) FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee (in its capacity as Owner Trustee, "Owner Trustee" or "Lessor," and in its individual capacity, "First Security") and (e) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except as expressly provided herein, but solely as Mortgagee (in its capacity as Mortgagee, "Mortgagee" and in its individual capacity, "WTC") (Lessee, Owner Participant, Loan Participant, Owner Trustee and Mortgagee collectively referred to herein as the "Transaction Participants").

W I T N E S S E T H:

WHEREAS, the Transaction Participants are parties to that certain Participation Agreement 104 dated as of July 15, 1994 relating to that certain Boeing 757-224 aircraft bearing manufacturer's serial number 27294 and those certain RB211-535E4-B-37 engines bearing manufacturer's serial numbers 31268 and 31269 (the "Participation Agreement," and capitalized terms defined in Annex A thereto and not otherwise defined herein being used herein as defined in such Annex A as such Annex A is amended hereby);

WHEREAS, it is a condition precedent to the obligations of General Electric Company ("Transferee") under that certain Purchase, Assignment and Assumption Agreement, dated as of December 22, 1995 (the "Purchase Agreement"), by and between Transferee and Owner Participant that the Lessee, Owner Participant, Loan Participant, Owner Trustee, First Security, Mortgagee and WTC enter into this Amendment.

NOW THEREFORE, in consideration of the foregoing premises and the mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Waiver and Consent. Each of the Transaction Participants hereby (i) agrees that each of the conditions to the Transfer by Owner Participant of all its right, title and interest in the Participation Agreement and the Trust Estate and the Trust Agreement thereunder to the Transferee that are set forth in the Operative Agreements, including without limitation, Section 12.1.1(a) and Section 12.1.1(c) of the Participation Agreement, have been satisfied or are hereby waived, (ii) from and after the Effective Time (as defined in the Purchase Agreement) with respect to such Transfer, agrees to recognize the Transferee as the "Owner Participant" under each of the Operative Agreements (as defined in the Purchase Agreement), and (iii) amends, and to the extent required under the Operative Agreements consents to the amendment of, each of the Operative Agreements (including, without limitation, the Trust Agreements) accordingly.

SECTION 2. Amendments to Participation Agreement.

(a) Annex A to the Participation Agreement is hereby replaced in its entirety by the revised Annex A attached to this Amendment as Annex A.

(b) Section 9 of the Participation Agreement is hereby deleted in its entirety and shall be deemed "Intentionally Omitted."

(c) Section 13.9.1 of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new Section 13.9.1 in lieu thereof:

The provisions of Section 13.1 through 13.8 shall not be applicable to this Section 13.9. This Section 13.9 shall be of no force or effect upon the consummation of the Refinancing Transaction.

(d) Section 15.1 of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new Section 15.1 in lieu thereof:

Lessee, Loan Participant and each Certificate Holder agree that after the Delivery Date and subject to the limitations of Section 15.2, for so long as General Electric Company is the Owner Participant, the Owner Participant shall have the right to restructure the Transactions using (a) a "cross-border lease," a tax lease or a head-lease/sublease structure and (b) any other transaction, which may involve special structural arrangements, as such Owner Participant may elect (any such structure described above, a "Special Structure"). Any Special Structure may result in

additional persons participating in the Transactions, which persons shall agree to provisions comparable to Sections 8.7.5(a) and 8.7.14. Subject to the provisions of Sections 15.2 and 15.3, Lessee, Loan Participant and each Certificate Holder agree to cooperate in the implementation of any such restructuring and take such action as may reasonably be requested by the Owner Participant to accomplish such restructuring, including taking such actions as may be reasonable or customary in the type of Special Structure selected. In connection with any proposed Special Structure, Owner Participant shall provide all information reasonably requested by Lessee, Loan Participant or any Certificate Holder with respect thereto. The Owner Participant shall be entitled to retain all of the benefits of any such transaction.

(e) Section 15.2.1(a) of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new Section 15.2.1.(a) in lieu thereof:

Notwithstanding Section 15.1 or 15.2.1(b), in no event shall any such Special Structure (a) change the terms and conditions of Lessee's rights and obligations, from those which Lessee would otherwise possess or be subject to in the absence of any such Special Structure, in a manner which is materially adverse to Lessee, (b) expose Lessee to any additional risks (including overall tax risks) beyond those to which Lessee would be exposed in the absence of any such Special Structure or (c) change the terms and conditions of Lessee's rights and obligations, from those which Lessee would otherwise possess or be subject to in the absence of any Special Structure, in a manner which is adverse to Lessee, unless, with respect to clause (b) and clause (c) above, Lessee shall have been indemnified against such additional risks by Owner Participant, or other participants in such transaction (so long as such other participants shall, as to their creditworthiness at the time any such indemnity is given, be reasonably acceptable to Lessee) in a manner reasonably satisfactory to Lessee. In no event shall Lessee be required to provide an indemnity with respect to any foreign tax benefit of a Special Structure or to indemnify against the failure of a head lease not to constitute a true lease for U.S. federal income tax purposes.

(f) Section 15.2.1(b) of the Participation Agreement is hereby deleted in its entirety and shall be deemed "Intentionally Omitted."

(g) Section 15.2.2 of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new Section 15.2.2 in lieu thereof:

Notwithstanding Section 15.1, any such Special Structure shall not, and prior to the exercise of its rights thereunder, the Owner Participant shall deliver an officer's certificate to the Loan Trustee and, after the Refinancing Transaction is consummated, to the Pass Through Trustee that provides that any such Special Structure shall not, (a) change the terms and conditions of Loan Participant's or any Certificate Holder's rights and obligations under the Operative Agreements or rights and obligations of holders of Pass Through Certificates issued in connection with the Refinancing Transaction, from those which Loan Participant, Certificate Holders and such Pass Through Certificate holders would otherwise possess or be subject to in the absence of such Special Structure (including, without limitation, the amount and timing of any payment of principal, interest and Make-Whole Amount under the Loan Certificates, the relative rights of the Note Holders with respect to such payments and such holder of Pass Through Certificates and the priority of Mortgagee's Lien on the Trust Indenture Estate under the Trust Indenture) or (b) expose Loan Participant, any such Certificate Holder or any such holder of Pass Through Certificates to any additional risks beyond those to which Loan Participant, such Certificate Holder or such holder of Pass Through Certificates would be exposed in the absence of such Special Structure. In addition, in no event shall any Special Structure be permitted unless a written confirmation from the Rating Agencies is obtained prior to the implementation of such Special Structure to the effect that such Special Structure will not adversely affect the ratings of the Pass Through Certificates.

(h) Section 15.3 of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new section 15.3 in lieu thereof:

Whether or not any proposed restructuring transaction under this Section 15 is consummated, the Owner Participant shall pay (or cause to be paid) the reasonable costs and expenses incurred by all parties in connection therewith; provided, that if any proposed Special Structure is not consummated as a result of Lessee's failure to act in good faith in connection with any amendments to any Operative Agreement necessary as a result thereof, then all such costs and expenses shall be borne by Lessee.

(i) Section 18 of the Participation Agreement is hereby amended by adding the following proviso at the end thereof:



(f) WTC hereby represents and warrants to Transferee that each of the representations and warranties made by it in Section 7.5 of the Participation Agreement are true and correct as of the date hereof.

(g) First Security hereby represents and warrants to Transferee that the Owner Trustee has not, with respect to the Trust, taken any action beyond the scope of the power and authority granted to it pursuant to the Trust Agreement.

(h) Loan Participant, Owner Trustee and Owner Participant hereby represent and warrant to Transferee that, as of the Delivery Date they each intended for the indebtedness represented by the Loan Certificates issued on such date to be repaid in accordance with their terms.

SECTION 4. Intended Reliance. The representations and warranties contained in SECTION 3 hereof are intended to be relied upon by Transferee, and, accordingly, Transferee is an intended third party beneficiary of this Amendment.

SECTION 5. GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE.

THIS AMENDMENT SHALL IN ALL RESPECTS BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS. EACH PARTY TO THE AMENDMENT HEREBY AGREES THAT THE PROVISIONS OF SECTION 19.8 OF THE PARTICIPATION AGREEMENT ARE HEREBY INCORPORATED HEREIN AND SHALL GOVERN ALL ISSUES ARISING UNDER OR IN RESPECT OF THIS AMENDMENT THAT ARE RELATED TO JURISDICTION, VENUE, NOTICE AND ALL OTHER MATTERS COVERED BY SUCH SECTION 19.8.

SECTION 6. Miscellaneous. (a) Except as specifically amended herein, the Participation Agreement and all of the other Operative Agreements shall remain in full force and effect and are hereby ratified and confirmed.

(b) This Amendment may be executed in any number of separate counterparts, each of which shall, collectively and separately, constitute one agreement.

(c) The Section titles contained in this Amendment are and shall be without substantive meaning or content of any kind whatsoever and are not part of the agreement among the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CONTINENTAL AIRLINES, INC.,  
Lessee

By: /s/ Gerald Laderman  
-----  
Gerald Laderman  
Vice President

GAUCHO-2 INC.,  
Owner Participant

By: /s/ David A. Edgerton  
-----  
Name: David A. Edgerton  
Title: Attorney-in-Fact

THE BOEING COMPANY,  
Loan Participant

By: /s/ David A. Edgerton  
-----  
Name: David A. Edgerton  
Title: Attorney-in-Fact

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION, not in its  
individual capacity, except as  
expressly provided herein, but  
solely as Owner Trustee,  
Owner Trustee

By: /s/ Greg A. Hawley  
-----  
Name: Greg A. Hawley  
Title: Assistant Vice President

WILMINGTON TRUST COMPANY, not in

its individual capacity, except  
as expressly provided herein,  
but solely as Mortgagee,  
Mortgagee

By: /s/ Bruce L. Bisson

-----  
Name: Bruce L. Bisson  
Title: Vice President

For purposes of Section 3 of this Amendment and for purposes of  
acknowledging the appointment of the Owner Trustee under the  
respective Trust Agreements

GENERAL ELECTRIC COMPANY

By: /s/ Eric M. Dull

-----  
Name: Eric M. Dull  
Title: Attorney-in-Fact

SCHEDULE 6

Methodology and assumptions which form the basis for the pricing in the ABC File designated as cont-1227-f104a.abc as in effect on the date hereof.

ANNEX A

DEFINITIONS

GENERAL PROVISIONS

(a) In each Operative Agreement, unless otherwise expressly provided, a reference to:

(i) each of "Lessee," "Lessor," "Owner Trustee," "Owner Participant," "Loan Participant," "Loan Trustee," "Note Holder" or any other person includes, without prejudice to the provisions of any Operative Agreement, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;

(ii) words importing the plural include the singular and words importing the singular include the plural;

(iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Agreement, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Agreements, and any agreement, instrument or document entered into in substitution or replacement therefor;

(iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Delivery Date, and thereafter from time to time;

(v) the words "Agreement," "this Agreement," "hereby," "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Operative Agreement refer to such Operative Agreement as a whole and not to any particular provision of such Operative Agreement;

(vi) the words "including," "including, without limitation," "including, but not limited to," and terms or phrases of similar import when used in any Operative Agreement, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section," an "Exhibit," an "Annex" or a "Schedule" in any Operative Agreement, or in any annex thereto, is a reference to a section of, or an exhibit, an annex or a schedule to, such Operative Agreement or such annex, respectively.

(b) Each exhibit, annex and schedule to each Operative Agreement is incorporated in, and shall be deemed to be a part of, such Operative Agreement.

(c) Unless otherwise defined or specified in any Operative Agreement, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Agreement are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Agreement.

DEFINED TERMS

"Act" means the Federal Aviation Act of 1958.

"Actual Knowledge" means (a) as it applies to Owner Trustee or Loan Trustee, as the case may be, actual knowledge of a responsible officer in the Corporate Trust Department or the Corporate Trust Office, respectively, and (b) as it applies to Lessee or Owner Participant, actual knowledge of a Vice President or more senior officer of Owner Participant or Lessee, respectively, or any other officer of Owner Participant or Lessee, respectively, in each case having responsibility for the transactions contemplated by the Operative Agreements; provided that each of Lessee, Owner Participant, Owner Trustee and Loan Trustee shall be deemed to have "Actual Knowledge" of any matter as to which it has received notice from Lessee, Owner Participant, any Note Holder, Owner Trustee or Loan Trustee, such notice having been given pursuant to Section 19.7 of the Participation Agreement.

"Additional Insured" is defined by reference to Section 11 of the Lease.

"Adverse Change in Tax Law" means (a) for Lessee, a Change in Tax Law that Lessee regards as one that could adversely affect the economic consequences of the transactions contemplated by the Participation Agreement and the other Operative Agreements anticipated by Lessee or (b) for Owner Participant, any Change in

Tax Law that would adversely affect any of the following tax assumptions:

(i) For federal income tax purposes, the Lease will be a "true" lease for purposes of the Code and Owner Participant will be treated as the owner of the Aircraft and Lessee will be treated as the lessee thereof;

(ii) For federal income tax purposes, Owner Participant will be entitled to depreciation or cost recovery deductions with respect to Lessor's Cost of the Aircraft; and

(iii) For federal income tax purposes, Owner Participant will be entitled to deductions for interest payments on the Equipment Notes.

"Affiliate" means, with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such person. For purposes of this definition, "control" means the power, directly or indirectly, to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise and "controlling," "controlled by" and "under common control with" have correlative meanings.

"Aircraft" means, collectively, the Airframe and Engines.

"Aircraft Bill of Sale" means the full warranty bill of sale covering the Aircraft delivered by Airframe Manufacturer to Owner Trustee on the Delivery Date.

"Aircraft Documents" means all technical data, manuals and log books, and all inspection, modification and overhaul records and other service, repair, maintenance and technical records that are required by the FAA (or the relevant Aviation Authority), the Lease or the Maintenance Program to be maintained with respect to the Aircraft, Airframe, Engines or Parts, or that are of a type required to be delivered by Lessee upon return of the Aircraft, Airframe or Engines under Section 5 of the Lease; and such term shall include all additions, renewals, revisions and replacements of any such materials from time to time made, or required to be made, in accordance with the Lease, the Maintenance Program or such FAA (or other Aviation Authority) regulations, and in each case in whatever form and by whatever means or medium (including, without limitation, microfiche, microfilm, paper or computer disk) such materials may be maintained or retained by or on behalf of Lessee (provided that all such materials shall be maintained in the English language); and such term shall include, without limitation, the documents described in Section N of Annex B to the Lease.

"Airframe" means (a) the aircraft (excluding Engines or engines from time to time installed thereon) manufactured by Airframe Manufacturer and identified by Airframe Manufacturer's model number, United States registration number and Airframe Manufacturer's serial number set forth in Lease Supplement No. 1 and any Replacement Airframe and (b) any and all Parts incorporated or installed in or attached or appurtenant to such airframe, and any and all Parts removed from such airframe, unless title to such Parts shall not be vested in Lessor in accordance with Section 8.1 and Annex C of the Lease. Upon substitution of a Replacement Airframe under and in accordance with the Lease, such Replacement Airframe shall become subject to the Lease and shall be the "Airframe" for all purposes of the Lease and the other Operative Agreements and thereupon the Airframe for which the substitution is made shall no longer be subject to the Lease, and such replaced Airframe shall cease to be the "Airframe."

"Airframe Manufacturer" means The Boeing Company, a Delaware corporation, solely in its capacity as manufacturer or seller of the Aircraft, Airframe, Engines or Parts (other than BFE and other than any Parts incorporated or installed in or attached or appurtenant to the Aircraft, Airframe or any Engine after delivery of the Aircraft, Airframe and Engine to Tramco, Inc. prior to the Delivery Date) under the Purchase Agreement or any other contract or other services provided for thereunder or related thereto.

"Amortization Amount" means, with respect to any Equipment Note, as of any Payment Date, the amount determined by multiplying the percentage set forth opposite such Date on the Amortization Schedule by the Original Amount of such Equipment Note.

"Amortization Schedule" means, with respect to each Equipment Note, the amortization schedule for the Equipment Notes delivered pursuant to Section 2.02 of the Trust Indenture or, if a revised amortization schedule shall be established pursuant to Section 13 of the Participation Agreement, the amortization schedule so established.

"Appraiser" means a firm of internationally recognized, independent aircraft appraisers.

"APU" means the auxiliary power unit installed on the Aircraft on the Delivery Date, whether or not installed on the

Aircraft from time to time thereafter, unless title to such APU shall not be vested in Lessor in accordance with Section 8.1 of the Lease, and any replacement or substituted auxiliary power unit installed on the Aircraft in accordance with the Lease.

"Aviation Authority" means the FAA or, if the Aircraft is permitted to be, and is, registered with any other Government Entity under and in accordance with Section 7.1.2 of the Lease, such other Government Entity.

"Bankruptcy Code" means the United States Bankruptcy Code, 11 U.S.C. Sections 102 et seq.

"Base Lease Term" means the period beginning on and including the Commencement Date and ending on the Scheduled Expiration Date, or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"Basic Rent" means the rent payable for the Aircraft pursuant to Section 3.2.1(a) of the Lease.

"Beneficial Owner" when used in relation to an Equipment Note means a Person that, by reason of direct ownership, contract, share ownership or otherwise, has the right to receive or participate in receiving, directly or indirectly, payments of principal, interest or Make-Whole Amount in respect of such Equipment Note; provided that a Person shall not be deemed to be a Beneficial Owner of an Equipment Note solely because another Person in which such a Person owns common stock or other equity securities is a registered holder or Beneficial Owner of such Equipment Note unless such Person is an Affiliate of such other Person.

"BFE" means all appliances, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature sold by Lessee to Owner Trustee pursuant to the BFE Bill of Sale.

"BFE Amount" means the amount paid by Owner Trustee to Lessee to purchase the BFE, and is designated by Dollar amount in Schedule 4 to the Participation Agreement.

"BFE Bill of Sale" means the full warranty bill of sale executed by Lessee in favor of Owner Trustee, dated the Delivery Date, identifying and covering the BFE.

"Bills of Sale" means the FAA Bill of Sale, the Aircraft Bill of Sale and the BFE Bill of Sale.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in New York, New York, Houston, Texas or Salt Lake City, Utah.

"Cash Equivalents" means the following securities (which shall mature within 90 days of the date of purchase thereof): (a) direct obligations of the U.S. Government; (b) obligations fully guaranteed by the U.S. Government; (c) certificates of deposit issued by, or bankers' acceptances of, or time deposits or a deposit account with, Owner Trustee, Loan Trustee or any bank, trust company or national banking association incorporated or doing business under the laws of the United States or any state thereof having a combined capital and surplus and retained earnings of at least \$500,000,000 and having a rate of "C" or better from the Thomson BankWatch Service; or (d) commercial paper of any issuer doing business under the laws of the United States or one of the states thereof and in each case having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. equal to A1 or higher.

"Certificate Holder" means Note Holder.

"Change in Tax Law" means any amendment, modification, addition or change in or to the provisions of the Code, any other federal tax statutes, the Treasury Regulations promulgated thereunder, the Internal Revenue Service Revenue Rulings, Revenue Procedures or other administrative or judicial interpretations of the Code or the federal tax statutes that affects the tax assumptions set forth in the Tax Indemnity Agreement or otherwise affects Owner Participant's anticipated Net Economic Return (other than a change in the alternative minimum tax or other change that results in Owner Participant being subject to alternative minimum tax or unable to fully utilize tax benefits because of its particular tax situation).

"Citizen of the United States," unless otherwise defined, is as defined in Section 102(16) of the Act and in the FAA Regulations.

"Closing" means the closing of the transactions contemplated by the Participation Agreement on the Delivery Date.

"Code" means the Internal Revenue Code of 1986, as amended; provided that, when used in relation to a Plan, "Code" shall mean the Internal Revenue Code of 1986 and any regulations and rulings issued thereunder, all as amended and in effect from time to time.

"Commencement Date" is defined in Schedule 1 to the Lease.

"Commitment" means, for any Participant, the amount of its participation in the payment of Lessor's Cost.

"Commitment Termination Date" is defined in Schedule 4 to the Participation Agreement.

"Consent and Agreement" means the Manufacturer Consent and Agreement 104, dated as of even date with the Participation Agreement, of Airframe Manufacturer.

"Continuous Stay Period" is defined in Section 4.04(a) of the Trust Indenture.

"Corporate Trust Department" or "Trust Office" means the principal corporate trust office of Owner Trustee located from time to time at Owner Trustee's address for notices under the Participation Agreement or such other office at which Owner Trustee's corporate trust business shall be administered which Owner Trustee shall have specified by notice in writing to Lessee, Loan Trustee and each Note Holder.

"Corporate Trust Office" means the principal office of Loan Trustee located at Loan Trustee's address for notices under the Participation Agreement or such other office at which Loan Trustee's corporate trust business shall be administered which Loan Trustee shall have specified by notice in writing to Lessee, Owner Trustee and each Note Holder.

"CRAF" means the Civil Reserve Air Fleet Program established pursuant to 10 U.S.C. Section 9511-13 or any similar substitute program.

"Damage Payment Threshold" is defined in Schedule 1 to the Lease.

"Debt" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction or any other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"Debt Rate" means, with respect to any Series, the rate per annum specified for such Series under the heading "Interest Rate" in Schedule I to the Trust Indenture, subject to (i) increase pursuant to Paragraph B of Schedule 5 of the Participation Agreement, and (ii) redetermination in respect of the second of the two Funding Periods, in accordance with Schedule 5 of the Participation Agreement.

"Default" means any event or condition that with the giving of notice or the lapse of time or both would become an Event of Default.

"Definitive Purchase Notice" is defined in Section 17.1 of the Lease.

"Delayed Delivery Date" means a delayed Delivery Date notified to each Participant, Owner Trustee and Loan Trustee by Lessee pursuant to Section 5.3.1 of the Participation Agreement, which delayed Delivery Date shall be a Business Day not later than the Commitment Termination Date.

"Delivery Date" means the Business Day specified in Lease Supplement No. 1 as the date on which, among other things, the Aircraft is delivered to and accepted by Lessee under the Lease and the Closing occurs.

"Dollars," "United States Dollars" or "\$" means the lawful currency of the United States.

"DOT" means the Department of Transportation of the United States or any Government Entity succeeding to the functions of such Department of Transportation.

"Enforcement Date" is defined in Section 4.03 of the Trust Indenture.

"Engine" means (a) each of the engines manufactured by Engine Manufacturer and identified by Engine Manufacturer's model number and Engine Manufacturer's serial number set forth in Lease Supplement No. 1 and originally installed on the Airframe on delivery thereof pursuant to the Lease, and any Replacement Engine, in any case whether or not from time to time installed on such Airframe or installed on any other airframe or aircraft, and (b) any and all Parts incorporated or installed in or attached or appurtenant to such engine, and any and all Parts removed from such engine, unless title to such Parts shall not be vested in Lessor in accordance with Section 8.1 and Annex C of the Lease. Upon substitution of a Replacement Engine under and in accordance with the Lease, such Replacement Engine shall become subject to the Lease and shall be an "Engine" for all purposes of the Lease and the other Operative Agreements and thereupon the Engine for which the substitution is made shall no longer be subject to the Lease, and such replaced Engine shall cease to be an "Engine."

"Engine Consent and Agreement" means the Engine Manufacturer Consent and Agreement 104 dated as of even date with the Participation Agreement, of Engine Manufacturer.

"Engine Manufacturer" means Rolls-Royce plc, a corporation organized under the laws of England.

"Equipment Note Register" is defined in Section 2.07 of the Trust Indenture.

"Equipment Notes" means and includes any equipment notes issued under the Trust Indenture in the form specified in Section 2.01 thereof (as such form may be varied pursuant to the terms of the Trust Indenture) and any Equipment Note issued under the Trust Indenture in exchange for or replacement of any other Equipment Note.

"ERISA" means the Employee Retirement Income Security Act of 1974 and any regulations and rulings issued thereunder all as amended and in effect from time to time.

"Event of Default" is defined in Section 4.02 of the Trust Indenture.

"Event of Loss" means, with respect to the Aircraft, Airframe or any Engine, any of the following circumstances, conditions or events with respect to such property, for any reason whatsoever:

- (a) the destruction of such property, damage to such property beyond practical or economic repair or rendition of such property permanently unfit for normal use;
- (b) the actual or constructive total loss of such property or any damage to such property, or requisition of title or use of such property, which results in an insurance settlement with respect to such property on the basis of a total loss or constructive or compromised total loss;
- (c) any loss of such property or loss of use of such property for a period of 90 days or more as a consequence of any theft, hijacking or disappearance of such property;
- (d) any seizure, condemnation, confiscation, taking or requisition of title to such property by any Government Entity or purported non-U.S. Government Entity;
- (e) any seizure, condemnation, confiscation, taking or requisition of use of such property that continues until the earliest of (i) the last day of the Term, (ii) the date upon which the Aircraft is modified, altered or adapted in such a manner as would render conversion of such property for use in normal commercial passenger service impractical or uneconomical, (iii) the date on which such property is operated or located in any area excluded from coverage by any insurance policy required to be maintained in respect of such property pursuant to the Lease (unless an indemnity in lieu of insurance is provided to Lessor and Loan Trustee in accordance with Section 11.4 of the Lease) or (iv) the date that is 90 days following the commencement of such loss of use (unless such loss of use results from action by the U.S. Government, in which case this clause (iv) shall not apply to such loss of use); and
- (f) as a result of any law, rule, regulation, order or other action by the Aviation Authority or by any Government Entity of the government of registry of the Aircraft or by any Government Entity otherwise having jurisdiction over the operation or use of the Aircraft, the use of such property in the normal course of Lessee's business of passenger air transportation is prohibited for a period expiring on the earlier to occur of (i) the last day of the Term or (ii) the date that is 180 days following commencement of such prohibition, provided that if Lessee, prior to the expiration of such 180-day period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by Lessee, then the date that is 360 days following commencement of such prohibition.

The date of such Event of Loss shall be the date of such loss, damage, insurance settlement, seizure, condemnation, confiscation, taking or requisition of title or use or prohibition, except that, for purposes of clauses (c), (e) and (f) above, no Event of Loss shall be deemed to have occurred until the date of expiration of the applicable period referred to therein.

"Excluded Payments" means (i) indemnity payments paid or payable by Lessee to or in respect of Owner Participant, or Owner Trustee in its individual capacity, their respective Affiliates,

successors and permitted assigns and their directors, officers, employees, servants and agents pursuant to Section 10 of the Participation Agreement or any corresponding payments under the Trust Indenture, (ii) proceeds of public liability insurance paid or payable as a result of insurance claims made, or losses suffered, by Owner Trustee in its individual capacity or by Owner Participant, that are payable directly to Owner Trustee in its individual capacity, or Owner Participant, respectively, for their own account, (iii) proceeds of insurance maintained with respect to the Aircraft by Owner Participant or any Affiliate thereof for its or their own account or benefit (whether directly or through Owner Trustee) and permitted under Section 11.3 of the Lease, (iv) all payments required to be made under the Tax Indemnity Agreement by Lessee whether or not denominated as Supplemental Rent, (v) all payments, if any, required to be made from the proceeds of collateral securing any obligation of Lessee to Owner Participant or any Affiliate thereof (provided that no such payment shall in any event constitute, or have the effect of, a release, discharge or satisfaction in whole or in part of any obligation or liability of Lessee under any of the Operative Agreements to make any payment or render any performance to or for the benefit of any other Person (including, without limitation, Lessor's obligation to pay Rent to the Loan Trustee in accordance with the Lease and the Trust Indenture)), (vi) any interest that pursuant to the Operative Agreements may from time to time accrue in respect of any of the amounts described in clauses (i) through (v) above, (vii) any right to enforce the payment of any amount described in clauses (i) through (vi) above (provided, that the rights referred to in this clause (vii) shall not be deemed to include the exercise of any remedies provided for in the Lease other than the right to sue for specific performance of any covenant to make such payment or to sue for damages in respect of the breach of any such covenant) and (viii) any right to exercise any election or option or make any decision or determination, or to give or receive any notice, consent, waiver or approval, or to take any other action in respect of, but in each case, only to the extent relating to, any Excluded Payments.

"Expenses" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims (including, without limitation, claims or liabilities based or asserted upon (a) negligence, (b) strict or absolute liability, (c) liability in tort, (d) infringement of patent, trademark or other property or other right and (e) liabilities arising out of violation of any Law), actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation), including, without limitation, all such costs, expenses and disbursements incurred by any person in asserting or establishing, or in defending any claims arising out of its assertion of, any rights it may have under, or its cooperation in connection with any Expenses indemnified pursuant to, Section 10 of the Participation Agreement.

"FAA" means the Federal Aviation Administration of the United States or any Government Entity succeeding to the functions of such Federal Aviation Administration.

"FAA Bill of Sale" means a bill of sale for the Aircraft on AC Form 8050-2 (or such other form as may be approved by the FAA) delivered to Owner Trustee on the Delivery Date by Airframe Manufacturer.

"FAA Filed Documents" means the Lease, Lease Supplement No. 1, the Trust Indenture, the Trust Agreement, the Trust Indenture Supplement, the FAA Bill of Sale and an application for registration of the Aircraft with the FAA in the name of Owner Trustee.

"FAA Regulations" means the Federal Aviation Regulations issued or promulgated pursuant to the Act from time to time.

"Fair Market Rental Value" means the fair market rental value in Dollars for the Aircraft that would apply in an arm's-length transaction between an informed and willing lessee under no compulsion to lease, and an informed and willing lessor under no compulsion to lease, the Aircraft, for the First Renewal Lease Term or Second Renewal Lease Term, as the case may be, assuming that (a) the Aircraft has been maintained in accordance with, and is in the condition required by, the Lease, (b) payments of rent would be made quarterly, and (c) the Aircraft would be leased during any such Renewal Term on the same terms and conditions as are set forth in the Lease with respect to the Base Lease Term.

"Fair Market Sales Value" means the fair market sales value in Dollars for the Aircraft that would apply in an arm's-length transaction between an informed and willing buyer under no compulsion to buy, and an informed and willing seller under no compulsion to sell, the Aircraft, in a transaction that would close on or about the relevant time of determination, assuming that (a) the Aircraft has been maintained in accordance with, and is in the condition required by, the Lease and (b) the Aircraft would be delivered to such informed and willing buyer in the return condition required by the Lease.

"Financing Statements" means, collectively, UCC-1 (and, where appropriate, UCC-3) financing statements (a) covering the Trust Indenture Estate, by Owner Trustee, as debtor, showing Loan Trustee as secured party, for filing in Utah and each other jurisdiction that, in the opinion of Loan Trustee, is necessary to perfect its Lien on the Trust Indenture Estate, (b) covering the Lease and the Aircraft, as a precautionary matter, by Lessee, as lessee, showing Owner Trustee as lessor and Loan Trustee as assignee of Owner Trustee, for filing in Texas and each other jurisdiction that, in the opinion of Owner Trustee and Loan Trustee, is reasonably desirable and (c) for purposes of Section 6.1.2 of the Participation Agreement only, terminating the lien of (i) the Purchase Contract Security Agreement dated December 7, 1993, between Lessee and Engine Manufacturer and (ii) the 757 Purchase Agreement Assignment dated February 7, 1994 between Lessee and Airframe Manufacturer.

"First Renewal Lease Term" means, if Lessee exercises its option to renew the Lease at the end of the Base Lease Term pursuant to and in accordance with Section 17.2 of the Lease, the period commencing on the first day following the Scheduled Expiration Date, and ending on the First Renewal Term Expiration Date or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"First Renewal Term Expiration Date" means the first anniversary of the Scheduled Expiration Date.

"First Security" means First Security Bank of Utah, National Association, a national banking association, not in its capacity as Owner Trustee under the Trust Agreement, but in its individual capacity.

"Funding Period" means, unless otherwise expressed, each of the two successive periods, the first commencing upon the Delivery Date and ending on (but excluding) the Payment Date next preceding the tenth anniversary of the Delivery Date and the second commencing on such Payment Date and ending on (but excluding) the final maturity date of the Equipment Notes.

"GAAP" means generally accepted accounting principles as set forth in the statements of financial accounting standards issued by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, as such principles may at any time or from time to time be varied by any applicable financial accounting rules or regulations issued by the SEC and, with respect to any person, shall mean such principles applied on a basis consistent with prior periods except as may be disclosed in such person's financial statements.

"General Electric Company" means General Electric Company, a New York corporation and any Affiliate thereof.

"Government Entity" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Agreements or relating to the observance or performance of the obligations of any of the parties to the Operative Agreements.

"GTA" means the Purchase Contract reference RR/CAL/DEG 2124 dated December 7, 1993, by and between Engine Manufacturer and Lessee (including all exhibits thereto, together with all letter agreements that by their terms constitute part of such Purchase Contract), to the extent assigned pursuant to the Purchase Agreement Assignment.

"Inclusion" is defined in the Tax Indemnity Agreement in which General Electric Company is Owner Participant.

"Inclusion Event" is defined in the Tax Indemnity Agreement in which Gaucho-2 Inc. is Owner Participant.

"Indemnitee" means (a) First Security and Owner Trustee, (b) WTC and Loan Trustee, (c) each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (d) each Participant, (e) Owner Participant Parent (but only in its capacity as issuer of the Owner Participant Guaranty), (f) the Trust Estate and the Trust Indenture Estate, (g) each Affiliate of the persons described in clauses (a) through (e), inclusive, (h) the respective directors, officers, employees, agents and servants of each of the persons described in clauses (a) through (g), inclusive and (i) the successors and permitted assigns of the persons described in clauses (a) through (h), inclusive. If any Indemnitee is Airframe Manufacturer or Engine Manufacturer or any subcontractor or supplier of either thereof, such Person shall be an Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

"Indenture Default" means any condition, circumstance, act or event that, with the giving of notice, the lapse of time or both, would constitute an Indenture Event of Default.

"Indenture Agreements" means the Participation Agreement, the Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement, the Bills of Sale and any other contract, agreement or instrument from time to time assigned or pledged under the Trust Indenture.

"Indenture Event of Default" means any one or more of the conditions, circumstances, acts or events set forth in Section 4.02 of the Trust Indenture.

"Independent Tax Counsel" means independent tax counsel of recognized reputation selected by Owner Participant and reasonably acceptable to Lessee.

"Interim Lease Term" means the period commencing on and including the Delivery Date, and ending on and including the day immediately preceding the Commencement Date or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"Interim Term Value Date" is defined in Schedule 1 to the Lease.

"IRS" means the Internal Revenue Service of the United States or any Government Entity succeeding to the functions of such Internal Revenue Service.

"Law" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"Lease" or "Lease Agreement" means the Lease Agreement 104, dated as of even date with the Participation Agreement, between Owner Trustee and Lessee.

"Lease Default" means any condition, circumstance, act or event that, with the giving of notice, the lapse of time or both, would constitute a Lease Event of Default.

"Lease Event of Default" means any one or more of the conditions, circumstances, acts or events set forth in Section 14 of the Lease.

"Lease Supplement" means a supplement to the Lease, in the form of Exhibit A to the Lease.

"Lease Supplement No. 1" means the initial Lease Supplement, dated the Delivery Date.

"Lessee" means Continental Airlines, Inc., a Delaware corporation.

"Lessee Operative Agreements" means the Participation Agreement, the Lease, Lease Supplement No. 1, the Tax Indemnity Agreement, the BFE Bill of Sale, the Purchase Agreement Assignment and each other agreement between Lessee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Lessee Person" means Lessee, any sublessee, assignee, successor or other user or person in possession of the Aircraft, Airframe or an Engine with or without color of right, or any Affiliate of any of the foregoing (other than any Indemnitee or any related Indemnitee with respect thereto, or any person using or claiming any rights with respect to the Aircraft, Airframe or an Engine directly by or through any of the persons in this parenthetical).

"Lessor" means Owner Trustee in its capacity as lessor under the Lease.

"Lessor Lien" means, with respect to any person and in respect of any property (including, without limitation, the Aircraft, Airframe, Engines, Parts or Aircraft Documents), any Lien on such property which (a) arises from claims against such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) not related to or arising out of, directly or indirectly (i) its ownership of, Lien on or other interest in the Aircraft, Airframe, Engines, Parts or Aircraft Documents or all or any other part of the Trust Estate or Indenture Estate or (ii) any of the transactions contemplated by the Operative Agreements, (b) results from actions taken by such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) (i) in violation of such person's obligations under any of the terms of the Operative Agreements, (ii) not participated in or consented to by Lessee and (iii) not taken in connection with or by reason of the occurrence of a Lease Default or a Lease Event of Default, or (c) is imposed as a result of Taxes against such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) or any of its Affiliates not required to be indemnified by Lessee under the Participation Agreement, the Tax Indemnity Agreement or any other Operative Agreement; provided that for purposes of Sections 8.2.1 and 8.3.1 of the Participation Agreement, any Lien that is attributable solely to Owner Participant, First Security or Lessor and would

otherwise constitute a Lessor Lien thereunder shall not constitute a Lessor Lien thereunder, so long as (A) the existence of such Lien poses no material risk of the sale, forfeiture or loss of the Aircraft, Airframe or any Engine or any interest therein, (B) the existence of such Lien does not interfere in any way with the use or operation of the Aircraft by Lessee (or any Permitted Sublessee), (C) the existence of such Lien does not affect the priority or perfection of, or otherwise jeopardize, the Lien of the Trust Indenture, (D) First Security, Lessor or Owner Participant, as the case may be, is diligently contesting such Lien by appropriate proceedings, (E) the existence of such Lien does not result in actual interruption in the receipt and distribution by Loan Trustee in accordance with the Trust Indenture of Rent assigned to Loan Trustee for the benefit of the Note Holders, and (F) any property subject to such Lien is not then required to be conveyed to any other Person pursuant to Section 4.6 of the Lease.

"Lessor's Cost" (i) in respect of the period in which Gaucho-2 Inc. is Owner Participant, the aggregate of the amounts paid by Owner Trustee to Airframe Manufacturer, and, with respect to BFE, Lessee, to purchase the Aircraft pursuant to the Purchase Agreement and the Purchase Agreement Assignment, and is designated by Dollar amount as Lessor's Cost in Schedule 4 to the Participation Agreement and (ii) in respect of the period in which General Electric Company or any transferee is Owner Participant, the amount designated by Dollar amount as Subsequent Lessor's Cost in Schedule 4 to the Participation Agreement.

"Liability Deductible" is defined in Schedule 1 to the Lease.

"Lien" means any mortgage, pledge, lien, charge, claim, encumbrance, lease or security interest affecting the title to or any interest in property.

"Loan Certificate Register" means the Equipment Note Register.

"Loan Certificates" means the Equipment Notes.

"Loan Participant" means, on or prior to the Delivery Date, the Person executing the Participation Agreement as Loan Participant and thereafter, each Note Holder.

"Loan Participant Agreements" means the Participation Agreement and each other agreement or document delivered by Loan Participant under the Participation Agreement or any other Operative Agreement.

"Loan Participant's Percentage" with respect to the Loan Participant, means the Percentage of Lessor's Cost allocated to such Loan Participant in Schedule 3 to the Participation Agreement.

"Loan Trustee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as loan trustee under the Trust Indenture.

"Loan Trustee Event" means either (i) the Equipment Notes shall have become due and payable pursuant to Section 4.04(b) of the Trust Indenture or (ii) Loan Trustee has taken action or notified Owner Trustee that it intends to take action to foreclose the Lien of the Trust Indenture or otherwise commence the exercise of any significant remedy under the Trust Indenture or the Lease.

"MACRS Deductions" is defined in the Tax Indemnity Agreement.

"Maintenance Program" is defined in Annex C to the Lease.

"Majority in Interest of Note Holders" means as of a particular date of determination, the holders of a majority in aggregate unpaid Original Amount of all Equipment Notes outstanding as of such date (excluding any Equipment Notes held by Owner Trustee, Lessee, Loan Trustee or Owner Participant or any Affiliate of any such party or any interests of Owner Trustee or Owner Participant therein by reason of subrogation pursuant to Section 4.03 of the Trust Indenture (unless all Equipment Notes then outstanding shall be held by Owner Trustee, Owner Participant or any Affiliate of any thereof)); provided that for the purposes of directing any action or casting any vote or giving any consent, waiver or instruction hereunder, any Note Holder of an Equipment Note or Equipment Notes may allocate, in such Note Holder's sole discretion, any fractional portion of the principal amount of such Equipment Note or Equipment Notes in favor of or in opposition to any such action, vote, consent, waiver or instruction.

"Make-Whole Amount" means, with respect to a redemption or purchase of an Equipment Note, an amount equal to the greater of (i) zero and (ii) (x) the present value, discounted on a quarterly compounded basis utilizing an interest factor equal to the Reinvestment Yield, of the principal payments provided for in the Amortization Schedule for such Equipment Note (including the payment at final maturity) and the scheduled interest payments from the respective dates on which, but for such redemption or

purchase, such principal payments and interest payments would have been payable on such Equipment Note, minus (y) the principal amount of such Equipment Note so to be redeemed or purchased plus accrued but unpaid interest thereon. For purposes of this definition, "Reinvestment Yield" shall mean the arithmetic mean of the two most recent weekly average yields to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities equal to the remaining Weighted Average Life to Maturity of such Equipment Note as of the date of the proposed prepayment), as published by the Federal Reserve Board in its Statistical Release H.15(519) or any successor publication for the two calendar weeks ending on the Saturday next preceding such date or, if such average is not published for such period, of such reasonably comparable index as may be designated in good faith by the holder or holders of at least 66-2/3% of the unpaid Original Amount of the Loan Certificates for such period. If no possible maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding each of such relevant periods to the nearest month.

"Material Adverse Change" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Agreements.

"Minimum Liability Insurance Amount" is defined in Schedule 1 to the Lease.

"Minimum Residual Percentage" is defined in Schedule 1 to the Lease.

"Minimum Value Percentage" is defined in Schedule 1 to the Lease.

"Mortgaged Property" is defined in Section 3.03 of the Trust Indenture.

"Mortgagee" means Loan Trustee.

"Mortgagee Agreements" means, collectively, the Participation Agreement, the Trust Indenture and each other agreement between Loan Trustee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Mortgagee Event" means either (i) the Loan Certificates shall have become due and payable pursuant to Section 4.04(b) of the Trust Indenture or (ii) Loan Trustee has taken action or notified Owner Trustee that it intends to take action to foreclose the Lien of the Trust Indenture or otherwise commence the exercise of any significant remedy under the Trust Indenture or the Lease.

"Net Economic Return" means (i) with respect to Gaucho-2 Inc. as Owner Participant, Owner Participant's net after-tax yield and aggregate after-tax cash flow computed on the basis of the same methodology and assumptions as were utilized by Gaucho-2 Inc. in determining Basic Rent, Stipulated Loss Value percentages and Termination Value percentages as of the Delivery Date, as such assumptions may be adjusted for events that have been the basis for adjustments to Basic Rent pursuant to Section 3.2.1(b) of the Lease or events giving rise to indemnity payments pursuant to Section 5.1 of the Tax Indemnity Agreement in which Gaucho-2 Inc. is Owner Participant, (ii) with respect to General Electric Company as Owner Participant, Owner Participant's net after-tax yield and aggregate after-tax cash flow computed on the basis of the same methodology and assumptions as were utilized by General Electric Company as of the effective time of the purchase by General Electric Company of its interest as Owner Participant (taking into account both General Electric Company's interest as Owner Participant and its interest as holder of Series D Equipment Notes or pass-through certificates representing an interest therein) in determining Basic Rent, Stipulated Loss Value percentages and Termination Value percentages in accordance with Schedule 6 to the Participation Agreement, as such assumptions may be adjusted for events that have been the basis for adjustments to Basic Rent pursuant to Section 3.2.1(b) of the Lease after General Electric Company's becoming Owner Participant or events giving rise to indemnity payments pursuant to Section 6(a) of the Tax Indemnity Agreement in which General Electric Company is Owner Participant, and (iii) with respect to any transferee of General Electric Company as Owner Participant, such Owner Participant's net after-tax yield and aggregate after-tax cash flow computed on the basis of the same methodology and assumptions used by General Electric Company as of the effective time of the purchase by General Electric Company of its interest as Owner Participant in determining Basic Rent, Stipulated Loss Value percentages and Termination Value percentages other than the maintenance of Termination Value percentages in accordance with annual January percentages (taking into account both General Electric Company's interest as Owner Participant and its interest as holder of Series D Equipment Notes or pass-through

certificates representing an interest therein), as such assumptions may be adjusted for events that have been the basis for adjustments to Basic Rent pursuant to section 3.2.1(b) of the Lease after General Electric Company's becoming Owner Participant or events giving rise to indemnity payments pursuant to section 6(a) of the Tax Indemnity Agreement in which General Electric Company is Owner Participant; provided that (x) for purposes of clauses (ii) and (iii) above, if General Electric Company shall have transferred its interest as Owner Participant or its interest in the Series D Equipment Notes, Net Economic Return shall be calculated as if General Electric Company had retained all such interests, and (y) with respect to General Electric Company as Owner Participant, such methodology and assumptions are more specifically set forth on Schedule 6 to the Participation Agreement.

"Net Present Value of Rents" means the present value, as of the date of determination, discounted at ten percent per annum, compounded quarterly to the date of determination, of all unpaid Basic Rent payments during the then-remaining portion of the Base Lease Term, expressed as a percentage of Lessor's Cost.

"Net Worth" means, for any person, the excess of its total assets over its total liabilities.

"New Debt" means debt securities in an aggregate principal amount specified in the Refunding Information, which amount shall be no greater than the aggregate principal amount of all Equipment Notes outstanding on the Refunding Date.

"Non-U.S. Person" means any Person other than a United States person, as defined in Section 7701(a)(30) of the Code.

"Note Holder" means at any time each registered holder of one or more Equipment Notes.

"Officer's Certificate" means, in respect of any party to the Participation Agreement, a certificate signed by the Chairman, the President, any Vice President or Assistant Vice President, the Treasurer or the Secretary of such party.

"Operative Agreements" means, collectively, the Participation Agreement, the Trust Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement, the Lease, Lease Supplement No. 1, the Trust Indenture, the initial Trust Indenture Supplement, the Bills of Sale, the Tax Indemnity Agreement, the Owner Participant Guaranty, the Equipment Notes and each other Lessee Operative Agreement.

"Operative Leases" means each of the lease agreements between Lessor and Lessee identified on Schedule 1 hereto.

"Original Amount," with respect to an Equipment Note, means the stated original principal amount of such Equipment Note and, with respect to all Equipment Notes, means the aggregate stated original principal amounts of all Equipment Notes.

"Original Indenture" means the Trust Indenture and Mortgage 104, dated as of July 15, 1994, between the Owner Trustee and the Loan Trustee.

"Owner Participant" means the person executing the Participation Agreement as "Owner Participant" or, if a second person becomes an "Owner Participant" pursuant to Section 12.1.1 of the Participation Agreement, both of such persons; provided that if an Owner Participant Transfers 100% of its interest to a successor Owner Participant, such transferring Owner Participant shall thereafter no longer be considered an "Owner Participant."

"Owner Participant Agreements" means, collectively, the Participation Agreement, the Tax Indemnity Agreement, the Trust Agreement and each other agreement between Owner Participant and any other party to the Participation Agreement relating to the Transactions, delivered on the Delivery Date.

"Owner Participant Guaranty" means the Guaranty by Corporate Affiliate of Owner Participant 104 dated the Delivery Date from Owner Participant Parent to the beneficiaries named therein.

"Owner Participant Parent" means the person executing the Owner Participant Guaranty.

"Owner Participant's Percentage" means the percentage of Lessor's Cost allocated to the Owner Participant in Schedule 3 to the Participation Agreement.

"Owner Trustee" means First Security Bank of Utah, National Association, a national banking association, not in its individual capacity, except as expressly provided in any Operative Agreement, but solely as Owner Trustee under the Trust Agreement.

"Owner Trustee Agreements" means, collectively, the Participation Agreement, the Lease, Lease Supplement No. 1, the Trust Agreement, the Trust Indenture, the initial Trust Indenture Supplement, the Equipment Notes, the Purchase Agreement Assignment, and each other agreement between Owner Trustee and

any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Participants" means, collectively, Owner Participant and Loan Participant and "Participant" means Owner Participant or Loan Participant, individually.

"Participation Agreement" means the Participation Agreement 104 dated as of July 15, 1994 among Lessee, Owner Participant, Loan Participant, Owner Trustee and Loan Trustee.

"Parts" means all appliances, parts, components, instruments, appurtenances, accessories, furnishings, seats and other equipment of whatever nature (including, without limitation, all BFE, avionics, the APU and Passenger Convenience Equipment, but excluding Engines or engines), that may from time to time be installed or incorporated in or attached or appurtenant to the Airframe or any Engine; provided that the term "Parts" shall not be deemed to include any Passenger Convenience Equipment if and for so long as such Equipment shall be owned by, or shall be subject to a security interest, license or other interest of, another Person (other than any Affiliate of Lessee) as provided under Section D.3 of Annex C to the Lease.

"Pass Through Certificates" means the pass through certificates to be issued by the Pass Through Trustees in connection with the Refinancing Transaction.

"Pass Through Trust Agreement" means each of the four separate pass through trust agreements to be entered into by and between the Lessee and the Pass Through Trustee in connection with the Refinancing Transaction.

"Pass Through Trustee" means Wilmington Trust Company, a Delaware banking corporation, in its capacity as trustee under each Pass Through Trust Agreement, and each other person which may from time to time be acting as successor trustee under any such Pass Through Trust Agreement.

"Passenger Convenience Equipment" means components or systems installed on or affixed to the Airframe that are used to provide individual telecommunications or electronic entertainment to passengers aboard the Aircraft.

"Payment Date" is defined in Schedule 1 to the Lease.

"Payment Due Rate" is defined in Schedule 1 to the Lease.

"Permitted Air Carrier" means any U.S. Air Carrier or any air carrier listed on Schedule 5 to the Lease.

"Permitted Institution" means (a) any bank, trust company, insurance company, pension trust, finance or leasing corporation, financial institution or other person (other than, without Lessee's consent, a commercial air carrier or Affiliate thereof that is in direct competition with Lessee), in each case with a combined capital and surplus or net worth of at least \$50,000,000, or (b) any Affiliate of any person described in clause (a) in respect of which such person has provided a written guarantee of the obligations assumed by such Affiliate under the Owner Participant Agreements in form and substance reasonably satisfactory to Lessee, Owner Trustee and Loan Trustee.

"Permitted Lien" means any Lien described in clauses (a) through (f), inclusive, of Section 6 of the Lease.

"Permitted Sublease" means a sublease permitted under Section 7.2.7 of the Lease.

"Permitted Sublessee" means the sublessee under a Permitted Sublease.

"Persons" or "persons" means individuals, firms, partnerships, joint ventures, trusts, trustees, Government Entities, organizations, associations, corporations, government agencies, committees, departments, authorities and other bodies, corporate or incorporate, whether having distinct legal status or not, or any member of any of the same.

"Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA, and any plan within the meaning of Section 4975(e)(1) of the Code.

"Preliminary Notice" is defined in Section 17.1 of the Lease.

"Purchase Agreement" means the Purchase Agreement No. 1783, dated March 18, 1993, between Airframe Manufacturer and Lessee (including all exhibits thereto, together with all letter agreements entered into that by their terms constitute part of such Purchase Agreement), to the extent assigned pursuant to the Purchase Agreement Assignment.

"Purchase Agreement Assignment" means the Purchase Agreement and Engine Warranties Assignment 104 dated as of even date with the Participation Agreement, between Lessee and Owner Trustee.

"Purchase Date" means the last Business Day of any of the

Base Lease Term, First Renewal Lease Term or Second Renewal Lease Term, as specified in any Purchase Notice.

"Purchase Notice" is defined in Section 17.3.1 of the Lease.

"QIB" is defined in Section 2.08 of the Trust Indenture.

"Refinancing Transaction" means a refinancing transaction involving, among other things, (i) the redemption of the Equipment Notes issued on the date of the Trust Indenture and the concurrent issuance and sale of new Equipment Notes to the Pass Through Trustees (or their designee) pursuant to the Refunding Agreement and (ii) the issuance and sale of the Pass Through Certificates by the Pass Through Trustees to certain initial purchasers thereof, on the terms and conditions described in the draft offering circular dated December 22, 1995 (subject to such changes as may be agreed by the relevant parties) relating to the offering of Continental Airlines Pass Through Certificates Series 1996.

"Refunding Agreement" means the refunding agreement to be entered into by and among the Lessee, the Owner Participant, the Owner Trustee, the Pass Through Trustee under each Pass Through Trust Agreement and the Loan Trustee, providing for, among other things, the issuance and sale of the Equipment Notes in connection with the Refinancing Transaction.

"Refunding Certificate" means a certificate of an authorized representative of Owner Participant delivered pursuant to Section 13.1.1 of the Participation Agreement, setting forth (a) the Refunding Date and (b) the following information, subject to the limitations set forth in Section 13 of the Participation Agreement: (i) the principal amount of debt to be issued by Owner Trustee on the Refunding Date and (ii) the proposed revised schedules of Basic Rent, Stipulated Loss Value percentages and Termination Value percentages and the proposed Amortization Schedules.

"Refunding Date" means the proposed date on which the outstanding Equipment Notes will be redeemed and refinanced pursuant to Section 13 of the Participation Agreement.

"Refunding Information" means the information set forth in the Refunding Certificate (other than the Refunding Date) as such information may have been revised by any verification procedures demanded by Lessee pursuant to Section 3.2.1(d) of the Lease.

"Registration Rights Agreement" means the registration rights agreement to be entered into by and among the Lessee and certain initial purchasers of the Pass Through Certificates to be issued pursuant to the Refunding Agreement, providing for, among other things, the exchange offer with respect to such Pass Through Certificates to be registered under the Securities Act or the shelf registration of such Pass Through Certificates for a period to be specified therein.

"Renewal Lease Term" means, collectively, the First Renewal Lease Term and the Second Renewal Lease Term, in each case, if any.

"Renewal Notice" is defined in Section 17.2.1 of the Lease.

"Renewal Rent" for the Aircraft means the rent payable therefor in respect of a Renewal Lease Term determined pursuant to Section 17.2.2 of the Lease.

"Rent" means, collectively, Basic Rent, Renewal Rent and Supplemental Rent.

"Replacement Airframe" means any airframe substituted for the Airframe pursuant to Section 10 of the Lease.

"Replacement Engine" means an engine substituted for an Engine pursuant to Section 5.3, 7.2, 9 or 10 of the Lease.

"Return Acceptance Supplement" means a Return Acceptance Supplement, dated as of the date the Aircraft is returned to Lessor pursuant to Section 5 of the Lease, by Lessor and Lessee substantially in the form of Exhibit B to the Lease.

"Scheduled Delivery Date" means the expected Delivery Date notified to each Participant, Owner Trustee and Loan Trustee by Lessee pursuant to Section 5.1(a) of the Participation Agreement, which expected Delivery Date shall be a Business Day not later than the Commitment Termination Date.

"Scheduled Expiration Date" means July 15, 2014.

"SEC" means the Securities and Exchange Commission of the United States, or any Government Entity succeeding to the functions of such Securities and Exchange Commission.

"Second Renewal Lease Term" means, if Lessee exercises its option to renew the Lease at the end of the First Renewal Lease Term pursuant to and in accordance with Section 17.2 of the Lease, the period commencing on the first day following the First Renewal Term Expiration Date, and ending on the second anniversary of the Scheduled Expiration Date or such earlier date

on which the Term terminates in accordance with the provisions of the Lease.

"Section 1110" means 11 U.S.C. Section 1110 of the Bankruptcy Code or any successor or analogous section of the federal bankruptcy Law in effect from time to time.

"Secured Obligations" is defined in Section 2.06 of the Trust Indenture.

"Securities Act" means the Securities Act of 1933, as amended.

"Security" means a "security" as defined in Section 2(1) of the Securities Act.

"Senior Holder" is defined in Section 2.15(c) of the Trust Indenture.

"Series" means any of Series A, Series B, Series C or Series D.

"Series A" or "Series A Equipment Notes" means Equipment Notes issued under the Trust Indenture and designated as "Series A" thereunder, in the Original Amount and maturities and bearing interest as specified in Schedule I to the Trust Indenture under the heading "Series A."

"Series B" or "Series B Equipment Notes" means Equipment Notes issued under the Trust Indenture and designated as "Series B" thereunder, in the Original Amount and maturities and bearing interest as specified in Schedule I to the Trust Indenture under the heading "Series B."

"Series C" or "Series C Equipment Notes" means Equipment Notes issued under the Trust Indenture and designated as "Series C" thereunder, in the Original Amount and maturities and bearing interest as specified in Schedule I to the Trust Indenture under the heading "Series C."

"Series D" or "Series D Equipment Notes" means Equipment Notes issued under the Trust Indenture and designated as "Series D" thereunder, in the Original Amount and maturities and bearing interest as specified in Schedule I to the Trust Indenture under the heading "Series D."

"Similar Aircraft" means a Boeing Model 757-200 aircraft (other than the Aircraft) having a passenger compartment configuration (of the type used in Block Nos. ND301-325 as specified in Boeing Detail Specification D924N104-3 dated as of March 18, 1993, as amended or supplemented) most similar to the Aircraft.

"SLV Rate" is defined in Schedule 1 to the Lease.

"Stipulated Loss Value" means, with respect to the Aircraft, unless otherwise specified (a) during the Base Lease Term, the amount determined by multiplying (i) the percentage set forth in Schedule 3 to the Lease (as adjusted from time to time in accordance with Section 3.2.1. of the Lease) opposite the Stipulated Loss Value Date by (ii) Lessor's Cost and (b) during any Renewal Term, the amount determined pursuant to Section 17.2.3 of the Lease. Notwithstanding anything to the contrary in any Operative Agreement, Stipulated Loss Value shall always be sufficient to pay in full, as of the date of payment thereof (assuming timely payment of the Loan Certificates prior to such date), the aggregate unpaid principal amount of all Loan Certificates outstanding as of such date, together with accrued and unpaid interest on all such Loan Certificates as of such date.

"Stipulated Loss Value Date" means the day in such month specified in Schedule 3 to the Lease or, if such day is not a Business Day, the immediately succeeding Business Day.

"Supplemental Rent" means all Expenses, Transaction Expenses and all other amounts, liabilities, indemnities and obligations (other than Basic Rent or Renewal Rent but including Make-Whole Amount, if any) that Lessee assumes or becomes obliged to or agrees to pay under any Lessee Operative Agreement to or on behalf of Lessor or any other person, including, without limitation, payments of Stipulated Loss Value, Termination Value and payments of indemnities under Section 10 of the Participation Agreement.

"Tax Attribute Period" is defined in the applicable Tax Indemnity Agreement.

"Tax Indemnitee" means (a) First Security and Owner Trustee, (b) WTC and Loan Trustee, (c), each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (d) each Participant, (e) the Trust Estate and the Trust Indenture Estate and (f) the respective successors, assigns, agents and servants of the foregoing. For purposes of this definition, the term "Owner Participant" shall include any member of an affiliated group (within the meaning of Section 1504 of the Code) of which Owner Participant is, or may become, a member if consolidated, joint or combined returns are filed for

such affiliated group for federal, state or local income tax purposes. If the Tax Indemnitee is the Airframe Manufacturer or Engine Manufacturer, such Person shall be a Tax Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

"Tax Indemnity Agreement" means, with respect to Gaucho-2 Inc. as Owner Participant, the Tax Indemnity Agreement 104, dated as of even date with the Participation Agreement, between Lessee and Gaucho-2 Inc. and, with respect to General Electric Company or any transferee thereof as Owner Participant, the Tax Indemnity Agreement 104, dated as of December 22, 1995, between Lessee and General Electric Company.

"Taxes" means all license, recording, documentary, registration and other similar fees and all taxes, levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever imposed by any Taxing Authority, together with any penalties, additions to tax, fines or interest thereon or additions thereto.

"Taxing Authority" means any federal, state or local government or other taxing authority in the United States, any foreign government or any political subdivision or taxing authority thereof, any international taxing authority or any territory or possession of the United States or any taxing authority thereof.

"Term" means the term, commencing on the Delivery Date, for which the Aircraft is leased pursuant to Section 3 of the Lease, and shall include the Interim Lease Term, the Base Lease Term and, if applicable, any Renewal Lease Term.

"Termination Date" means any Payment Date occurring after the tenth anniversary of the Delivery Date and on or before the date one year prior to the Scheduled Expiration Date on which the Lease shall terminate in accordance with Section 9 of the Lease.

"Termination Value" means, with respect to the Aircraft, the amount determined by multiplying (a) the percentage set forth in Schedule 4 to the Lease (as adjusted from time to time in accordance with Section 3.2.1. of the Lease) opposite the Termination Value Date by (b) Lessor's Cost. Notwithstanding anything to the contrary in any Operative Agreement, Termination Value shall always be sufficient to pay in full, as of the date of payment thereof (assuming timely payment of the Equipment Notes prior to such date), the aggregate unpaid principal amount of all Equipment Notes outstanding as of such date, together with accrued and unpaid interest on all such Equipment Notes as of such date.

"Termination Value Date" means for any month, the day in such month specified in Schedule 4 to the Lease or, if such day is not a Business Day, the immediately succeeding Business Day.

"Transaction Expenses" means all costs and expenses incurred by Owner Participant, Loan Participant, Owner Trustee and Loan Trustee in connection with (a) the preparation, execution and delivery of the Operative Agreements and the recording or filing of any documents, certificates or instruments in accordance with any Operative Agreement, including, without limitation, the FAA Filed Documents and the Financing Statements, (b) any sublease or transfer of possession of the Aircraft or Airframe or any Engine, any Event of Loss with respect to the Aircraft, any Engine or any Part, any payment of Stipulated Loss Value or Termination Value and any replacement of any Engine or Part pursuant to the Lease, (c) any refunding of the Equipment Notes pursuant to Section 13 of the Participation Agreement or, pursuant to Section 15.3 of the Participation Agreement, any restructuring of the transactions in accordance with Section 15 of the Participation Agreement, (d) any transfer of title to the Aircraft or any Engine contemplated by Section 4.6 of the Lease, (e) all waivers, amendments or other agreements in connection with the Operative Agreements or the transactions contemplated thereby, in each case, except during the continuation of a Lease Event of Default, only to the extent requested by Lessee or required by or made pursuant to the terms of the Operative Agreements (unless such requirement results from the actions of the party incurring such costs or expenses not required by or made pursuant to the Operative Agreements), whether or not any of the same are also indemnified against by any other person, and (f) with respect to Owner Trustee and Loan Trustee, otherwise in connection with the administration of the transactions contemplated by the Participation Agreement, including, without limitation, in each such case (a) through (f), (i) the reasonable fees and disbursements of counsel for each Participant, counsel for Owner Trustee, counsel for Loan Trustee and special counsel in Oklahoma City, Oklahoma, in each case, in connection with the Closing, (ii) all initial and ongoing fees, disbursements and expenses of Owner Trustee and Loan Trustee, and (iii) except as may be expressly provided in the Lease the fees, expenses and disbursements of any Appraiser retained under or as contemplated by the Participation Agreement or the Lease.

"Transactions" means the transactions contemplated by the Participation Agreement and the other Operative Agreements.

"Transfer" means the transfer, sale, assignment or other

conveyance of all or any interest in any property, right or interest.

"Transferee" means a person to which any Owner Participant, Owner Trustee or any Loan Participant or Note Holder purports or intends to Transfer any or all of its right, title or interest in the Trust Estate or in its Equipment Note and the Trust Indenture Estate, respectively, as described in Section 12.1.1(a), 12.1.2 or 12.1.3 (but excluding participants in any participation referred to in Section 12.1.3), respectively, of the Participation Agreement.

"Trust" means the trust created by the Trust Agreement.

"Trust Agreement" means the Trust Agreement 104, dated as of even date with the Participation Agreement, between Owner Participant and Owner Trustee.

"Trust Estate" means all estate, right, title and interest of Owner Trustee in and to the Aircraft, the Lease, any Lease Supplement, the Purchase Agreement and the GTA including, without limitation, all amounts of Basic Rent and Supplemental Rent including, without limitation, insurance proceeds (other than insurance proceeds payable to or for the benefit of Owner Participant, Loan Participant, Note Holders or WTC) and requisition, indemnity or other payments of any kind for or with respect to the Aircraft (except amounts owing to Owner Participant, Loan Participant, Note Holders or WTC, or to any of their respective directors, officers, employees, servants and agents, pursuant to Section 10 of the Participation Agreement). Notwithstanding the foregoing, "Trust Estate" shall not include any Excluded Payment.

"Trust Indenture" means the Amended and Restated Trust Indenture and Mortgage 104, dated as of December 22, 1995, between Owner Trustee and Loan Trustee, which amends and restates the Original Indenture.

"Trust Indenture Estate" is defined in the "Granting Clause" of the Trust Indenture.

"Trust Indenture Supplement" means a Trust Indenture and Mortgage 104 Supplement, substantially in the form of Exhibit A to the Trust Indenture, with appropriate modifications to reflect the purpose for which it is being used.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"United States" or "U.S." means the United States of America; provided that for geographic purposes, "United States" means, in aggregate, the 50 states and the District of Columbia of the United States of America.

"U.S. Air Carrier" means any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Act, and as to which there is in force an air carrier operating certificate issued pursuant to Part 121 of the regulations promulgated under the Act, or which may operate as an air carrier by certification or otherwise under any successor or substitute provisions therefor or in the absence thereof.

"U.S. Government" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"U.S. Person" means any Person described in Section 7701(a)(30) of the Code.

"Weighted Average Life to Maturity" of each Equipment Note means at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of such Equipment Note by the then outstanding principal amount of such Equipment Note. The term "Remaining Dollar-years" shall mean the amount obtained by (1) multiplying the amount of each then-remaining principal payment on such Equipment Note provided for in the Amortization Schedule for such Equipment Note by the number of years (calculated at the nearest one-twelfth) that will elapse between the date of determination of the Weighted Average Life to Maturity of such Equipment Note and the date of that required payment and (2) totaling all the products obtained in clause (1) above.

"Wet Lease" means any arrangement whereby Lessee agrees to furnish the Airframe and Engines or engines installed thereon to a third party pursuant to which the Airframe and such Engines or engines (i) shall at all times be in the sole possession and control of Lessee, (ii) shall be operated in all respects solely by regular employees of Lessee possessing all current certificates and licenses that are required under the Act or any FAA Regulations for the possession, use and operation of the Airframe and such Engines or engines (or, if the Airframe is then under foreign registration, in accordance with Section 7.1.2 of the Lease, the foregoing requirement shall apply in respect of all certificates and licenses required by such government of registration and the applicable Aviation Authority for the possession, use and operation of the Airframe and such Engines or

engines), and (iii) shall in all events be maintained, insured and otherwise used and operated in compliance with the terms and provisions of the Lease.

"WTC" means Wilmington Trust Company, a Delaware banking corporation, not in its capacity as Loan Trustee under the Trust Indenture, but in its individual capacity.

SCHEDULE 1

SCHEDULE 1 TO ANNEX A

OPERATIVE LEASES

1. Lease Agreement 632, dated as of July 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
2. Lease Agreement 633, dated as of August 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
3. Lease Agreement 624, dated as of February 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
4. Lease Agreement 627, dated as of March 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
5. Lease Agreement 631, dated as of June 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
6. Lease Agreement 620, dated as of February 15, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
7. Lease Agreement 623, dated as of January 15, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
8. Lease Agreement 625, dated as of January 15, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
9. Lease Agreement 626, dated as of March 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
10. Lease Agreement 106, dated as of September 15, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
11. Lease Agreement 107, dated as of October 1, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
12. Lease Agreement 113, dated as of April 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
13. Lease Agreement 110, dated as of December 1, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
14. Lease Agreement 112, dated as of February 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
15. Lease Agreement 104, dated as of July 15, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
16. Lease Agreement 105, dated as of August 15, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
17. Lease Agreement 108, dated as of November 1, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
18. Lease Agreement 109, dated as of December 1, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.

PARTICIPATION AGREEMENT 104 AMENDMENT NO. 2

THIS PARTICIPATION AGREEMENT 104 AMENDMENT NO. 2 ("Amendment"), dated as of January 31, 1996, is among (a) CONTINENTAL AIRLINES, INC., a Delaware corporation ("Lessee"), (b) GENERAL ELECTRIC COMPANY, a New York corporation, in its capacity as owner participant ("Owner Participant"), (c) WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Subordination Agent under the Intercreditor Agreement, in its capacity as loan participant (the "Loan Participant"), (d) FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee (in its capacity as Owner Trustee, "Owner Trustee" or "Lessor," and in its individual capacity, "First Security") and (e) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except as expressly provided herein, but solely as Loan Trustee (in its capacity as Loan Trustee, "Loan Trustee" and in its individual capacity, "WTC") (Lessee, Owner Participant, Loan Participant, Owner Trustee and Loan Trustee collectively referred to herein as the "Transaction Participants").

RECITALS

(A) The Transaction Participants are parties to that certain Participation Agreement 104, dated as of July 15, 1994, relating to that certain Boeing aircraft, which was previously amended by that certain Waiver, Consent and Amendment to Participation Agreement 104, dated as of December 22, 1995 (as so amended, the "Participation Agreement").

(B) The parties wish to amend the Participation Agreement as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

A. DEFINITIONS. Capitalized terms used but not defined herein shall have the respective meanings set forth or incorporated by reference, and shall be construed and interpreted in the manner described, in Annex A to the Participation Agreement, as amended hereby.

B. PARTICIPATION AGREEMENT AMENDMENTS. The parties agree that, effective as of the date hereof, the Participation Agreement is hereby amended as follows:

(1) Amendment to Provisions Regarding Revocation of Trust Agreement.

The first sentence of Section 8.2.2(b) of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new sentence in lieu thereof:

Notwithstanding Section 8.2.2(a), Owner Participant may at any time remove Owner Trustee pursuant to Section 9.1 of the Trust Agreement provided, however, that so long as any Pass Through Certificates are outstanding, the Owner Participant shall (i) give prior written notice of any such proposed removal to the nationally recognized rating agencies which have been requested by Lessee to rate, and are then rating, the Pass Through Certificates, and (ii) obtain written confirmation from such rating agencies prior to effecting any such proposed removal to the effect that such removal will not result in a withdrawal or downgrading of the ratings of the Pass Through Certificates.

(2) Amendment to Agreements Provisions.

Section 8.7 of the Participation Agreement is hereby amended by adding the following new Section 8.7.17 immediately after Section 8.7.16 of the Participation Agreement:

The Owner Trustee agrees to reimburse Lessee promptly for any amounts paid as Supplemental Rent in excess of amounts owed by Lessee as Supplemental Rent if such excess Supplemental Rent is distributed to the Owner Trustee pursuant to Section 3.2(ninth) of the Intercreditor Agreement after Final Distributions (as such term is defined in the Intercreditor Agreement) have been made on all classes of the Pass Through Certificates and all other amounts due under the Intercreditor Agreement have been paid.

(3) Amendments to General Indemnity Provisions.

(a) Section 10.1.1(a) of the Participation

Agreement is hereby amended by deleting it in its entirety and substituting the following new Section 10.1.1(a) in lieu thereof:

The Operative Agreements, any Permitted Sublease, the Pass Through Trust Agreements, the Intercreditor Agreement and the Liquidity Facilities or the enforcement of any of the terms of any of the Operative Agreements, any Permitted Sublease, the Pass Through Trust Agreements, the Intercreditor Agreement and the Liquidity Facilities.

(b) Section 10.1.2(g) of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new Section 10.1.2(g) in lieu thereof:

Any Expense to the extent attributable to the incorrectness or breach of any representation or warranty of such Indemnitee or related Indemnitee contained in or made pursuant to any Operative Agreement, the Pass Through Trust Agreements, the Intercreditor Agreement or the Liquidity Facilities.

(c) Section 10.1.2(h) of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new Section 10.1.2(h) in lieu thereof:

Any Expense to the extent attributable to the failure by such Indemnitee or any related Indemnitee to perform or observe any agreement, covenant or condition on its part to be performed or observed in any Operative Agreement, the Pass Through Trust Agreements, the Intercreditor Agreement or the Liquidity Facilities.

(d) Section 10.1.2(j) of the Participation Agreement is hereby amended by deleting it in its entirety and substituting the following new Section 10.1.2(j) in lieu thereof:

(i) With respect to any Indemnitee (other than Loan Trustee), any Expense to the extent attributable to the failure of (X) the Loan Trustee to distribute funds received and distributable by it in accordance with the Trust Indenture or (Y) the Owner Trustee to distribute funds received and distributable by it in accordance with the Trust Agreement, (ii) with respect to any Indemnitee (other than the Subordination Agent), any Expense to the extent attributable to the failure of the Subordination Agent to distribute funds received and distributable by it in accordance with the Intercreditor Agreement, (iii) with respect to any Indemnitee (other than the Pass Through Trustees), any Expense to the extent attributable to the failure of a Pass Through Trustee to distribute funds received and distributable by it in accordance with the Pass Through Trust Agreements, (iv) with respect to Loan Trustee, any Expense to the extent attributable to the negligence or willful misconduct of Loan Trustee in the distribution of funds received and distributable by it in accordance with the Trust Indenture, (v) with respect to the Subordination Agent, any Expense to the extent attributable to the negligence or willful misconduct of the Subordination Agent in the distribution of funds received and distributable by it in accordance with the Intercreditor Agreement, and (vi) with respect to the Pass Through Trustees, any Expense to the extent attributable to the negligence or willful misconduct of a Pass Through Trustee in the distribution of funds received and distributable by it in accordance with the Pass Through Trust Agreements.

(4) Amendments to Annex A.

(a) Annex A to the Participation Agreement is hereby amended by replacing the definition of "Indemnitee" with the following new definition in lieu thereof:

"Indemnitee" means (i) First Security and Owner Trustee, (ii) WTC and Loan Trustee, (iii) each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (iv) each Participant, (v) Owner Participant Parent (but only in its capacity as issuer of the Owner Participant Guaranty), (vi) the Trust Estate and the Trust Indenture Estate, (vii) the Subordination Agent, (viii) the Liquidity Provider, (ix) the Pass Through Trustees, (x) each Affiliate of the persons

described in clauses (i) through (v), inclusive, (xi) each Affiliate of the persons described in clauses (vii), (viii) and (ix), (xii) the respective directors, officers, employees, agents and servants of each of the persons described in clauses (i) through (vi) inclusive and in clause (x), (xiii) the respective directors, officers, employees, agents and servants of each of the persons described in clauses (vii), (viii), (ix) and (xi), (xiv) the successors and permitted assigns of the persons described in clauses (i) through (vi), inclusive, and in clauses (x) and (xii), and (xv) the successors and permitted assigns of the persons described in clauses (vii), (viii), (ix), (x), (xi) and (xiii); provided that the persons described in clauses (vii), (viii), (ix), (xi), (xiii) and (xv) are Indemnitees only for purposes of Section 10.1 of the Participation Agreement. If any Indemnitee is Airframe Manufacturer or Engine Manufacturer or any subcontractor or supplier of either thereof, such Person shall be an Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

(b) Annex A to the Participation Agreement is hereby further amended by inserting the following new definitions after the definition "Independent Tax Counsel" and before the definition "Interim Lease Term":

"Intercreditor Agreement" means that certain Intercreditor Agreement among the Pass Through Trustees, the Liquidity Provider and the Subordination Agent.

(c) Annex A to the Participation Agreement is hereby further amended by inserting the following new definitions after the definition "Lien" and before the definition "Loan Certificate Register":

"Liquidity Facilities" means the three Revolving Credit Agreements between the Subordination Agent, as borrower, and the Liquidity Provider, and any replacement thereof, in each case as the same may be amended, modified or supplemented.

"Liquidity Provider" means Credit Suisse, acting through its New York Branch, as Class A Liquidity Provider, Class B Liquidity Provider and Class C Liquidity Provider under the Liquidity Facilities, or any successor thereto.

(d) Annex A to the Participation Agreement is hereby further amended by inserting the following new definition after the definition "Participation Agreement" and before the definition "Parts":

"Participation Purchase Agreement" means one or more participation purchase agreements between Lessee and the Liquidity Provider pursuant to which Lessee agrees, subject to the terms and conditions stated therein, to purchase participations in advances made by the Liquidity Provider under the Liquidity Facilities.

(e) Annex A to the Participation Agreement is hereby further amended by inserting the following new definition after the definition "Stipulated Loss Value Date" and before the definition "Supplemental Rent":

"Subordination Agent" means Wilmington Trust Company, as subordination agent under the Intercreditor Agreement, or any successor thereto.

(f) Annex A to the Participation Agreement is hereby further amended by replacing the definition of "Supplemental Rent" with the following new definition in lieu thereof:

"Supplemental Rent" means, without duplication (a) all Expenses, Transaction Expenses and all other amounts, liabilities, indemnities and obligations (other than Basic Rent or Renewal Rent but including Make-Whole Amount, if any) that Lessee assumes or becomes obligated to or agrees to pay under any Lessee Operative Agreement to or on behalf of Lessor or any other person, including, without limitation, payments of Stipulated Loss Value, Termination Value and payments of indemnities under Section 10 of the Participation Agreement, (b) Lessee's pro rata share of the excess of (i) any amounts owed to the Liquidity Provider by the Subordination Agent as borrower under each Liquidity Facility (other than amounts due as repayment of advances thereunder) and the related fee letter between the Subordination Agent as borrower and the Liquidity

Provider and any amounts owed to the Liquidity Provider under each "Refunding Agreement" (as such term is defined in each of the Operative Leases), over (ii) any "Investment Earnings" on amounts on deposit in any "Cash Collateral Account" (as such terms are defined in the Intercreditor Agreement), (c) Lessee's pro rata share of all compensation and reimbursement of expenses, disbursements and advances payable by Lessee under the Pass Through Trust Agreements, (d) Lessee's pro rata share of amounts owed to the Liquidity Provider pursuant to the Participation Purchase Agreement, which shall be paid directly to the Liquidity Provider, (e) Lessee's pro rata share of out-of-pocket costs, fees and expenses payable by Lessee under Section 12 of the Refunding Agreement (other than such costs, fees and expenses payable thereunder to Lessee's special New York counsel and Perkins Coie), and Lessee's pro rata share of underwriters' fees, discounts and commissions payable by Lessee under Section 3 of that certain Purchase Agreement dated as of January 24, 1996 among the Lessee and the initial purchasers party thereto and (f) Lessee's pro rata share of all compensation and reimbursement of expenses and disbursements payable to the Subordination Agent under the Intercreditor Agreement except with respect to any income or franchise taxes incurred by the Subordination Agent in connection with the transactions contemplated by the Intercreditor Agreement. As used herein, "Lessee's pro rata share" means as of any time a fraction, the numerator of which is the principal balance then outstanding of Equipment Notes and the denominator of which is the aggregate principal balance then outstanding of all "Equipment Notes" (as such term is defined in each of the Operative Leases).

(5) Amendment to Schedule 6.

Schedule 6 to the Participation Agreement is hereby replaced in its entirety by revised Schedule 6 attached to this Amendment as Amended Schedule 6.

C. ENTIRE AGREEMENT. This Amendment is intended to be a complete and exclusive statement of the terms of the agreement of the parties hereto and supersedes any prior or contemporaneous agreements, whether oral or in writing with respect to the subject matter hereof.

D. STATUS OF PARTICIPATION AGREEMENT. This Amendment shall be construed in connection with, and as a part of, the Participation Agreement. The terms, conditions, covenants, representations, agreements, rights, remedies, powers and privileges set forth in the Participation Agreement, as modified hereby, are hereby confirmed in all respects by the parties hereto and shall continue in full force and effect.

E. COUNTERPARTS. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Amendment has been executed on behalf of each of the parties as of the date first written above.

CONTINENTAL AIRLINES, INC.,  
Lessee

By: \_\_\_\_\_  
Name: Gerald Laderman  
Title: Vice President

GENERAL ELECTRIC COMPANY  
Owner Participant

By: \_\_\_\_\_  
Name: Michael Kriedberg  
Title: Attorney-in-Fact

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as expressly provided  
herein, but solely as Owner  
Trustee, Owner Trustee

By: \_\_\_\_\_  
Name: Val T. Orton  
Title: Vice President

WILMINGTON TRUST COMPANY,  
not in its individual capacity,  
except as expressly provided  
herein, but solely as Loan  
Trustee, Loan Trustee

By: \_\_\_\_\_  
Name: Bruce Bisson  
Title: Vice President

WILMINGTON TRUST COMPANY,  
not in its individual capacity,  
but solely as Subordination  
Agent under the Intercreditor  
Agreement, Loan Participant

By: \_\_\_\_\_  
Name: W. Chris Sponenberg  
Title: Financial Services  
Officer

AMENDED  
SCHEDULE 6

Methodology and assumptions which form the basis for the pricing  
in the ABC file designated as cont-refi-104a.abc as in effect on  
the date hereof.

CONFIDENTIAL: Annexes B, C and D and Schedules 1, 2, 3 and 4 of this Lease Agreement are subject to Restrictions on Dissemination Set Forth in Section 18 of the Participation Agreement (as defined herein).

LEASE AGREEMENT 104

Dated as of July 15, 1994

Between

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
Not in its Individual Capacity,  
except as expressly provided herein,  
but solely as Owner Trustee,

Lessor

and

CONTINENTAL AIRLINES, INC.,

Lessee

One Boeing Model 757-224 Aircraft  
Bearing United States Registration No. N17104 and  
Bearing Manufacturer's Serial No. 27294  
with two Rolls-Royce Model RB211-535E4-B-37 Engines  
Bearing Engine Manufacturer's Serial Nos. 31268 and 31269

The right, title and interest of Lessor in and to, among other things, this Lease Agreement has been assigned to and is subject to a security interest in favor of Wilmington Trust Company, a Delaware banking corporation, as Mortgagee, under the Trust Indenture and Mortgage 104, dated as of July 15, 1994, for the benefit of the holders of the Loan Certificates referred to in such Trust Indenture, all to the extent provided in such Trust Indenture. This Lease Agreement has been executed in multiple counterparts; to the extent, if any, that this Lease Agreement constitutes chattel paper (as defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in Lessor's right, title and interest in and to this Lease Agreement may be perfected through the delivery or possession of any counterpart of this Lease Agreement other than the counterpart of this Lease Agreement that contains the original receipt executed by Wilmington Trust Company, as Mortgagee.

CONTENTS

SECTION 1.	DEFINITIONS AND CONSTRUCTION. . . . .	1
SECTION 2.	DELIVERY AND ACCEPTANCE . . . . .	1
2.1	Delivery and Lease of Aircraft. . . . .	1
2.2	Acceptance by Lessee. . . . .	1
SECTION 3.	TERM AND RENT . . . . .	2
3.1	Term. . . . .	2
3.2	Rent. . . . .	2
3.3	Payments. . . . .	5
SECTION 4.	DISCLAIMER; CERTAIN AGREEMENTS OF LESSOR; SECTION 1110 MATTERS. . . . .	6
4.1	Computation of Stipulated Loss and Termination Values. . . . .	6
4.2	Disclaimer. . . . .	6
4.3	Certain Agreements of Lessor. . . . .	7
4.4	Quiet Enjoyment . . . . .	8
4.5	Investment of Funds Held as Security. . . . .	8
4.6	Title Transfers by Lessor . . . . .	9
4.7	Lessor's Interest in Certain Engines. . . . .	9
4.8	Lease For U.S. Federal Income Tax Law Purposes; Section 1110 of Bankruptcy Code. . . . .	10
SECTION 5.	RETURN OF AIRCRAFT. . . . .	10
5.1	Compliance with Annex B . . . . .	10
5.2	Storage and Related Matters . . . . .	11
5.3	Return of Other Engines . . . . .	11
5.4	Failure to Return Aircraft. . . . .	11
SECTION 6.	LIENS . . . . .	12

SECTION 7.	REGISTRATION, OPERATION, POSSESSION, SUBLEASING AND RECORDS. . . . .	13
7.1	Registration and Operation. . . . .	13
7.2	Possession. . . . .	15
7.3	Certain Limitations on Subleasing or Other Relinquishment of Possession. . . . .	21
SECTION 8.	MAINTENANCE; REPLACEMENT AND POOLING OF PARTS; ALTERATIONS, MODIFICATIONS AND ADDITIONS; OTHER LESSEE COVENANTS . . . . .	22
8.1	Maintenance; Replacement and Pooling of Parts; Alterations, Modifications and Additions . . . . .	22
8.2	Information, Certificates, Notices and Reports . . . . .	22
8.3	Certain Agreements of Lessee. . . . .	25
SECTION 9.	VOLUNTARY TERMINATION UPON OBSOLESCENCE . . . . .	25
9.1	Right of Termination. . . . .	25
9.2	Election by Lessor to Sell. . . . .	26
9.3	Retention of Aircraft by Lessor . . . . .	29
SECTION 10.	LOSS, DESTRUCTION, REQUISITION, ETC.. . . .	30
10.1	Event of Loss With Respect to Aircraft. . . . .	30
10.2	Event of Loss With Respect to an Engine . . . . .	33
10.3	Conditions to any Replacement . . . . .	33
10.4	Conveyance to Lessee. . . . .	37
10.5	Application of Payments . . . . .	37
10.6	Requisition of Aircraft for Use . . . . .	38
10.7	Requisition of an Engine for Use. . . . .	38
10.8	Application of Payments . . . . .	39
10.9	Application of Payments During Existence of Default. . . . .	39
SECTION 11.	INSURANCE . . . . .	39
11.1	Lessee's Obligation to Insure . . . . .	39
11.2	Lessor's Right to Maintain Insurance. . . . .	40
11.3	Insurance for Own Account . . . . .	40
11.4	Indemnification by Government in Lieu of Insurance . . . . .	40
11.5	Application of Insurance Proceeds . . . . .	41
11.6	Application of Payments During Existence of Default. . . . .	41
SECTION 12.	INSPECTION. . . . .	42
SECTION 13.	ASSIGNMENT; MERGER; SUCCESSOR OWNER TRUSTEE . . . . .	43
13.1	In General. . . . .	43
13.2	Merger of Lessee. . . . .	43
13.3	Assignment Security for Lessor's Obligations . . . . .	44
13.4	Successor Owner Trustee . . . . .	45
SECTION 14.	LEASE EVENTS OF DEFAULT . . . . .	45
14.1	Payments. . . . .	46
14.2	Insurance . . . . .	46
14.3	Corporate Existence . . . . .	46
14.4	Certain Covenants . . . . .	46
14.5	Other Covenants . . . . .	46
14.6	Representations and Warranties. . . . .	47
14.7	Bankruptcy and Insolvency . . . . .	47
SECTION 15.	REMEDIES AND WAIVERS. . . . .	48
15.1	Remedies. . . . .	48
15.2	Limitations Under CRAF. . . . .	51
15.3	Right to Perform for Lessee . . . . .	52
15.4	Determination of Fair Market Rental Value and Fair Market Sales Value . . . . .	52
15.5	Lessor Appointed Attorney-in-Fact . . . . .	53
15.6	Remedies Cumulative . . . . .	53
SECTION 16.	LESSEE'S OBLIGATIONS; NO SETOFF, COUNTERCLAIM, ETC.. . . . .	54
SECTION 17.	RENEWAL AND PURCHASE OPTIONS. . . . .	55
17.1	Notices Generally . . . . .	55
17.2	Renewal Options . . . . .	56
17.3	Purchase Option . . . . .	58
17.4	Appraisals. . . . .	59
SECTION 18.	MISCELLANEOUS . . . . .	60
18.1	Amendments. . . . .	60
18.2	Severability. . . . .	60
18.3	Survival. . . . .	60
18.4	Reproduction of Documents . . . . .	61
18.5	Counterparts. . . . .	61

18.6	No Waiver . . . . .	.61
18.7	Notices . . . . .	.61
18.8	GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE . . . . .	.62
18.9	Third-Party Beneficiary . . . . .	.64
18.10	Entire Agreement. . . . .	.65

ANNEXES, EXHIBITS AND SCHEDULES

ANNEX A	Definitions
ANNEX B	Return Conditions
ANNEX C	Maintenance
ANNEX D	Insurance
EXHIBIT A	Form of Lease Supplement
SCHEDULE 1	Certain Terms
SCHEDULE 2	Basic Rent
SCHEDULE 3	Stipulated Loss Value Schedule
SCHEDULE 4	Termination Value Schedule
SCHEDULE 5	Permitted Air Carriers
SCHEDULE 6	Placards

LEASE AGREEMENT 104, dated as of July 15, 1994 (this "Agreement" or "Lease"), between (a) FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee (this and all other capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in Section 1 below) ("Lessor" or "Owner Trustee"), and (b) CONTINENTAL AIRLINES, INC., a Delaware corporation ("Lessee").

RECITALS

A. Lessor and Lessee are parties to the Participation Agreement, pursuant to which, among other things, Lessor and Lessee have agreed to enter into this Agreement.

B. Pursuant to the Trust Agreement, Owner Participant has authorized Lessor to enter into this Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS AND CONSTRUCTION

Capitalized terms used but not defined herein shall have the respective meanings set forth or incorporated by reference, and shall be construed and interpreted in the manner described, in Annex A.

SECTION 2. DELIVERY AND ACCEPTANCE

2.1 Delivery and Lease of Aircraft

Lessor hereby agrees to lease to Lessee for the Term and Lessee hereby agrees to lease from Lessor for the Term, the Aircraft, commencing immediately upon acquisition of the Aircraft by Lessor pursuant to the Purchase Agreement Assignment.

2.2 Acceptance by Lessee

(a) By executing and delivering Lease Supplement No. 1, Lessee confirms to Lessor that (i) Lessee has duly and irrevocably accepted delivery of the Aircraft for all purposes of this Agreement, (ii) Lessee has duly and irrevocably accepted the Aircraft as being in satisfactory condition and in good working order, without defect in design, operation or fitness for use, whether or not discoverable by Lessee as of the Delivery Date, and (iii) the Aircraft has been duly marked in accordance with Section 7.1.3(a).

(b) Lessor has authorized one or more employees of Lessee, designated by Lessee in writing, as the authorized representative or representatives of Lessor to accept delivery of the Aircraft on behalf of Lessor pursuant to the Purchase Agreement Assignment and the Participation Agreement. Lessee hereby agrees that if delivery of the Aircraft shall be accepted by an employee or employees of Lessee pursuant to such authorization by Lessor, such acceptance of delivery by such employee or employees on behalf of Lessor shall, without further act, irrevocably constitute acceptance by Lessee of the Aircraft for all purposes of this Agreement.

SECTION 3. TERM AND RENT

3.1 Term

The Aircraft shall be leased hereunder for the Term, unless this Agreement or the leasing of the Aircraft is earlier terminated in accordance with any provision of this Agreement. Lessee shall have the option to renew the leasing of the Aircraft hereunder pursuant to, and subject to the terms and conditions of, Section 17, for the Renewal Lease Term.

3.2 Rent

3.2.1 Basic Rent; Adjustments to Basic Rent, Stipulated Loss Value and Termination Value

(a) During the Base Lease Term, Lessee shall pay to Lessor, on each Payment Date, in the manner and in funds of the type specified in Section 3.3, Basic Rent in advance (or, with respect to the installment of Basic Rent due on the Commencement Date, in advance and in arrears as specified in Schedule 2) and in the amount equal to the percentage of Lessor's Cost specified in Schedule 2 for such Payment Date, as such amount may be adjusted pursuant to Section 3.2.1(b). The advance payment component of the installment of Basic Rent due on the Commencement Date and, thereafter, each installment of Basic Rent shall, for all purposes hereof (including, without limitation, for purposes of Section 467 of the Code), be accrued on a daily basis over the

three-month period beginning on the Payment Date on which such installment is scheduled to be made; and as security for the obligations of Lessee under this Lease and the other Lessee Operative Agreements, Lessee hereby grants to Lessor a security interest in all amounts of Basic Rent which may be paid but unaccrued hereunder from time to time.

(b) The percentages of (i) Basic Rent, Stipulated Loss Value and Termination Value set forth in Schedules 2, 3 and 4, respectively, shall be appropriately adjusted (upward or downward) in the manner set forth in Section 3.2.1(c), (1) to reflect any Post-Delivery Change in Tax Law (but without any optimization of the Amortization Schedule as provided for under Section 9 of the Participation Agreement), or (2) to reflect any optimization of the Amortization Schedule pursuant to Section 9 of the Participation Agreement requested by Lessee concurrently with or subsequent to any adjustment under the clause (1) above, or (3) as contemplated in Section 13 of the Participation Agreement, to reflect a transaction described in, and subject to the terms and conditions of such Section 13 or (4) to reflect the resetting of the rate of interest on the Loan Certificates as provided in Schedule 5 to the Participation Agreement and (ii) Stipulated Loss Value and Termination Value shall be adjusted and recomputed in accordance with, and to the extent required by, the Tax Indemnity Agreement. Any adjustment described in this Section 3.2.1(b) shall be set forth in a Lease Supplement to be prepared by Lessor, executed and delivered by Lessor and Lessee, and filed with the FAA by Lessor, all at the sole cost and expense of Lessee, and a copy of such Lease Supplement shall be provided to Mortgagee; provided, however, that the execution, delivery and filing of such Lease Supplement shall not be a condition to the effectiveness of any adjustment required by the terms hereof.

(c) All adjustments pursuant to Section 3.2.1(b) shall be made as promptly as practicable after either Owner Participant or Lessee gives notice to the other that an event has occurred that requires an adjustment. Owner Participant and Lessee shall give prompt notice to the other of any event requiring an adjustment, but in any event in the case of a Post-Delivery Change in Tax Law, not later than the end of the 14th month following the month in which the Delivery Date occurs. All such adjustments shall be made in a manner that, after taking into account any optimization of the Amortization Schedule pursuant to Section 9 of the Participation Agreement, (i) maintains the Net Economic Return to Owner Participant and (ii) to the extent possible consistent with clause (i), minimizes the Net Present Value of Rents to Lessee; provided, however, that payments of Basic Rent hereunder shall, notwithstanding any such adjustment, be payable in consecutive quarterly installments, subject always to the provisions of Section 3.2.1(e). Any recalculation of the percentages of Basic Rent, Stipulated Loss Value and Termination Value shall be prepared by Owner Participant, subject to verification at the request of Lessee in accordance with this Section 3.2.1(c), on the basis of the same methodology and assumptions used by Owner Participant in determining the percentages of Basic Rent, Stipulated Loss Value and Termination Value as of the Delivery Date (including compliance with Revenue Procedures 75-21 and 75-28 and Section 467 of the Code), except as such assumptions have been modified to reflect the events giving rise to adjustments hereunder. Promptly after an adjustment is made hereunder, Owner Participant shall deliver to Lessee a description of such adjustment, setting forth in reasonable detail the calculation thereof. All adjustments shall (y) be made so as to avoid characterization of the Lease as a "disqualified leaseback or long-term agreement" within the meaning of Section 467 of the Code and to avoid any additional risk of such characterization and (z) be in compliance with the requirements of Revenue Procedure 75-21 and Sections 4.02(5), 4.07(1) and, on a prospective basis, 4.08(1) of Revenue Procedure 75-28.

(d) If Lessee believes that any calculations by Owner Participant pursuant to Section 3.2.1(c) are in error, and if, after consultation, Lessee and Owner Participant are unable to agree on an adjustment, then a nationally recognized firm of accountants selected by Owner Participant and reasonably satisfactory to Lessee (which may be Owner Participant's independent public accountants) shall verify such calculations. Owner Participant will make available to such firm, but not, in any circumstances, to Lessee or any representative of Lessee, the methodology and assumptions referred to in Section 3.2.1(c) and any modifications thereto made to reflect the events giving rise to adjustments hereunder (subject to the execution by such firm of a confidentiality agreement, reasonably acceptable to Owner Participant, prohibiting disclosure of such methodology and assumptions to any third party). The determination by such firm of accountants shall be final. Lessee will pay the reasonable costs and expenses of such further verification by such accountants, provided that if it results in a decrease in Basic Rent which decreases the remaining Net Present Value of Rents by more than twenty basis points from the remaining Net Present Value of Rents as recalculated by the Owner Participant, then the Owner Participant will pay such costs and expenses.

(e) Notwithstanding anything to the contrary in any Operative Agreement, the amount of the payment of Basic Rent due and payable on each Payment Date shall be at least sufficient to

pay in full, as of such Payment Date (assuming timely payment of the Loan Certificates prior to such Date), the aggregate principal amount of scheduled installments due on the Loan Certificates outstanding on such Payment Date, together with the accrued and unpaid interest thereon, due on such Payment Date in respect of the Loan Certificates; provided, however, that no installment of Basic Rent shall be increased to the extent such increase would be based upon (i) any judicial attachment or diversion of Basic Rent on account of Lessor Liens attributable to Lessor or Owner Participant, (ii) any modification of the amount or due date of any scheduled payment required to be made in respect of the Loan Certificates, other than as required or permitted by any Operative Agreement (including, without limitation, as permitted upon the occurrence of a Lease Event of Default) or (iii) the acceleration of any Loan Certificate or Loan Certificates due solely to the occurrence of an Indenture Event of Default that does not constitute a Lease Event of Default.

### 3.2.2 Supplemental Rent

Lessee shall pay to Lessor, or to whosoever shall be entitled thereto, any and all Supplemental Rent when and as the same shall become due and owing. Lessee will also pay to Lessor, or to whosoever shall be entitled thereto, on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the Payment Due Rate on any part of any amount of Rent (including, without limitation, Supplemental Rent) not paid by 12:00 noon, New York City time, on the date when due, for the period from and including the date on which the same was due to, but excluding, the date of payment in full.

### 3.3 Payments

(a) Payments of Rent and any and all other amounts payable by Lessee hereunder and under any other Operative Agreement shall be paid by wire transfer of immediately available Dollars, not later than 12:00 noon, New York City time, on the date when due, to the account of Lessor specified in Schedule 1 to the Participation Agreement or to such other account in the United States as directed by Lessor to Lessee in writing or, in the case of any payment of Supplemental Rent expressly payable to a person other than Lessor, to the person that shall be entitled thereto to such account in the United States as such person may specify from time to time to Lessee.

(b) Except as otherwise expressly provided herein, whenever any payment of Rent, or any other amount payable under this Agreement, the Participation Agreement or any other Operative Agreement shall be due on a day that is not a Business Day, such payment shall be made on the next day that is a Business Day, and, if such payment is made on such next Business Day, no interest shall accrue on the amount of such payment during such extension.

(c) So long as the Trust Indenture has not been discharged pursuant to Section 10.01 thereof, and notwithstanding Section 3.3(a), Lessor hereby directs, and Lessee agrees, that all payments of Rent and all other amounts payable by Lessee hereunder, other than Excluded Payments, shall be paid directly to Mortgagee on behalf of Lessor by wire transfer of immediately available Dollars to the account of Mortgagee specified in Schedule 1 to the Participation Agreement, or to such other account in the United States as Mortgagee may specify by written notice to Lessor and Lessee from time to time.

(d) Excluded Payments shall be paid by wire transfer of immediately available Dollars to the account of the person specified in the Participation Agreement or, if not so specified, to such account in the United States as may be specified by such person by written notice to Lessor and Lessee from time to time.

(e) All computations of interest under this Agreement shall be made on the basis of a year of 360 days comprised of twelve 30-day months.

## SECTION 4. DISCLAIMER; CERTAIN AGREEMENTS OF LESSOR; SECTION 1110 MATTERS

### 4.1 Computation of Stipulated Loss and Termination Values

Lessor and Lessee acknowledge and agree that, notwithstanding the second sentence of Section 3.2.1(a), the percentages set forth in Schedules 3 and 4 hereto, with respect to Stipulated Loss Value Dates and Termination Value Dates which are not Payment Dates, have been computed on the assumption that the Basic Rent payable on the Payment Date immediately preceding any such Stipulated Loss Value Date or Termination Value Date, as the case may be, has been paid to and will be retained by Lessor, such that if such computations did not assume payment and retention of such Basic Rent, the Stipulated Loss Values and Termination Values corresponding to such Stipulated Loss Value Dates and Termination Value Dates, respectively, would be commensurately higher than those set forth in Schedules 3 and 4 hereto.

### 4.2 Disclaimer

LESSOR LEASES AND LESSEE TAKES THE AIRCRAFT "AS-IS, WHERE-IS." LESSEE ACKNOWLEDGES AND AGREES THAT AS BETWEEN LESSEE AND EACH OF LESSOR, MORTGAGEE AND ANY PARTICIPANT (i) THE AIRFRAME AND EACH ENGINE ARE OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY AND ACCEPTABLE TO LESSEE, (ii) LESSEE IS SATISFIED THAT THE AIRFRAME AND EACH ENGINE ARE SUITABLE FOR THEIR RESPECTIVE PURPOSES, AND (iii) NONE OF LESSOR, MORTGAGEE AND ANY PARTICIPANT MAKES, HAS MADE OR SHALL BE DEEMED TO HAVE MADE, AND EACH WILL BE DEEMED TO HAVE EXPRESSLY DISCLAIMED, AND LESSEE HEREBY WAIVES, RELEASES AND RENOUNCES, ANY WARRANTY, REPRESENTATION, GUARANTY, LIABILITY AND OBLIGATION OF LESSOR, MORTGAGEE AND ANY PARTICIPANT AND ANY RIGHT, CLAIM AND REMEDY OF LESSEE AGAINST SUCH PARTIES, EXPRESS OR IMPLIED, ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE, COURSE OF DEALING, USAGE OF TRADE OR OTHERWISE, AS TO:

- (w) THE TITLE, AIRWORTHINESS, VALUE, CONDITION, DESIGN, OPERATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE OR FOR ANY PARTICULAR PURPOSE OF THE AIRFRAME, ANY ENGINE, ANY PART, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER,
- (x) THE QUALITY OF THE MATERIAL OR WORKMANSHIP WITH RESPECT TO THE AIRFRAME, ANY ENGINE, ANY PART, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER,
- (y) THE ABSENCE OF LATENT OR ANY OTHER DEFECT OR NONCONFORMANCE IN THE AIRFRAME, ANY ENGINE, ANY PART, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER, WHETHER OR NOT DISCOVERABLE, OR
- (z) THE ABSENCE OF ANY ACTUAL OR ALLEGED INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT OR THE LIKE.

LESSEE FURTHER WAIVES, DISCLAIMS, RELEASES AND RENOUNCES ANY LIABILITY, RIGHT, CLAIM, REMEDY OR OBLIGATION BASED ON TORT, INCLUDING STRICT LIABILITY, WHETHER OR NOT ARISING FROM THE NEGLIGENCE (WHETHER ACTIVE, PASSIVE OR IMPUTED) OF LESSOR, MORTGAGEE OR ANY PARTICIPANT, ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO THE AIRFRAME, ANY ENGINE, ANY PART, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRFRAME, ANY ENGINE, ANY PART, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER.

#### 4.3 Certain Agreements of Lessor

Unless a Lease Event of Default shall have occurred and be continuing, Lessor agrees to make available to Lessee such rights as Lessor may have under any warranty with respect to the Aircraft made, or made available, by Airframe Manufacturer or Engine Manufacturer or any of their respective subcontractors or suppliers, as the case may be, pursuant to and in accordance with the terms of the Purchase Agreement Assignment.

#### 4.4 Quiet Enjoyment

So long as no Lease Event of Default shall have occurred and be continuing, Lessor shall not interfere with Lessee's rights hereunder to possession and use of the Aircraft during the Term. The foregoing, however, shall not be construed or deemed to modify or condition in any respect the obligations of Lessee pursuant to Section 16, which obligations are absolute and unconditional.

#### 4.5 Investment of Funds Held as Security

##### 4.5.1 Investment

Any moneys required to be paid to or retained by Lessor that are not required to be paid to Lessee pursuant to Section 10.9 or 11.6 solely because a Lease Default or a Lease Event of Default shall have occurred and be continuing, or that are held by Lessor pending payment to Lessee pursuant to Section 10.5, 10.8 or 11.5, or that are required to be paid to Lessee pursuant to Section 10.5, 10.8 or 11.5 after completion of a replacement to be made pursuant to Sections 10.1, 10.2 and 10.3, shall, until paid to Lessee as provided in Section 10 or 11 or applied as provided herein, be held by Lessor as security for the obligations of Lessee under this Lease and the other Lessee Operative Agreements (and Lessee hereby grants to Lessor a security interest in such moneys) and shall be invested by Lessor from time to time as directed in writing by Lessee (or, if Lessee fails to so direct, by or as directed by Lessor in its sole discretion) and at the expense and risk of Lessee in Cash Equivalents so long as such Cash Equivalents specified by Lessee or Lessor, as the case may be, can be acquired by Lessor using its best efforts; provided, that so long as the Lien of the Trust Indenture shall not have been discharged under Section 10.01 thereof, such moneys shall be invested and held by Mortgagee, as assignee of Lessor, as security for the obligations of Lessee under this Lease and the other Lessee Operative Agreements and shall be invested by Mortgagee pursuant to the first sentence of Section 5.09 of the Trust Indenture.

##### 4.5.2 Payment of Gain or Loss

Any net gain (including interest received) realized as the result of investments pursuant to Section 4.5.1 (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) shall be held and applied in the same manner as the principal amount is to be held and applied hereunder. Lessee will promptly pay to Lessor, on demand, the amount of any loss realized as the result of any such investment (together with any fees, commissions and other expenses, if any, incurred in connection with such investment), such amount so paid to be held and applied by Lessor as contemplated in Section 4.5.1 above.

#### 4.5.3 Limitation of Liability

All investments under this Section 4.5, and under the first sentence of Section 5.09 of the Trust Indenture, shall be at the expense and risk of Lessee, and Lessor and Mortgagee shall not be liable for any loss resulting from any investment made under this Section 4.5, or under the first sentence of Section 5.09 of the Trust Indenture, other than by reason of its willful misconduct or gross negligence. Any such investment may be sold (without regard to its maturity) by Lessor without instructions whenever such sale is necessary to make a distribution required by this Lease or the Trust Indenture.

#### 4.6 Title Transfers by Lessor

If Lessor shall be required to transfer title to the Aircraft, Airframe or any Engine to Lessee or any other person pursuant to Section 5.3, 9, 10 or 17.2, then (a) Lessor shall (1) transfer to Lessee or such other person, as the case may be, all of Lessor's right, title and interest in and to the Aircraft, Airframe or such Engine, as the case may be, (2) assign to Lessee or such other person, as the case may be, if and to the extent permitted under the Purchase Agreement, all warranties of Airframe Manufacturer and Engine Manufacturer with respect to the Aircraft, Airframe or such Engine, and (3) assign to Lessee or such other person, as the case may be, if and to the extent permitted, all claims, if any, for damage to the Aircraft, Airframe or such Engine, in each case free of Lessor Liens attributable to Lessor or Owner Participant, and without recourse or warranty of any kind whatsoever (except as to the transfer described in clause (1) above and as to the absence of such Lessor Liens, as aforesaid), and (b) Lessor shall promptly deliver to Lessee or such other person, as the case may be, a bill of sale and agreements of assignment, as aforesaid, and such other instruments of transfer, all in form and substance reasonably satisfactory to Lessor and Lessee (or such other person, as the case may be), as Lessee (or such other person, as the case may be) may reasonably request.

#### 4.7 Lessor's Interest in Certain Engines

In the event Lessee shall have received from the lessor, conditional seller, indenture trustee or secured party of any airframe leased to, or purchased by, Lessee or any Permitted Sublessee subject to a lease, conditional sale, trust indenture or other security agreement a written agreement complying with clause (b) of Section 7.2.5, Lessor hereby agrees for the benefit of such lessor, conditional seller, indenture trustee or secured party that Lessor will not acquire or claim, as against such lessor, conditional seller, indenture trustee or secured party, any right, title or interest in any engine as the result of such engine being installed on the Airframe at any time while such engine is subject to such lease, conditional sale, trust indenture or other security agreement and owned by such lessor or conditional seller or subject to a trust indenture or security interest in favor of such indenture trustee or secured party.

#### 4.8 Lease For U.S. Federal Income Tax Law Purposes; Section 1110 of Bankruptcy Code

(a) Lessee and Lessor agree that this Lease is, and shall be treated as, a lease for U.S. federal income tax purposes of the Aircraft, Airframe, Engines and Parts.

(b) It is the intention of each of Lessee and Lessor that Lessor (and Mortgagee as assignee of Lessor under the Trust Indenture) shall be entitled to the benefits of Section 1110 with respect to the right to take possession of the Aircraft, Airframe, Engines and Parts as provided in this Lease, and in any instance where more than one construction of the terms and conditions of this Lease or any other pertinent Operative Agreement is possible, or of the facts and circumstances underlying the transactions contemplated herein or therein, Lessor and Lessee agree that a construction which would create and preserve such benefits shall control over any construction which would not create and preserve such benefits.

(c) Lessor and Lessee agree that, for all purposes of applicable Law, this Lease constitutes an agreement of lease and nothing contained herein shall be construed as conveying to Lessee any right, title or interest in the Aircraft, Airframe, Engines, Parts or Aircraft Documents except as a lessee only.

### SECTION 5. RETURN OF AIRCRAFT

#### 5.1 Compliance with Annex B

Lessee shall comply with each of the provisions of Annex B hereto, which provisions are hereby incorporated by this reference as if set forth in full herein. Without limiting any other rights of Lessor under this Lease or any other Operative Agreement, Lessee acknowledges that the provisions of this Section 5 and of Annex B, are of the essence of this Lease and the transactions contemplated herein.

#### 5.2 Storage and Related Matters

If Lessee receives from Lessor a written request for storage of the Aircraft upon its return hereunder, Lessee will promptly (and in any event within ten (10) days following such request) provide Lessor, or cause Lessor to be provided, with outdoor storage facilities for the Aircraft for a period not exceeding one hundred eighty (180) days, commencing on the date of such return, at Mojave, California or Marana, Arizona, as Lessor may specify, or if Lessor elects not to store the Aircraft at either of such locations, then the Aircraft shall be stored at such storage facility in the 48 contiguous states of the United States as Lessee may select and which is used as a location for the storage of large commercial aircraft. Lessee shall, at Lessor's written request, maintain insurance (if available) for the Aircraft during such storage period. Such storage shall be at Lessor's risk (subject to Lessee's insurance obligations, as aforesaid); provided that Lessee shall pay all applicable storage fees; and provided further that Lessee's obligation to provide storage shall be subject to Lessor entering into an agreement prior to the commencement of the storage period with the storage facility which agreement shall provide, among other things, that Lessor shall bear all maintenance charges (other than maintenance required as a result of Lessee's failure to comply with the provisions of Annex B hereto) and all storage fees incurred after the initial 180 day storage period. In addition, upon the return of the Aircraft, Lessor shall have no obligation with respect to the amount of any fuel or oil contained in the fuel or oil tanks of the Aircraft.

#### 5.3 Return of Other Engines

In the event that any Engine owned by Lessor shall not be installed on the Airframe at the time of return hereunder, such Engine shall be deemed to have suffered an Event of Loss as of the sixty-first day prior to the date of such return, with the effect that Lessee shall be required to return the Airframe hereunder with a Replacement Engine meeting the requirements of, and in accordance with, Section 10 hereof and Annex B hereto.

#### 5.4 Failure to Return Aircraft

If Lessee shall, for any reason whatsoever, fail to return the Aircraft and the Aircraft Documents at the time specified herein, all obligations of Lessee under this Lease shall continue in effect with respect to the Aircraft until the Aircraft is returned to Lessor; provided, however, that this Section 5.4 shall not be construed as permitting Lessee to fail to meet its obligation to return the Aircraft or the Aircraft Documents in accordance with the requirements hereof or constitute, or be deemed to constitute, a waiver of any Lease Event of Default resulting from Lessee's failure to return the Aircraft or the Aircraft Documents or otherwise.

### SECTION 6. LIENS

Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any Lien on or with respect to the Aircraft, the Airframe, any Engine, any Part or any Aircraft Documents, title to any of the foregoing or any interest therein, or this Lease or any interest of Lessor herein, or any amount payable hereunder, including, without limitation, any Rent, except (a) the respective rights of Lessor, Mortgagee, the Participants or Lessee under the Operative Agreements, or of any Permitted Sublessee under any Permitted Sublease; (b) Lessor Liens attributable to Owner Trustee (both in its capacity as trustee under the Trust Agreement and in its individual capacity), Mortgagee (both in its capacity as trustee under the Trust Indenture and in its individual capacity) or Owner Participant; (c) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 7.2 and 7.3 and Section F of Annex C; (d) Liens for Taxes of Lessee (and its U.S. federal tax law consolidated group), or Liens for Taxes of any Tax Indemnitee (and its U.S. federal tax law consolidated group) for which Lessee is obligated to indemnify such Tax Indemnitee under any of the Lessee Operative Agreements, in any such case either not yet due or being contested in good faith by appropriate proceedings so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss (including loss of use) of the Aircraft, the Airframe, any Engine or any of the Aircraft Documents, or any interest therein or any discernible risk of criminal liability or any material risk of civil penalty against Lessor, Mortgagee or any Participant; (e) materialmen's, mechanics', workers', repairers', employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent or is being contested in good faith by appropriate proceedings, so long as such Liens and such proceedings do not involve any material risk

of the sale, forfeiture or loss (including loss of use) of the Aircraft, the Airframe, any Engine or any of the Aircraft Documents, or any interest therein or any discernible risk of criminal liability or any material risk of civil penalty against Lessor, Mortgagee or any Participant; and (f) Liens arising out of any judgment or award against Lessee (or any Permitted Sublessee), so long as such judgment shall, within 30 days after the entry thereof, have been discharged or vacated, or execution thereof stayed pending appeal or shall have been discharged, vacated or reversed within 30 days after the expiration of such stay, and so long as during any such 30-day period there is not, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss (including loss of use) of the Aircraft, the Airframe, any Engine or any of the Aircraft Documents, or any interest therein or any discernible risk of criminal liability or any material risk of civil penalty against Lessor, Mortgagee or any Participant. Lessee shall promptly take such action as may be necessary duly to pay, satisfy, remove and discharge any Lien not excepted above if the same shall at any time arise in respect of the Aircraft, the Airframe, any Engine, any Part, the Aircraft Documents or all or any other part of the Trust Estate and shall promptly provide to Lessor evidence of such payment, satisfaction, removal or discharge.

## SECTION 7. REGISTRATION, OPERATION, POSSESSION, SUBLEASING AND RECORDS

### 7.1 Registration and Operation

#### 7.1.1 Registration and Recordation

Subject to the compliance by Lessor and Owner Participant with their respective obligations under Section 16 of the Participation Agreement, Lessee shall cause the Aircraft to be, and at all times during the Term to remain, duly registered with the FAA under the Act or with such other country of registry as shall be permitted under Section 7.1.2 below, in the name of Lessor as owner and lessor (except to the extent that such registration under the Act cannot be effected with the FAA because of Lessor's or Owner Participant's failure to comply with the citizenship requirements for registration of the Aircraft under the Act). Unless the Trust Indenture has been discharged in accordance with its terms, Lessee shall also cause the Trust Indenture to be duly recorded and at all times maintained of record as a first-priority perfected mortgage (subject to Permitted Liens) on the Aircraft, the Airframe and each of the Engines (except to the extent such perfection or priority cannot be maintained solely as a result of the failure by Lessor or Mortgagee to execute and deliver any necessary documents).

#### 7.1.2 Reregistration

So long as no Lease Default or Lease Event of Default shall have occurred and be continuing, Lessee may, by written notice to Lessor, request to change the country of registration of the Aircraft. Any such change in registration shall be effected, if at all, only in compliance with, and subject to all of the conditions set forth in, Section 8.7.12 of the Participation Agreement.

#### 7.1.3 Markings

(a) On or prior to the Delivery Date, Lessee will cause to be affixed to, and maintained in, the cockpit of the Airframe and on each Engine, in each case, in a clearly visible location (it being understood that the location of such placards, as identified to the Owner Participant prior to the Delivery Date, shall be deemed to be in compliance with this requirement), a placard of a reasonable size and shape bearing the legend, in English, set forth in Schedule 6. Lessee shall not remove or permit the removal of such placards, except that such placards may be removed temporarily, if necessary, in the course of maintenance of the Airframe or Engines. If any such placard is damaged or becomes illegible, Lessee shall promptly replace it with a placard complying with the requirements of this Section 7.1.3.

(b) During the Term, Lessee may letter, paint or mark the Aircraft with the name and logo of Lessee or any Permitted Sublessee and may cause the Aircraft to bear insignia plates or other markings identifying the supplier or manufacturer of the Airframe or the Engines or any Parts. Except as provided above, Lessee will not allow the name of any person to be placed on the Airframe or on any Engine as a designation that could reasonably be interpreted as a claim of ownership.

#### 7.1.4 Compliance With Laws

Lessee shall not, and shall not allow any other person to, operate, use, maintain, service, repair, overhaul or otherwise similarly deal with the Aircraft (a) in violation of any Law binding on or applicable to the Lessee or to the Aircraft, the Airframe or any Engine, or any of the Aircraft Documents, or to the operation, use, maintenance, service, repair or overhaul of, or similar dealings in, the Aircraft, Airframe or any Engine, or (b) in violation of any airworthiness certificate, license or registration of any Government Entity relating to Lessee or to the Aircraft, the Airframe or any Engine, except (1) immaterial

or non-recurring violations of which Lessee or any Permitted Sublessee had no prior knowledge or information and with respect to which corrective measures are taken promptly by Lessee or a Permitted Sublessee, as the case may be, upon discovery thereof, and (2) to the extent Lessee or any Permitted Sublessee is contesting the validity or application of any such law, rule, regulation, order, certificate, license or registration in good faith in any reasonable manner which does not involve any material risk of the sale, forfeiture or loss (including loss of use) of the Aircraft, the Airframe, any Engine or any of the Aircraft Documents or any interest therein or any discernible risk of criminal liability or any material risk of civil penalty against Lessor, Mortgagee or any Participant.

#### 7.1.5 Operation

Lessee agrees not to operate, use or locate the Aircraft, the Airframe or any Engine, or allow the Aircraft, the Airframe or any Engine to be operated, used or located (a) in any area excluded from coverage by any insurance required by the terms of Section 11, except in the case of a requisition by the U.S. Government where Lessee obtains an indemnity in lieu of such insurance from the U.S. Government, or insurance from the U.S. Government, covering such area, in accordance with Section 11.4 or (b) in any recognized or threatened area of hostilities unless fully covered in accordance with Annex D by war-risk insurance as required by the terms of Section 11, unless the Aircraft is only temporarily located in such area as a result of an emergency, equipment malfunction, navigational error, hijacking, weather condition or other similar unforeseen circumstances, so long as Lessee diligently and in good faith proceeds to remove the Aircraft from such area immediately.

#### 7.2 Possession

Lessee will not, without the prior written consent of Lessor and Mortgagee, sublease or otherwise in any manner deliver, transfer or relinquish possession of the Aircraft, the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe; provided, however, subject to the provisions of Section 7.3, that if and for so long as (a) no Lease Event of Default shall have occurred and be continuing, (b) with respect to any sublease or transfer contemplated by Section 7.2.7 or 7.2.8 below, no Lease Default or Lease Event of Default shall have occurred and be continuing at the time of such sublease or transfer and (c) all approvals, consents or authorizations required in connection with any such sublease or such delivery, transfer or relinquishment of possession by the Aviation Authority have been obtained and remain in full force and effect, then Lessee may, without such prior written consent:

##### 7.2.1 Interchange and Pooling

Subject or permit any Permitted Sublessee to subject any Engine to normal interchange agreements or pooling agreements or arrangements, in each case customary in the commercial airline industry and entered into in writing by Lessee or such Permitted Sublessee, as the case may be, in the ordinary course of business and with (a) any U.S. Air Carrier or (b) any other air carrier organized and having its principal place of business in a country with which the United States then maintains normal diplomatic relations and which recognizes and gives effect to the rights, title and interests of Lessor and Mortgagee in, and with respect to, such Engine; provided, however, that no such agreements or arrangements shall require, contemplate or result in any transfer of Lessor's title to such Engine. If, notwithstanding the foregoing, Lessor's title to any such Engine is divested under any such agreement or arrangement, then such Engine shall be deemed to have suffered an Event of Loss as of the date of such divestiture, with the effect that Lessee shall be required to replace such Engine with a Replacement Engine meeting the requirements of, and in accordance with, Section 10.

##### 7.2.2 Testing and Service

Deliver or permit any Permitted Sublessee to deliver possession of the Aircraft, Airframe, any Engine or any Part to the manufacturer thereof or, to the extent permitted by Section B of Annex C, to any third-party maintenance provider, for testing, service, repair, maintenance or overhaul work on the Aircraft, Airframe, any Engine or any Part, or, to the extent required or permitted by the terms of Section D of Annex C, for alterations or modifications in or additions to the Aircraft, Airframe or any Engine, it being understood that, with respect to Engines and Parts, delivery may be accomplished by transport on licensed or bonded common carriers qualified in the shipping and transport of such items.

##### 7.2.3 Civil Reserve Air Fleet Program

Transfer or permit any Permitted Sublessee, if required by Law to do so, to transfer possession of the Aircraft, Airframe or any Engine to the U.S. Government pursuant to CRAF, in which event Lessee shall promptly notify Lessor and Mortgagee in writing of any such transfer of possession and in such notification shall identify by name, address and telephone numbers of the Contracting Office Representative or

Representatives for the Military Airlift Command of the United States Air Force to whom notices must be given and to whom requests or claims must be made; provided, however, that any such transfer of possession shall not continue, and shall not be permitted to continue, beyond the end of the Term. If, notwithstanding the foregoing, such transfer does continue beyond the end of the Term, then (without limiting any other right of Lessor with respect to such event) Lessor may, in accordance with Section 10.6, deem the Aircraft, Airframe or Engines, as the case may be, to have suffered an Event of Loss with the effect that Lessee would be required to pay, in accordance with Section 10.6, the amounts specified in Section 10.1.2.

#### 7.2.4 Installation of Engines on Owned Aircraft

Install or permit any Permitted Sublessee to install an Engine on an airframe owned by Lessee or such Permitted Sublessee, as the case may be, free and clear of all Liens, except (a) those of the type permitted under clauses (d), (e) and (f) of Section 6 and those that apply only to the engines (other than Engines) and/or only to parts, appliances, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts), and (b) the rights of third parties under normal interchange or pooling agreements and arrangements of the type that would be permitted under Section 7.2.1.

#### 7.2.5 Installation of Engines on Other Airframes

Install or permit any Permitted Sublessee to install an Engine on an airframe leased to Lessee or such Permitted Sublessee, or purchased by Lessee or such Permitted Sublessee subject to a mortgage, security agreement, conditional sale or other secured financing arrangement, but only if (a) such airframe is free and clear of all Liens, except (i) the rights of the parties to such lease, or any such secured financing arrangement, covering such airframe and (ii) Liens of the type permitted by clauses (a) and (b) of Section 7.2.4 and (b) Lessee shall have received from the lessor, mortgagee, secured party or conditional seller, in respect of such airframe, a written agreement (which may be a copy of the lease, mortgage, security agreement, conditional sale or other agreement covering such airframe), whereby such Person agrees, for the effective and enforceable benefit of, among others, Lessor, that neither such Person nor its successors or assigns will acquire or claim any right, title or interest in, or Lien on, such Engine by reason of such Engine being installed on such airframe.

#### 7.2.6 Installations of Engines on Financed Aircraft

Install or permit any Permitted Sublessee to install an Engine on an airframe owned by Lessee or such Permitted Sublessee, leased to Lessee or such Permitted Sublessee, or purchased by Lessee or such Permitted Sublessee subject to a conditional sale or other security agreement under circumstances where neither Section 7.2.4 or 7.2.5 is applicable; provided, however, that in the event of any such installation, such Engine shall be deemed to have suffered an Event of Loss as of the date of such installation, with the effect that Lessee shall be required to replace such Engine with a Replacement Engine meeting the requirements of, and in accordance with, Section 10. Until Section 10 has been fully complied with, Lessor's interest in any such Engine shall continue in full force and effect.

#### 7.2.7 Subleasing

With respect to the Aircraft, Airframe or any Engine, enter into a sublease with any Permitted Air Carrier, but only if:

(a) Lessee shall provide 15 days' advance written notice to Lessor and Mortgagee;

(b) At the time that Lessee enters into such sublease, no such Permitted Air Carrier shall be insolvent or subject to any bankruptcy, insolvency, liquidation, reorganization, dissolution or similar proceeding, or any similar non-ordinary course transaction, shall be seeking any reorganization or any readjustment of its debts or shall be, or shall have substantially all of its property, in the possession of any liquidator, trustee, receiver or similar person;

(c) No such sublease shall provide for payment of rent, or any amount in lieu of rent, (i) more than three months in advance, or (ii) less frequently than once every three months;

(d) Any such sublease (i) shall include provisions for the registration, maintenance, operation, possession, inspection and insurance of the Aircraft that are substantially the same as, or (from a lessor's perspective) more favorable than, the applicable provisions of Sections 7, 11 and 12, (ii) shall provide that such Permitted Air Carrier may not further sublease or transfer its interests (except transfers of the type permitted in Sections 7.2.1 through 7.2.6, inclusive) in the Aircraft, Airframe or Engines, (iii) shall be for a period not in excess of 60 months (inclusive of all renewal periods) and not extending beyond the date which is one year prior to the end of the Term, and (iv) shall be expressly subject and subordinate to all the terms of this Agreement and to the rights, powers and remedies of

Lessor hereunder, including, without limitation, Lessor's rights under Section 15 to repossess the Aircraft, Airframe and Engines and to terminate such sublease, upon the occurrence of a Lease Event of Default;

(e) In connection with a sublease to a Permitted Air Carrier which is not a U.S. Air Carrier, all necessary governmental approvals, if any, required for the Aircraft, Airframe or Engines to be imported to, and exported from (upon repossession thereof by Lessor or other termination or expiration of such sublease), the applicable jurisdiction shall have been obtained prior to commencement of any such sublease, and any foreign exchange permits necessary to allow all rent and other payments provided for under such sublease shall be in full force and effect; and Lessee shall have provided to Lessor a power-of-attorney, reasonably satisfactory in form and substance to Lessor and, to the extent permitted by applicable Law, valid and enforceable in the applicable jurisdiction, permitting Lessor to exercise all rights of Lessee under such sublease in such jurisdiction, upon the occurrence and continuation of a Lease Event of Default;

(f) In connection with a sublease to a Permitted Air Carrier which is not a U.S. Air Carrier, Lessee shall have furnished Lessor, Mortgagee and Owner Participant a favorable opinion of counsel, satisfactory to Lessor, Mortgagee and Owner Participant, in the country of domicile of such Permitted Air Carrier, in form and substance satisfactory to Lessor, Mortgagee and Owner Participant, that (i) the terms of such sublease, this Lease and the Trust Indenture are the legal, valid and binding obligations of the parties thereto enforceable under the laws of such jurisdiction, (ii) it is not necessary for Owner Participant, Lessor or Mortgagee to register or qualify to do business in such jurisdiction, if not already so registered or qualified, as a result, in whole or in part, of the proposed sublease, (iii) Lessor's title to, and Mortgagee's Lien in respect of, the Aircraft, Airframe and Engines will be recognized in such jurisdiction, (iv) such jurisdiction maintains normal diplomatic relations with the United States and the Laws of such jurisdiction of domicile require fair compensation by the government of such jurisdiction, payable in a currency freely convertible into Dollars, for the loss of use of or title to the Aircraft, Airframe or Engines in the event of the requisition by such government of such use or title (unless Lessee shall provide insurance in the amounts required with respect to hull insurance under Section 11 covering the requisition of use of or title to the Aircraft, Airframe or Engines by the government of such jurisdiction so long as the Aircraft, Airframe or Engines are subject to such sublease) and (v) the agreement of such Permitted Air Carrier that its rights under the sublease are subject and subordinate to all the terms of this Lease is enforceable against such Permitted Air Carrier under applicable law and Lessor shall be able to repossess the Aircraft, Airframe and Engines, and return it to the United States, without undue expense, penalty or delay, upon the occurrence of a Lease Event of Default;

(g) Lessee shall furnish to Lessor, Mortgagee and Owner Participant evidence reasonably satisfactory to Lessor, Mortgagee and Owner Participant that the insurance required by Section 11 remains in effect;

(h) All necessary action, if any, shall have been taken to continue in full force and effect (i) the perfection of (y) Lessor's title to and interest in the Aircraft, Airframe and Engines and (z) Mortgagee's first-priority perfected Lien on the Aircraft, Airframe and Engines (subject to Permitted Liens) and (ii) Lessor's and Mortgagee's rights under this Lease;

(i) All necessary documents shall have been duly filed, registered or recorded in such public offices as may be required fully to preserve the title of, and the priority of the interest of, Lessor and Mortgagee in the Aircraft, Airframe and Engines;

(j) Each such sublease shall be assigned by Lessee to Lessor as security for the performance of all of Lessee's obligations under this Lease (with Lessee retaining all rights of sublessor thereunder, to the extent consistent with this Section 7.2.6, (i) except the right to receive rents and (ii) if and for so long as there shall not have occurred and be continuing a Lease Event of Default) and, if the Trust Indenture is then in effect, such sublease shall be further assigned without representation or warranty by Lessor to the Mortgagee as security for the performance of all of Lessor's obligations under the Trust Indenture, in each case, with the express consent of such Permitted Air Carrier;

(k) No such sublease shall be made to Permitted Air Carriers, other than U.S. Air Carriers, prior to the close of the calendar year in which the seventh anniversary of the Delivery Date occurs, or if a Lessee Act (as defined in the Tax Indemnity Agreement) as a result of which indemnification has been required under the Tax Indemnity Agreement has created a longer Tax Attribute Period (as defined in the Tax Indemnity Agreement), prior to the close of the Tax Attribute Period, unless in either case Lessee prepaays any liability Owner Participant determines would be due under the Tax Indemnity Agreement as a result of such sublease based upon the assumption that such sublease were to continue for the remainder of the term of such sublease.

(l) Lessee shall reimburse the reasonable out-of-pocket fees and expenses, including, without limitation, reasonable fees and disbursements of counsel, incurred by Lessor, each Participant and Mortgagee in connection with any such sublease and;

(m) For all purposes of this Section 7.2.7, the term "sublease" shall be deemed to include interchange agreements with respect to the Aircraft or Airframe.

#### 7.2.8 Transfer to U.S. Government

Transfer or permit the transfer of possession of the Aircraft, Airframe or any Engine to the U.S. Government pursuant to a sublease under which the sublessee's obligations are guaranteed or supported by the full faith and credit of the United States, but only if such sublease complies, or Lessee shall comply, as the case may be, with the requirements of clauses (a), (d)(i) (other than with respect to insurance), (d)(ii)-(iii), (j) and (l) of Section 7.2.7.

#### 7.3 Certain Limitations on Subleasing or Other Relinquishment of Possession

Notwithstanding anything to the contrary in Section 7.2:

(a) The rights of any person that receives possession of the Aircraft in accordance with Section 7.2 shall be subject and subordinate to all the terms of this Lease, and to Lessor's rights, powers and remedies hereunder, including, without limitation (i) Lessor's right to repossess the Aircraft pursuant to Section 15, (ii) Lessor's right to terminate and avoid such sublease, delivery, transfer or relinquishment of possession upon the occurrence of a Lease Event of Default and (iii) the right to require such person to forthwith deliver the Aircraft, the Airframe and Engines subject to such transfer upon the occurrence of a Lease Event of Default;

(b) Lessee shall remain primarily liable hereunder for the performance of all the terms of this Lease to the same extent as if such transfer had not occurred and no transfer of possession of the Aircraft, the Airframe or any Engine any Part or any Aircraft Documents shall in any way discharge or diminish any of Lessee's obligations to Lessor hereunder or under any Operative Agreement;

(c) Lessee shall ensure that no sublease, delivery, transfer or relinquishment permitted under Section 7.2 shall affect the United States registration of the Aircraft, unless also made in accordance with the provisions of Section 7.1.2.

(d) Any event that constitutes or would, with the passage of time, constitute an Event of Loss under paragraph (c), (d), or (e) of the definition of such term (as set forth in Annex A) shall not be deemed to violate the provisions of Section 7.2; and

(e) Any Wet Lease shall not constitute a delivery, transfer or relinquishment of possession for purposes of Section 7.2.

### SECTION 8. MAINTENANCE; REPLACEMENT AND POOLING OF PARTS; ALTERATIONS, MODIFICATIONS AND ADDITIONS; OTHER LESSEE COVENANTS

#### 8.1 Maintenance; Replacement and Pooling of Parts; Alterations, Modifications and Additions

At all times during the Term, Lessee shall comply with, or cause to be complied with, each of the provisions of Annex C, which provisions are hereby incorporated by this reference as if set forth in full herein. Without limiting any other rights of Lessor under this Lease or any other Operative Agreement, Lessee acknowledges that the provisions of this Section 8 and of Annex C are of the essence of this Lease and the transactions contemplated herein.

#### 8.2 Information, Certificates, Notices and Reports

##### 8.2.1 Financial Information

Lessee will furnish to Lessor, Mortgagee and Owner Participant, to the extent not already provided to such persons pursuant to Section 8.2.3:

(a) Within 60 days after the end of each of the first three fiscal quarters in each fiscal year of Lessee, a consolidated balance sheet of Lessee as of the end of such quarter and related statements of income and cash flows for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, prepared in accordance with GAAP; provided that so long as Lessee is subject to the reporting requirements of the Securities Exchange Act of 1934, a copy of Lessee's report on Form 10-Q for such fiscal quarter (together with all documents containing such financial information

incorporated by reference therein) will satisfy this paragraph (a).

- (b) Within 120 days after the end of each fiscal year of Lessee, a consolidated balance sheet of Lessee as of the end of such fiscal year and related statements of income and cash flows of Lessee for such fiscal year, in comparative form with the preceding fiscal year, prepared in accordance with GAAP, together with a report of Lessee's independent certified public accountants with respect to their audit of such financial statements; provided that so long as Lessee is subject to the reporting requirements of the Securities Exchange Act of 1934, a copy of Lessee's report on Form 10-K for such fiscal year (including all corresponding publicly-available annual reports to stockholders, if not previously furnished) will satisfy this paragraph (b).

#### 8.2.2 Annual Certificate

Within 120 days after the close of each fiscal year of Lessee, Lessee shall deliver to Lessor, Owner Participant and Mortgagee a certificate of Lessee, signed by any Vice President of Lessee, to the effect that such Vice President is familiar with or has reviewed or caused to be reviewed the relevant terms of this Lease and the other Operative Agreements and has made, or caused to be made under his or her supervision, a review of the transactions and condition of Lessee during the preceding fiscal year, and that such review has not disclosed the existence during such fiscal year, nor does such Vice President have knowledge of the existence as at the date of such certificate, of any Lease Default or Lease Event of Default or, if any such Lease Default or Lease Event of Default existed or exists, specifying the nature and period of existence thereof and the action Lessee has taken or is taking or proposes to take with respect thereto.

#### 8.2.3 SEC Reports

Lessee will furnish to Lessor, Owner Participant and Mortgagee:

- (a) promptly after filing with the SEC, copies of Lessee's annual reports on Form 10-K (including all corresponding publicly-available annual reports to stockholders, if not previously furnished), and quarterly reports on Form 10-Q (in each case, excluding exhibits unless any such recipient requests otherwise); and
- (b) if provided by Lessee from time to time to aircraft lessors and other aircraft creditors generally, then
- (i) promptly after filing with the SEC, copies of current reports on Form 8-K, or any similar reports filed with the SEC (in each case, excluding exhibits unless any such recipient requests otherwise), and
  - (ii) promptly upon distribution thereof, copies of all periodic reports furnished by Lessee, or any parent company of Lessee, to its respective stockholders generally.

#### 8.2.4 Notice of Default

Lessee will furnish to Lessor, each Participant and Mortgagee, immediately upon any senior officer or financial officer of Lessee, or other administrative officer of Lessee having any material responsibility for Lessee's day-to-day compliance with its obligations under this Lease, becoming aware that a Lease Default or a Lease Event of Default has occurred, a certificate of Lessee, signed by any such officer of Lessee, describing such Lease Default or Lease Event of Default in reasonable detail, with a statement describing the action Lessee has taken or is taking or proposes to take with respect thereto.

#### 8.2.5 Information for Filings

Lessee shall promptly furnish to Owner Participant or Lessor such information (other than with respect to the citizenship of Owner Participant and Lessor) within Lessee's or any Permitted Sublessee's possession, or reasonably available to or obtainable by Lessee or such Permitted Sublessee, as may be required to enable Lessor timely to file any reports required to be filed by it as lessor under the Lease or to enable Owner Participant to timely file any reports required to be filed by it, as the beneficiary of the Trust Estate, in either case, with any Government Entity because of, or in connection with, the interest of Owner Participant or Lessor in the Aircraft, Airframe or Engines, this Lease or any other part of the Trust Estate; provided, however, that with respect to any such information which Lessee reasonably deems commercially sensitive or confidential, Owner Participant or Lessor, as the case may be, shall afford Lessee a reasonable opportunity to seek from any such Government Entity a waiver of the obligation of Owner Participant or Lessor to file any such information, or shall consent to the filing of such information directly by Lessee in lieu of filing by Owner Participant or Lessor and if any such waiver or consent is evidenced to the reasonable satisfaction of Owner Participant or Lessor, as the case may be, then Lessee

shall not be required to furnish such information to Owner Participant or Lessor.

#### 8.2.6 Other Information

Lessee shall provide to Lessor, Mortgagee and each Participant, from time to time such other information or data as Lessor, Mortgagee or any such Participant may reasonably request concerning the Aircraft, Airframe or Engines, or Lessee's financial condition, or otherwise relating to the transactions or matters contemplated herein and in the other Operative Agreements, in each case if and to the extent within Lessee's or any Permitted Sublessee's possession, or reasonably available to or obtainable by Lessee or such Permitted Sublessee (unless Lessee reasonably deems the same to be commercially sensitive or confidential).

#### 8.3 Certain Agreements of Lessee

Lessee hereby agrees with Lessor that it shall perform the agreements, covenants and indemnities set forth in the Participation Agreement and the Tax Indemnity Agreement, and hereby restates Lessee's representations and warranties set forth in the Participation Agreement, in each case as fully and to the same extent and with the same force and effect as if set forth in full in this Section 8.3.

### SECTION 9. VOLUNTARY TERMINATION UPON OBSOLESCENCE

#### 9.1 Right of Termination

(a) Lessee shall have the right at its option to terminate this Lease during the Base Lease Term, effective only on a Termination Date occurring after the tenth anniversary of the Delivery Date and on or before the date one year prior to the Scheduled Expiration Date, if:

(i) the Aircraft is not then subject to any sublease or other possessory interests of another person (including, without limitation, interests of the type permitted under Section 7.2) and either has become economically obsolete or is surplus to Lessee's requirements and the Chief Financial Officer or Treasurer of Lessee so certifies in writing to Lessor;

(ii) Lessee's termination of this Lease shall be made on a nondiscriminatory basis with respect to the Aircraft and all Similar Aircraft which are then owned, leased or otherwise operated by Lessee and which are then eligible for termination or disposition under any applicable agreements of Lessee relating to the purchase, ownership, lease or operation thereof, with the effect that the disposition of the Aircraft and any Similar Aircraft shall be determined and effected on a random basis; and Lessee shall provide such information to Lessor, as Lessor may reasonably request to establish that such dispositions have been so determined;

(iii) written notice of Lessee's exercise of its option to terminate this Agreement shall be given to Lessor, Mortgagee and Owner Participant not less than six months nor more than eighteen months prior to the proposed Termination Date specified in such notice; and

(iv) on the date of any notice described in clause (iii) no Lease Event of Default shall have occurred and be continuing, and on such proposed Termination Date no Lease Default or Lease Event of Default shall have occurred and be continuing.

(b) Lessor shall notify Lessee and Mortgagee of Lessor's intention to sell or retain the Aircraft, as provided in this Section 9, no later than 10 days prior to the proposed Termination Date. Any such notice of an intention to retain the Aircraft shall include assurances reasonably satisfactory to Mortgagee of Lessor's ability to make the payments required by Section 9.3(a). Any failure by Lessor to give such notice of its election shall be deemed to be an election to sell the Aircraft, as provided in this Section 9.

(c) Any termination pursuant to this Section 9 shall become effective on the date of the sale, if any, pursuant to Section 9.2 or upon the date of termination and payment by Lessee and Lessor in accordance with Section 9.3 if Lessor elects to retain the Aircraft.

#### 9.2 Election by Lessor to Sell

##### 9.2.1 Bids; Closing of Sale

If Lessor elects to sell the Aircraft, Lessee, as agent for Lessor, shall, from the date of such election until the date 30 days prior to the proposed Termination Date, use its best reasonable efforts to obtain bids for a cash purchase of the Aircraft and Lessor may, if it desires to do so, also seek to obtain such bids. In the event Lessee receives any bid, Lessee shall promptly, and in any event at least 25 days prior to the proposed date of sale, certify to Lessor in writing the amount and terms of such bid, the proposed date of such sale and the

name and address of the person (who shall not be Lessee or any Affiliate of Lessee or any person with whom Lessee or any such Affiliate of Lessee has any agreement or understanding with respect to the purchase, lease, use or operation by Lessee or any such Affiliate of the Aircraft, Airframe or any Engine) submitting such bid. In the event Lessor receives any bid, Lessor shall, at least 25 days prior to the proposed date of sale, certify to Lessee in writing the amount and terms of such bid, the proposed date of such sale and the name and address of the person submitting such bid.

#### 9.2.2 Closing of Sale

(a) On the proposed Termination Date (i) Lessee shall deliver the Airframe and Engines or engines constituting part of the Aircraft to the bidder, if any, which shall have submitted the highest bid on or before the date 30 days prior to such Termination Date, in the same manner as if delivery were made to Lessor pursuant to Section 5 and Annex B and in full compliance with the terms thereof, and shall duly transfer to Lessor title to any such engines not owned by Lessor, all in accordance with the terms of Section 5 and Annex B, and (ii) Lessor shall simultaneously therewith transfer the Airframe and Engines or engines to such bidder, in the manner described in Section 4.6, against cash paid to Lessor in the amount of such highest bid and in the manner and in funds of the type specified in Section 3.3.

(b) All proceeds of any sale described in Section 9.2.2(a) shall be paid to and retained by Lessor and, on such Termination Date, and as a condition precedent to such sale and the delivery of the Aircraft and Engines or engines to such bidder, Lessee shall pay to Lessor, in the manner and in funds of the type specified in Section 3.3:

(i) all unpaid Basic Rent due at any time prior to such Termination Date; plus

(ii) an amount equal to the excess, if any, of the Termination Value for the Aircraft, computed as of such Termination Date, over the proceeds of such sale; plus

(iii) as provided in Section 3.2.2, interest on the amounts specified in the foregoing clause (i) at the Payment Due Rate from and including the date on which any such amount was due to the date of payment of such amount in full.

As a further condition precedent to such sale and delivery, Lessee shall pay all other amounts due and payable by Lessee to Lessor, Mortgagee or the Participants under this Lease (other than any Basic Rent due on such Termination Date), the Participation Agreement or any other Operative Agreement (including, without limitation, (A) Supplemental Rent in respect of Make-Whole Amount, if any, payable pursuant to Section 2.10(b) of the Trust Indenture in connection with a prepayment of the Loan Certificates upon such sale, and (B) all interest charges provided for hereunder or under any other Lessee Operative Agreement with respect to the late payment of any amounts so payable), and (C) the out-of-pocket fees and expenses incurred by Lessor, Mortgagee and each Participant in connection with such termination and sale).

(c) Upon and subject to any such sale and receipt of proceeds by Lessor, and full and final payment of all amounts described in Section 9.2.2(b), and compliance by Lessee with all the other provisions of this Section 9.2,

(i) Lessor will transfer to Lessee, in accordance with Section 4.6, any Engines constituting part of the Aircraft but which were not then installed on the Airframe and sold therewith; and

(ii) the obligation of Lessee to pay Basic Rent, on or after the Payment Date with reference to which Termination Value is computed, shall cease, and the Term for the Aircraft shall end effective as of the date of such sale.

(d) A sale of the Aircraft pursuant to this Section 9.2.2 shall take place only on a Termination Date. Subject to Section 9.3, if no sale shall have occurred on or as of the proposed Termination Date, this Agreement shall continue in full force and effect, and all of Lessee's obligations shall continue, including, without limitation, its obligation to pay Rent, in each case, as if the notice under Section 9.1 shall not have been given and, subject to Section 9.2.3(b), Lessee may give another notice pursuant to Section 9.1.

(e) Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise to take any action in connection with any such sale other than to transfer to the purchaser named in the highest bid referred to above (or to such purchaser and, in the case of Engines described in Section 9.2.2(c), to Lessee) the Airframe and Engines or engines against receipt of the payments described in Section 9.2.2(b).

#### 9.2.3 Withdrawal of Notice of Termination

(a) Lessee may withdraw any notice given pursuant to Section 9.1 at any time on or before the date 25 days prior to the proposed Termination Date if it has determined that no bid of a reasonable amount has been received, whereupon this Agreement shall continue in full force and effect and all of Lessee's obligations shall continue, including, without limitation, its obligation to pay Rent, in each case, as if the notice under Section 9.1 shall not have been given and, subject to Section 9.2.3(b), Lessee may give another notice pursuant to Section 9.1.

(b) Anything herein to the contrary notwithstanding, Lessee shall not be entitled to give more than three notices pursuant to Section 9.1.

(c) Lessee shall pay any and all out-of-pocket fees and expenses of Lessor, Mortgagee and each Participant in connection with any notice of termination withdrawn by Lessee or in connection with any notice of termination pursuant to which a sale of the Aircraft fails to occur.

### 9.3 Retention of Aircraft by Lessor

(a) If Lessor shall elect to retain the Aircraft in accordance with Section 9.1, on the proposed Termination Date:

(i) Lessor shall pay, or cause to be paid, in the manner and in funds of the type specified in Section 3.3, to the Mortgagee an amount sufficient to prepay all outstanding Loan Certificates pursuant to Section 2.10(b) of the Trust Indenture;

(ii) subject to receipt by Mortgagee of the funds described in paragraph (i) above, Lessee shall deliver the Airframe and Engines or engines constituting part of the Aircraft to Lessor pursuant to Section 5 and Annex B and in full compliance with the terms thereof, and shall duly transfer to Lessor title to any such engines not owned by Lessor, all in accordance with the terms of Section 5 and Annex B; and

(iii) Lessee shall pay to Lessor, in the manner and in funds of the type specified in Section 3.3:

- (1) all unpaid Basic Rent due at any time prior to such Termination Date; plus
- (2) the excess, if any, of (A) the Termination Value of the Aircraft, computed as of such Termination Date, over (B) an amount equal to the highest bona fide cash bid made for the Aircraft by a person that is not a person described in the parenthetical of the second sentence of Section 9.2.1; plus
- (3) as provided in Section 3.2.2, interest on the amounts specified in the foregoing clause (1) at the Payment Due Rate from and including the date on which any such amount was due to the date of payment of such amount in full; plus

(iv) Lessee shall also pay all other amounts due and payable by Lessee to Lessor or Owner Participant under this Lease (other than any Basic Rent due on such Termination Date), the Participation Agreement or any other Operative Agreement (including, without limitation, (A) Supplemental Rent in respect of Make-Whole Amount, if any, payable pursuant to Section 2.10(b) of the Trust Indenture in connection with a prepayment of the Loan Certificates upon such sale, (B) all interest charges provided for hereunder or under any other Operative Agreement with respect to the late payment of any amounts, so payable, and (C) the out-of-pocket fees and expenses incurred by Lessor and Owner Participant in connection with such termination and sale).

(b) Upon full and final payment to Lessor, Mortgagee and the Participants of the amounts described in Section 9.3(a), and compliance by Lessee with all the other applicable provisions of this Section 9.3,

(i) Lessor will transfer to Lessee, in accordance with Section 4.6, any Engines constituting part of the Aircraft but which were not then installed on the Airframe and sold therewith; and

(ii) The obligation of Lessee to pay Basic Rent otherwise due on or after the Payment Date with reference to which Termination Value is computed shall cease, and the Term for the Aircraft shall end effective as of such Termination Date.

## SECTION 10. LOSS, DESTRUCTION, REQUISITION, ETC.

### 10.1 Event of Loss With Respect to Aircraft

#### 10.1.1 Notice and Election

(a) Upon the occurrence of an Event of Loss with respect to

the Airframe, and any Engine or Engines installed thereon at the time of such Event of Loss, Lessee shall promptly (and in any event within 10 days after such occurrence) give Lessor, Mortgagee and Owner Participant written notice of such Event of Loss. Within 20 days after such occurrence, Lessee shall give Lessor, Mortgagee and Owner Participant written notice of Lessee's election to make payment in respect of such Event of Loss, as provided in Section 10.1.2, or to replace the Airframe, and any such Engines, as provided in Section 10.1.3.

(b) Any failure by Lessee to give such notice of its election shall be deemed to be an election of the option set forth in Section 10.1.2. In addition, Lessee shall not be entitled to elect the option set forth in Section 10.1.3 if, at the time Lessor receives such notice from Lessee, there shall have occurred and be continuing a Lease Default (other than with respect to Section 14.5 or 14.6) or a Lease Event of Default.

(c) For purposes of Section 10.1.2, an Event of Loss with respect to the Airframe shall be deemed to constitute an Event of Loss with respect to the Aircraft. For purposes of Section 10.1.3, any Engine not actually suffering an Event of Loss shall not be required to be replaced.

#### 10.1.2 Payment of Loss and Termination of Lease

(a) If Lessee elects, in accordance with Section 10.1.1, to make payment in respect of any such Event of Loss, then Lessee shall pay, in the manner and in funds of the type specified in Section 3.3, the following amounts:

(i) on or before the Business Day next following the earlier of (x) the sixty-first day following the date of the occurrence of such Event of Loss, and (y) the second Business Day following the receipt of insurance proceeds with respect to such occurrence (but in any event not earlier than the date of Lessee's election under Section 10.1.1 to make payment under this Section 10.1.2), Lessee shall pay to Lessor:

- (1) all unpaid Basic Rent or Renewal Rent, as the case may be, (A) due at any time prior to the Stipulated Loss Value Date immediately preceding the date of such Event of Loss, or (B) if such Event of Loss occurs on a Stipulated Loss Value Date, due at any time prior to such Date; plus
- (2) the Stipulated Loss Value of the Aircraft computed as of the Stipulated Loss Value Date used in the foregoing clause (1) for the computation of unpaid Rent; plus
- (3) as provided in Section 3.2.2, interest on the amount specified in the foregoing clause (1) at the Payment Due Rate from and including the date on which any such amount was due to the date of payment of such amount in full; plus
- (4) interest on the amounts specified in the foregoing clause (2) at the SLV Rate from and including the Stipulated Loss Value Date, used in the foregoing clause (1) for the computation of unpaid Rent, to the date such amount is due, and thereafter at the Payment Due Rate to the date of payment of such amounts in full;

provided that, in the event that a Payment Date shall occur (x) on or after the Stipulated Loss Value Date used in the foregoing clause (1) for the computation of unpaid Rent, and (y) on or before the date of payment of the amounts specified above in this subparagraph (i), then Lessee shall pay the Basic Rent or the Renewal Rent, as the case may be, due on such Payment Date, and thereupon such amounts payable under this subparagraph (i) shall be reduced by the amount of such payment of Basic Rent or Renewal Rent, as the case may be; and

(ii) on or before the date required for payment of the amounts specified in paragraph (i) above, Lessee shall also pay to Lessor, Mortgagee and the Participants all other amounts due and payable by Lessee to Lessor, Mortgagee and the Participants under this Lease, the Participation Agreement or any other Operative Agreement (including, without limitation, (A) any interest charges provided for hereunder or thereunder with respect to the late payment of any such other amounts, and (B) all out-of-pocket fees and expenses of Lessor, each Participant and Mortgagee in connection with such Event of Loss).

(b) Upon payment in full of all amounts described in the foregoing paragraph (a), (i) the obligation of Lessee to pay Basic Rent or Renewal Rent hereunder with respect to the Aircraft shall terminate, (ii) the Term for the Aircraft shall end, and (iii) Lessor will transfer the Aircraft to Lessee, as-is and where-is, and subject to any insurer's salvage rights, but otherwise in the manner described in Section 4.6.

#### 10.1.3 Replacement of Airframe and Engines

(a) If Lessee elects, in accordance with Section 10.1.1, to replace the Airframe, and any Engines actually suffering the Event of Loss, then Lessee shall, as promptly as possible and in any event within 60 days after the occurrence of such Event of Loss, convey or cause to be conveyed to Lessor, in compliance with Section 10.3 and as replacement for the Airframe, and any such Engine, title to a Replacement Airframe (which shall comply with paragraph (b) below), and for each such Engine a Replacement Engine, in each case free and clear of all Liens other than Permitted Liens. If Lessee makes such election, but for any reason fails or is unable to effect such replacement within such time period and in compliance with the requirements set forth in Section 10.3, then Lessee shall be deemed to have initially made the election set forth in Section 10.1.2 with the effect that Lessee shall immediately pay, in the manner and in funds of the type specified in Section 3.3, the amounts required under, and in accordance with, Section 10.1.2.

(b) Any such Replacement Airframe shall be an airframe (i) that is manufactured by Airframe Manufacturer under that certain Purchase Agreement No. 1782 dated March 18, 1993 between The Boeing Company and Lessee, and delivered thereunder on any date occurring after the Delivery Date, and (ii) that is the same model as the Airframe to be replaced thereby, or an improved model, and that has performance and durability characteristics, and a value and utility and remaining useful life, at least equal to, and is in at least as good operating condition as, the Airframe to be replaced thereby (assuming that such Airframe was of the value and utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of the Event of Loss). Any such Replacement Engine shall meet the requirements of, and be conveyed by Lessee to Lessor in accordance with, Section 10.2 (other than the notice requirement set forth in Section 10.2.1).

## 10.2 Event of Loss With Respect to an Engine

### 10.2.1 Notice

Upon the occurrence of an Event of Loss with respect to an Engine under circumstances in which an Event of Loss with respect to the Airframe has not occurred, Lessee shall promptly (and in any event within 15 days after such occurrence) give Lessor, Mortgagee and Owner Participant written notice of such Event of Loss.

### 10.2.2 Replacement of Engine

Lessee shall, as promptly as possible and in any event within 60 days after the occurrence of such Event of Loss, convey or cause to be conveyed to Lessor, in compliance with Section 10.3 and as replacement for the Engine with respect to which any Event of Loss occurred, title to a Replacement Engine free and clear of all Liens other than Permitted Liens. Such Replacement Engine shall be an engine manufactured by Engine Manufacturer that is the same model as the Engine to be replaced thereby, or an improved model, and that is suitable for installation and use on the Airframe, and that has performance and durability characteristics, and a value and utility and remaining useful life, at least equal to, and is in at least as good operating condition as, the Engine to be replaced thereby (assuming that such Engine was of the value and utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of the Event of Loss).

## 10.3 Conditions to any Replacement

### 10.3.1 Documents

Prior to or at the time of conveyance of title to any Replacement Airframe or Replacement Engine to Lessor, Lessee shall promptly take each of the following actions, and shall promptly furnish the following agreements, instruments, certificates and documents to (and in each case reasonably satisfactory in form and substance to) Lessor, Mortgagee and Owner Participant:

(a) furnish Lessor with a full warranty bill of sale duly conveying to Lessor such Replacement Airframe or Replacement Engine, together with such evidence of title as Lessor may reasonably request;

(b) cause such Replacement Airframe to be duly registered in the name of Lessor pursuant to the Act;

(c) cause (i) a Lease Supplement subjecting such Replacement Airframe or Replacement Engine to this Lease, duly executed by Lessee, to be delivered to Lessor for execution and, upon such execution, to be filed for recordation with the FAA pursuant to the Act, (ii) a Trust Indenture Supplement, subjecting such Replacement Airframe or Replacement Engine to the Trust Indenture, to be delivered to Lessor for execution and, upon execution, to be filed for recordation with the FAA pursuant to the Act and (iii) such Financing Statements and other filings, as Lessor, Mortgagee or Owner Participant may reasonably request, duly executed by Lessee and, to the extent applicable, Lessor and Mortgagee (and Lessor and Mortgagee shall execute and deliver the

same), to be filed in such locations as any such party may reasonably request;

(d) furnish such evidence of compliance with the insurance provisions of Section 11 with respect to such Replacement Airframe or Replacement Engine as Lessor, Mortgagee or Owner Participant may reasonably request;

(e) furnish an opinion or opinions of Lessee's counsel reasonably satisfactory to Lessor, Mortgagee and Owner Participant to the effect that (i) upon such conveyance, Lessor will acquire good title to such Replacement Airframe or Replacement Engine free and clear of all Liens other than Permitted Liens, (ii) such Replacement Airframe or Replacement Engine will be leased hereunder and made subject to the Trust Indenture to the same extent as the Airframe or Engine replaced thereby, (iii) Lessor and Mortgagee, as assignee of Lessor, shall be entitled to the benefits of Section 1110 with respect to such Replacement Airframe, (iv) (if and to the extent that such opinion, in view of applicable Law, can be rendered) Lessor and Mortgagee, as assignee of Lessor, shall be entitled to the benefits of Section 1110 with respect to such Replacement Engine to the extent that the Lessor and the Mortgagee were entitled to the benefits of Section 1110 with respect to the Engine so replaced, and (v) to such further effect as Lessor, Mortgagee or Owner Participant may reasonably request;

(f) furnish an opinion of Lessee's aviation law counsel reasonably satisfactory to Lessor, Mortgagee and Owner Participant as to the due registration of any such Replacement Airframe and the due recordation of each Lease Supplement and Trust Indenture Supplement with respect to such Replacement Airframe or Replacement Engine and as to such other matters concerning the Act as Lessor, Mortgagee or Owner Participant may reasonably request;

(g) with respect to any Replacement Airframe, furnish an opinion of tax counsel, selected by Owner Participant and reasonably satisfactory to Lessee, as to the tax consequences to Lessor and Owner Participant of any such replacement;

(h) with respect to the replacement of any Engine (other than in connection with replacement of the Airframe), furnish a certificate of a qualified aircraft engineer (who may be an employee of Lessee) certifying that such Replacement Engine has performance and durability characteristics, and a value and utility and remaining useful life, at least equal to, and is in at least as good operating condition as, the Engine so replaced, assuming such Engine was of the value and utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss; and

(i) with respect to the replacement of the Airframe, and any Engine installed thereon at the time of the subject Event of Loss, furnish a certified report of a qualified independent aircraft appraiser, satisfactory to Lessor and Owner Participant, setting forth such appraiser's opinion as to the fair market value, as of the date of conveyance hereunder, of such Replacement Airframe and any such Replacement Engine, and certifying that such Replacement Airframe and any such Replacement Engine have performance and durability characteristics, and a value and utility (including, but not limited to, equivalent current value, estimated residual value at the end of the Term (and at any relevant interval thereof, as may be specified by the Lessor) and estimated remaining useful life) at least equal to, and are in at least as good operating condition as, the Airframe and Engines so replaced (assuming the Airframe and Engines were in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss); and

(j) take such other actions and furnish such other certificates and documents as Lessor, Mortgagee or Owner Participant may reasonably request in order that such Replacement Airframe or Replacement Engine be duly and properly titled in Lessor, leased hereunder and subjected to the Lien of the Trust Indenture to the same extent as initially required under the Operative Agreements with respect to the Airframe or Engine so replaced.

Lessor and Lessee understand and agree that if at the time of any replacement of the Airframe or any Engine, as contemplated in this Section 10, the Airframe was registered in a jurisdiction other than the United States, then the requirements set forth above in this Section 10.3.1 relating to compliance with the requirements of the Act or the FAA, shall be deemed to refer to the comparable applicable Law of, and the Aviation Authority of, such other jurisdiction.

#### 10.3.2 Other Conditions

Lessee shall not be entitled to replace the Airframe under Section 10.1.3 and this Section 10.3, and shall be deemed to have initially made the election set forth in Section 10.1.2, if at the time of such replacement

(a) there shall have occurred and be continuing any Lease Default (other than with respect to Section 14.5 or 14.6) or

Lease Event of Default; or

(b) under applicable Law and notwithstanding any actions by Lessor and Lessee under Section 10.3.3(a), (i) Lessor or Mortgagee, as assignee of Lessor, shall for any reason not be entitled to the benefits of Section 1110 with respect to such Replacement Airframe or (ii) with respect to any Replacement Engine which replaces an Engine installed on the Airframe at the time of such Event of Loss, Lessor or Mortgagee, as assignee of Lessor, shall for any reason not be entitled to the benefits of Section 1110 with respect to such Replacement Engine to the same extent that the Lessor and the Mortgagee were entitled to the benefits of Section 1110 with respect to the Engine so replaced.

#### 10.3.3 Other Obligations

(a) Lessor and Lessee agree that, upon any Replacement Airframe becoming the Airframe hereunder, and upon any Replacement Engine becoming an Engine hereunder, this Lease shall continue to be, and shall be treated as, a lease for U.S. federal income tax purposes of, among other things, such Replacement Airframe and such Replacement Engine. Without limiting the foregoing, Lessee and Lessor intend that Lessor shall, in all events, be entitled to the benefits of Section 1110 with respect to any Replacement Airframe or Replacement Engine and Lessee and Lessor shall cooperate and take such action as the other may reasonably request so as to ensure that Lessor shall be entitled to such benefits.

(b) No Event of Loss with respect to an Engine, or with respect to an Airframe, shall result in, or otherwise allow or permit (other than as provided in Section 10.1.2(b)), any reduction, deferral, discharge or other change in the timing or amount of any Rent payable by Lessee hereunder or any other amount payable by Lessee under any other Operative Agreement, and (subject to such Section 10.1.2(b)) Lessee shall pay all such Rent and other amounts as though such Event of Loss had not occurred.

#### 10.4 Conveyance to Lessee

Upon full compliance by Lessee with the applicable terms of Sections 10.1.3, 10.2 and 10.3, Lessor will transfer to Lessee the Airframe or Engine, as the case may be, with respect to which such Event of Loss occurred, in accordance with Section 4.6, provided that Lessor shall not be required to effect any such transfer if and for so long as there shall have occurred and be continuing any Lease Default (other than with respect to Section 14.5 or 14.6) or Lease Event of Default.

#### 10.5 Application of Payments

Any amounts, other than insurance proceeds in respect of damage or loss not constituting an Event of Loss (the application of which is provided for in Section 11), received at any time by Lessor, Lessee or any Permitted Sublessee from any Government Entity or any other Person in respect of any Event of Loss will be applied as follows:

##### 10.5.1 Replacement of Airframe and Engines

If such amounts are received with respect to the Airframe, and any Engine installed thereon at the time of such Event of Loss, such amounts shall be paid over to, or retained by, Lessor (or until the Lien of the Trust Indenture is discharged in accordance with Section 10.01 thereof, the Mortgagee), and shall be held in accordance with Section 4.5, and if, and at such time as, Lessee shall have fully complied with the applicable terms of Sections 10.1, 10.2 and 10.3 with respect to the Event of Loss for which such amounts are received, such amounts shall, subject to Section 10.9, be paid to Lessee.

##### 10.5.2 Loss of Engine

If such amounts are received with respect to an Engine (other than an Engine installed on the Airframe at the time such Airframe suffers an Event of Loss), such amounts shall be paid over to, or retained by, Lessor (or, until the Lien of the Trust Indenture is discharged in accordance with Section 10.01 thereof, the Mortgagee) and shall be held in accordance with Section 4.5, and if, and at such time as, Lessee shall have fully complied with the applicable terms of Section 10.1, 10.2 and 10.3 with respect to the Event of Loss for which such amounts are received, such amounts shall, subject to Section 10.9, be paid to Lessee.

##### 10.5.3 Payment of Loss

If such amounts are received, in whole or in part, with respect to the Airframe, and Lessee makes, has made or is deemed to have made the election set forth in Section 10.1.2, such amounts shall be applied as follows:

(a) first, if the sum described in Section 10.1.2 has not then been paid in full by Lessee, such amounts shall be paid to Lessor to the extent necessary to pay in full such sum;

(b) second, the remainder, if any, shall, subject to Section 10.9, be paid to Lessee.

#### 10.6 Requisition of Aircraft for Use

If any Government Entity shall requisition for use the Airframe and the Engines or engines installed thereon, and if the same does not constitute an Event of Loss, Lessee shall promptly notify Lessor and Mortgagee of such requisition and all of Lessee's obligations under this Agreement shall continue to the same extent as if such requisition had not occurred; provided, however, that if the Airframe and Engines or engines installed thereon are not returned by such Government Entity prior to the end of the Term, Lessor, upon notice given not less than 30 days nor more than 120 days before the end of the Term, may elect to treat such event as constituting an Event of Loss with respect to the Aircraft and Lessee shall then be deemed to have made the election set forth in Section 10.1.2 with the effect that Lessee shall be obligated upon expiration of the Term to pay the Stipulated Loss Value and all other amounts payable pursuant to Section 10.1.2 with respect to the Aircraft as if an Event of Loss had earlier occurred and such amounts were payable on such date. If Lessor does not elect to treat such event as an Event of Loss, Lessee shall be obligated to return the Airframe and Engines or engines to Lessor pursuant to, and in all other respects to comply with the provisions of, Section 5 promptly upon their return by such Government Entity.

#### 10.7 Requisition of an Engine for Use

If any Government Entity shall requisition for use any Engine but not the Airframe, Lessee will replace such Engine by complying with the applicable terms of Sections 10.2 and 10.3 to the same extent as if an Event of Loss had occurred with respect to such Engine, and any payments received by Lessor or Lessee from such Government Entity with respect to such requisition shall be paid or retained in accordance with Section 10.5.2.

#### 10.8 Application of Payments

All payments received by Lessor or Lessee, or any Permitted Sublessee, from any Government Entity for the use of the Airframe and Engines or engines installed thereon during the Term shall be paid over to, or retained by, Lessee and all payments received by Lessor or Lessee from any Government Entity for the use of the Airframe and Engines or engines installed thereon after the Term shall be paid over to, or retained by, Lessor; provided that, if such requisition constitutes an Event of Loss, or Lessor has elected under Section 10.6 to treat such requisition as an Event of Loss, then all such payments shall be paid over to Lessor, and held as provided in Section 10.5 and applied as provided in Sections 10.1, 10.2, 10.3 and 10.5.

#### 10.9 Application of Payments During Existence of Default

Any amount described in this Section 10 that is payable or creditable to, or retainable by, Lessee shall not be paid or credited to, or retained by, Lessee if at the time such payment, credit or retention would otherwise occur a Lease Default or a Lease Event of Default shall have occurred and be continuing, but shall instead be held by or paid over to Lessor (or to Mortgagee so long as the Trust Indenture has not been duly discharged) as security for the obligations of Lessee under this Lease and the other Operative Agreements and shall be invested pursuant to Section 4.5 hereof unless and until such amount is applied, at the option of Lessor, or upon the written request of Lessee to Lessor, from time to time during the continuance of a Lease Event of Default, to Lessee's obligations under this Lease and the other Lessee Operative Agreements as and when due, it being understood that any such application shall be made to such obligations of Lessee as Lessor may determine in its sole discretion. At such time as there shall not be continuing any Lease Default or any Lease Event of Default, such amount shall be paid to Lessee to the extent not previously applied in accordance with this Section 10.9.

### SECTION 11. INSURANCE

#### 11.1 Lessee's Obligation to Insure

Lessee shall comply with, or cause to be complied with, each of the provisions of Annex D, which provisions are hereby incorporated by this reference as if set forth in full herein. Without limiting any other rights of Lessor under this Lease or any other Operative Agreement, Lessee acknowledges that the provisions of this Section 11 and of Annex D are of the essence of this Lease and the transactions contemplated herein.

#### 11.2 Lessor's Right to Maintain Insurance

In the event that Lessee shall fail to maintain, or cause to be maintained, insurance as herein provided, Lessor, Mortgagee or any Participant may at its option (but shall not be obligated to) provide such insurance and, in such event, Lessee shall, upon demand, reimburse such person, as Supplemental Rent, for the cost thereof. No such payment, performance or compliance shall be deemed to cure any Lease Default or Lease Event of Default or otherwise relieve Lessee of its obligations with respect thereto.

#### 11.3 Insurance for Own Account

Nothing in Section 11 shall limit or prohibit (a) Lessee from maintaining the policies of insurance required under Annex D with higher limits than those specified in Annex D, or (b) Lessor, Mortgagee or any Participant from obtaining insurance for its own account (and any proceeds payable under such separate insurance shall be payable as provided in the policy relating thereto); provided, however, that no insurance may be obtained or maintained by Lessee or Lessor that would limit or otherwise adversely affect the coverage of any insurance required to be obtained or maintained by Lessee pursuant to this Section 11 and Annex D.

#### 11.4 Indemnification by Government in Lieu of Insurance

During any period that the Aircraft, Airframe or any Engine shall have been requisitioned for use by, or possession of the Aircraft shall have been transferred to, the U.S. Government, Lessor agrees to accept, in lieu of insurance against any risk with respect to the Aircraft described in Sections B and C (but, with respect to Section C, as to hull coverage only) of Annex D, indemnification from, or insurance provided by, the U.S. Government against such risk in an amount that, when added to the amount of insurance, if any, against such risk that Lessee (or any Permitted Sublessee) may continue to maintain, in accordance with this Section 11, during the period of such requisition or transfer, shall be at least equal to the amount of insurance against such risk otherwise required by this Section 11. Any such indemnification or insurance provided by the U.S. Government shall provide protection no less favorable to the Indemnitees, after taking into account any insurance the Lessee or any Permitted Sublessee may continue to maintain, than insurance coverage that would comply with the terms of this Section 11. Lessee shall furnish to Lessor, Mortgagee and Owner Participant, in advance of the attachment of such indemnity or insurance (a) a certificate of a responsible Vice President of Lessee stating that such indemnification or insurance complies with the preceding sentence and (b) any other information, documentation or certificates relating to such indemnity or insurance as Lessor, Mortgagee or Owner Participant shall reasonably request.

#### 11.5 Application of Insurance Proceeds

As between Lessor and Lessee, all insurance proceeds received as a result of the occurrence of an Event of Loss with respect to the Aircraft or any Engine under policies required to be maintained by Lessee pursuant to this Section 11 will be applied in accordance with Section 10.5. All proceeds of insurance required to be maintained by Lessee, in accordance with Section 11 and Section B of Annex D, in respect of any property damage or loss not constituting an Event of Loss with respect to the Aircraft, Airframe or any Engine will be applied in payment (or to reimburse Lessee) for repairs or for replacement property in accordance with the terms of Section 8.1, and any balance remaining after compliance with said Section 8.1 with respect to such damage or loss shall be paid over to, or retained by, Lessee.

#### 11.6 Application of Payments During Existence of Default

Any amount described in this Section 11 that is payable or creditable to, or retainable by, Lessee shall not be paid or credited to, or retained by, Lessee if at the time such payment, credit or retention would otherwise occur a Lease Default or a Lease Event of Default shall have occurred and be continuing, but shall instead be held by or paid over to Lessor (or to Mortgagee so long as the Trust Indenture has not been duly discharged) as security for the obligations of Lessee under this Lease and the other Operative Agreements and shall be invested pursuant to Section 4.5 hereof unless and until such amount is applied, at the option of Lessor, or upon the written request of Lessee to Lessor, from time to time during the continuance of a Lease Event of Default, to Lessee's obligations under this Lease and the other Lessee Operative Agreements as and when due, it being understood that any such application shall be made to such obligations of Lessee as Lessor may determine in its sole discretion. At such time as there shall not be continuing any Lease Default or any Lease Event of Default, such amount shall be paid to Lessee to the extent not previously applied in accordance with this Section 11.6.

### SECTION 12. INSPECTION

(a) At all reasonable times Lessor, Mortgagee, each Participant, and their respective authorized representatives (the "Inspecting Parties") may inspect the Aircraft, Airframe and Engines (including, without limitation, the Aircraft Documents) and Lessee shall cooperate, and shall cause any Permitted Sublessee to cooperate, with the Inspecting Parties in connection with any such inspection (including, without limitation, permitting any such Inspecting Party to make copies of such Aircraft Documents not reasonably deemed confidential by Lessee or such Permitted Sublessee).

(b) Any inspection of the Aircraft hereunder shall be a visual, walk-around inspection that may include going on board the Aircraft and examining the contents of any open panels, bays or other components of the Aircraft, Airframe and Engines (but

shall not include the opening of any unopened panels, bays or other components).

(c) With respect to such rights of inspection, Lessor, Participants and Mortgagee shall not:

(i) have any duty or liability to make, or any duty or liability arising out of, any such visit, inspection or survey or failure to make any such visit, inspection or survey; or

(ii) so long as no Lease Event of Default has occurred and is continuing, exercise its inspection rights hereunder other than on reasonable notice and so as not to unreasonably interfere with Lessee's maintenance and operation of the Aircraft, Airframe and Engines.

(d) Each person inspecting the Aircraft, Airframe or Engines hereunder shall bear its own expenses in connection with any such inspection, unless such person discovers, in connection therewith, any material failure by Lessee or any Permitted Sublessee to comply with the provisions of this Lease, in which case Lessee shall bear all such expenses.

(e) If requested by Lessor, Lessee shall give, or shall cause any Permitted Sublessee to give, reasonable prior notice to Lessor of the date upon which the Aircraft, Airframe or any Engine undergoes its next scheduled maintenance visit and next major check, and with respect to any Engine the next off-the-wing maintenance, and shall advise Lessor of the name and location of the relevant maintenance performer and shall, at least 5 days prior to commencement of such major check or maintenance, make available for inspection by Lessor all relevant Aircraft Documents at Lessee's records facility in the United States, or at such Permitted Sublessee's records facility, or at the premises of the maintenance performer.

### SECTION 13. ASSIGNMENT; MERGER; SUCCESSOR OWNER TRUSTEE

#### 13.1 In General

This Lease and the other Operative Agreements shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors and permitted assigns. Except as otherwise expressly permitted in Section 7.2 or 7.3, or as required in the case of any requisition by the U.S. Government referred to in Section 7.1.5, or as permitted by Section 13.2.1, Lessee will not, without the prior written consent of Lessor, Mortgagee and each Participant, assign any of its rights under this Lease. Except as otherwise provided herein (including, without limitation, under the provisions of Section 15 hereof), Lessor may not assign or convey any of its right, title and interest in and to this Lease or the Aircraft without the prior written consent of Lessee, such consent not to be unreasonably withheld.

#### 13.2 Merger of Lessee

##### 13.2.1 In General

Lessee shall not consolidate or merge with or into any other Person under circumstances in which Lessee is not the surviving corporation, or convey, transfer or lease in one or more transactions all or substantially all of its assets to any other Person, unless:

(a) such person is organized, existing and in good standing under the Laws of the United States, any State of the United States or the District Columbia;

(b) such person is a U.S. Air Carrier;

(c) such person executes and delivers to Lessor, Mortgagee and Owner Participant a duly authorized, legal, valid, binding and enforceable agreement, reasonably satisfactory in form and substance to each of them, containing an effective assumption by such person of the due and punctual performance and observance of each covenant, agreement and condition in the Lessee Operative Agreements to be performed or observed by Lessee;

(d) such person makes such filings and recordings, including, without limitation, any filing or recording with the FAA pursuant to the Act, as shall be necessary or desirable to evidence such consolidation or merger;

(e) immediately after giving effect to such consolidation or merger (i) no Lease Event of Default shall have occurred and be continuing and (ii) the Net Worth of such person shall not be less than the Net Worth of Lessee immediately prior to such consolidation or merger; and

(f) Lessee shall deliver to Owner Participant, Lessor and Mortgagee a certificate signed by the President or any Vice President of Lessee, and an opinion of special counsel satisfactory to Owner Participant, Lessor and Mortgagee, together stating that such consolidation or merger and the assumption agreement described in clause (c) above comply with this Section 13.2, that the agreements entered into to effect such

consolidation or merger and such assumption agreement are legal, valid and binding obligations of such person, and such other matters as Owner Participant, Lessor and Mortgagee may reasonably request.

### 13.2.2 Effect of Merger

Upon any such consolidation or merger of Lessee with or into, or the conveyance, transfer or lease by Lessee of all or substantially all of its assets to, any Person in accordance with this Section 13.2, such Person will succeed to, and be substituted for, and may exercise every right and power of, Lessee under the Lessee Operative Agreements with the same effect as if such person had been named as "Lessee" therein. No such consolidation or merger, or conveyance, transfer or lease, shall have the effect of releasing Lessee or such Person from any of the obligations, liabilities, covenants or undertakings of Lessee under the Lessee Operative Agreements.

### 13.3 Assignment Security for Lessor's Obligations

In order to secure the indebtedness evidenced by the Loan Certificates, Lessor has agreed in the Trust Indenture, among other things, to assign to Mortgagee this Lease and to mortgage the Aircraft, Airframe and Engines in favor of Mortgagee, subject to the reservations and conditions therein set forth. Lessee hereby accepts and consents to the assignment of all Lessor's right, title and interest in and to this Lease pursuant to the terms of the Trust Indenture. In accordance with Section 3.3(c), Lessee agrees to pay directly to Mortgagee (or, after receipt by Lessee of notice from Mortgagee of the discharge of the Trust Indenture, to Lessor), all amounts of Rent (other than Excluded Payments) due or to become due hereunder and assigned to Mortgagee and Lessee agrees that Mortgagee's right to such payments hereunder shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, the circumstances set forth in Section 16 hereof. Notwithstanding the foregoing assignment of this Lease, the obligations of Lessee to Lessor to perform the terms and conditions of this Lease shall remain in full force and effect. Lessee further acknowledges that the Trust Indenture provides that so long as the Loan Certificates are outstanding the Lessor may not consent to any amendment, modification or waiver to this Lease without the prior consent of Mortgagee (except as provided in Section 5.02 of the Trust Indenture and Section 3.2.1(b) hereof) and Lessee agrees to provide to Mortgagee a copy of all notices, consents, certificates or other information provided hereunder to Lessor. To the extent provided in the Trust Indenture (but excluding Excluded Payments), Mortgagee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of Lessor for the use and benefit of Mortgagee) which by the terms of this Lease or by applicable Law are permitted or provided to be exercised by Lessor. Lessee acknowledges receipt of a copy of, and consents to all of the terms and provisions of, the Trust Indenture (such acknowledgment not creating any rights in the Lessee to approve amendments to the same except as otherwise provided herein or in the Trust Indenture).

### 13.4 Successor Owner Trustee

Lessee agrees that in the case of the appointment of any successor Owner Trustee pursuant to the terms of the Participation Agreement and the Trust Agreement, such successor Owner Trustee shall, upon written notice by such successor Owner Trustee to Lessee, succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor and the owner of the Aircraft and the other assets of the Trust Estate for all purposes hereof without the necessity of any consent or approval by Lessee and without in any way altering the terms of this Lease

or Lessee's obligations hereunder. An appointment and designation of a successor Owner Trustee shall not exhaust the right to appoint and designate further successor or additional Owner Trustees pursuant to the Participation Agreement and the Trust Agreement, and such right may be exercised repeatedly as long as this Lease shall be in effect.

## SECTION 14. LEASE EVENTS OF DEFAULT

The occurrence of any one or more of the following circumstances, conditions, acts or events, for any reason whatsoever and whether any such circumstance, condition, act or 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, order, rule or regulation of any Government Entity, shall constitute a Lease Event of Default:

### 14.1 Payments

Lessee shall fail to pay any amount of Basic Rent, Renewal Rent, Stipulated Loss Value or Termination Value within five (5) Business Days after the same shall have become due, or Lessee shall fail to pay any other amount due hereunder or under any other Lessee Operative Agreement and such failure shall continue for a period in excess of five (5) Business Days from and after the date of any written demand therefor from Lessor; provided that any such failure to pay any Excluded Payment shall not

constitute a Lease Event of Default until written notice is given by the Owner Participant to Lessee and Mortgagee that such failure constitutes a Lease Event of Default and such failure shall have continued for a period in excess of five (5) Business Days after such notice.

#### 14.2 Insurance

Lessee shall fail to carry and maintain, or cause to be carried and maintained, insurance on and in respect of the Aircraft, Airframe and Engines in accordance with the provisions of Section 11, or Lessee shall operate the Aircraft, Airframe or Engines, or permit the Aircraft, Airframe or Engines to be operated, at any time when such insurance shall not be in effect.

#### 14.3 Corporate Existence

Lessee shall fail to maintain at all times its corporate existence (except as permitted by Section 13.2), or Lessee shall otherwise wind-up, liquidate or dissolve, or Lessee shall take or fail to take any action that would have the effect of any of the foregoing.

#### 14.4 Certain Covenants

Lessee shall not observe, perform or comply with, or shall otherwise breach, any of its obligations under Section 7.1 (other than Sections 7.1.3 and 7.1.4, which shall be subject to Section 14.5), 7.2 (in respect of the Aircraft or Airframe) or 13.

#### 14.5 Other Covenants

Lessee shall fail to observe, perform or comply with, or shall otherwise breach, any other covenant, agreement or obligation set forth herein or in any other Lessee Operative Agreement (other than the covenants, agreements and obligations set forth in the first sentence of Section 4.8(a) and in the first sentence of Section 10.3.3(a) of this Lease, and in Section 3 of the Tax Indemnity Agreement and in Section 8.3 of this Lease insofar as it relates to Section 3 of the Tax Indemnity Agreement), and such failure shall continue unremedied for a period of 30 days (or any shorter period as may be expressly set forth in such other Lessee Operative Agreement) from and after the date of written notice thereof to Lessee.

#### 14.6 Representations and Warranties

Any representation or warranty made by Lessee herein, in the Participation Agreement or in any other Lessee Operative Agreement (other than the representations and warranties of Lessee in Section 3 of the Tax Indemnity Agreement and in Section 8.3 of this Lease insofar as it relates to Section 3 of the Tax Indemnity Agreement) (a) shall prove to have been untrue, inaccurate or misleading in any material respect as of the date made, (b) such untrue, inaccurate or misleading representation or warranty is material at the time in question, (c) and the same shall remain uncured for a period in excess of 30 days from and after the date of written notice thereof to Lessee.

#### 14.7 Bankruptcy and Insolvency

(a) Lessee shall consent to the appointment of or the taking of possession by a receiver, trustee or liquidator of itself or of a substantial part of its property, or Lessee shall admit in writing its inability to pay its debts generally as they come due, or does not pay its debts generally as they become due or shall make a general assignment for the benefit of creditors, or Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, liquidation or other relief in a case under any bankruptcy Laws or other insolvency Laws (as in effect at such time) or an answer admitting the material allegations of a petition filed against Lessee in any such case, or Lessee shall seek relief by voluntary petition, answer or consent, under the provisions of any other bankruptcy or other similar Law providing for the reorganization or winding-up of corporations (as in effect at such time) or Lessee shall seek an agreement, composition, extension or adjustment with its creditors under such Laws, or Lessee's board of directors shall adopt a resolution authorizing corporate action in furtherance of any of the foregoing; or

(b) an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of Lessee, a receiver, trustee or liquidator of Lessee or of any substantial part of its property, or any substantial part of the property of Lessee shall be sequestered, or granting any other relief in respect of Lessee as a debtor under any bankruptcy Laws or other insolvency Laws (as in effect at such time), and any such order, judgment or decree of appointment or sequestration shall remain in force undischarged, unstayed and unvacated for a period of 60 days after the date of entry thereof; or

(c) a petition against Lessee in a case under any bankruptcy Laws or other insolvency Laws (as in effect at such time) is filed and not withdrawn or dismissed within 60 days thereafter, or if, under the provisions of any Law providing for reorganization or winding-up of corporations which may apply to

Lessee, any court of competent jurisdiction assumes jurisdiction, custody or control of Lessee or of any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed and unterminated for a period of 60 days.

## SECTION 15. REMEDIES AND WAIVERS

### 15.1 Remedies

If any Lease Event of Default shall occur and be continuing, Lessor may, at its option and at any time and from time to time, exercise any one or more of the following remedies as Lessor in its sole discretion shall elect:

#### 15.1.1 Return and Repossession

Lessor may cause Lessee, upon giving written notice to Lessee, to return promptly, and Lessee shall return promptly, all or any part of the Aircraft, Airframe and Engines as Lessor may so demand, to Lessor or its order in the manner and condition required by, and otherwise in accordance with, all the provisions of Section 5 as if the Aircraft or such part were being returned at the end of the Base Lease Term or any Renewal Lease Term or Lessor, at its option, may enter upon the premises where the Aircraft, Airframe or any Engine, or any part thereof, are located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability accruing to Lessor for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise, and Lessee expressly waives any right it may have under applicable Law to a hearing prior to repossession of the Aircraft, Airframe or any Engine, or any part thereof.

#### 15.1.2 Sale and Use

Lessor may sell the Aircraft, Airframe or any Engine, or any part thereof, at public or private sale, at such times and places, and to such Persons (including Lessor, Mortgagee or any Participant), as Lessor may determine and, without limiting the generality of the provisions of this Section 15, Lessor may hold Lessee liable for the payment of any Basic Rent or Renewal Rent remaining unpaid at the time of such sale and relating to any period prior to the date of such sale; or Lessor may otherwise dispose of, hold, use, operate, lease to others or keep idle the Aircraft, Airframe or any Engine, or any part thereof, as Lessor, in its sole discretion, may determine, all free and clear of any rights of Lessee, except as hereinafter set forth in this Section 15, and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto (except in connection with any calculation of liquidated damages under Section 15.1.3(b) below and except to the extent that such proceeds would constitute, under applicable Law, a mitigation of Lessor's damages suffered or incurred as a result of the subject Lease Event of Default).

#### 15.1.3 Certain Liquidated Damages

Whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under Section 15.1.1 or 15.1.2 with respect to the Aircraft, Airframe or any Engine, or any part thereof, Lessor, by written notice to Lessee specifying a payment date (which shall be a Termination Value Date occurring not less than 10 days after the date of such notice), may demand Lessee to pay to Lessor, and Lessee shall pay to Lessor, on the payment date so specified and in the manner and in funds of the type specified in Section 3.3, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent or Renewal Rent, as the case may be, for the Aircraft in respect of all periods commencing on or after the date specified for payment in such notice), the following amounts:

(a) all unpaid Basic Rent or Renewal Rent, as the case may be, due at any time prior to the Termination Value Date specified in such notice; plus

(b) whichever of the following amounts Lessor, in its sole discretion shall specify in such notice:

(i) an amount equal to the excess, if any, of the Termination Value for the Aircraft, Airframe or any Engine, or any part thereof, as the case may be, computed as of the Termination Value Date specified in such notice, over the Fair Market Rental Value of the Aircraft, Airframe or any Engine, or any part thereof, as the case may be, for the remainder of the Term, after discounting such Fair Market Rental Value to its then present value (at a rate equal to ten percent per annum, compounded quarterly) as of the Termination Value Date specified in such notice, or

(ii) an amount equal to the excess, if any, of the Termination Value for the Aircraft, Airframe or any Engine, or any part thereof, as the case may be, computed as of the Termination Value Date specified in such notice, over the Fair Market Sales Value of the Aircraft, Airframe or any Engine, or any part thereof, as the case may be, as of the Termination Value Date specified in such notice; plus

(c) interest on the amounts specified in the foregoing clause (a) at the Payment Due Rate from and including the date on which any such amount was due to the date of payment of such amount in full; plus

(d) interest on the amount specified in the foregoing clause (b)(i) or (b)(ii), according to Lessor's election, at the Payment Due Rate from and including the Termination Value Date specified in such notice to the date of payment of such amount in full.

#### 15.1.4 Liquidated Damages Upon Sale

If Lessor, pursuant to Section 15.1.2 or applicable Law, shall have sold the Aircraft, Airframe or any Engine, or any part thereof, Lessor, in lieu of exercising its rights under Section 15.1.3 with respect to the Aircraft, Airframe or any Engine, or any part thereof, as the case may be, may, if Lessor shall so elect, upon giving written notice to Lessee, demand Lessee to pay Lessor, and Lessee shall pay to Lessor, on the date of such sale and in the manner and in funds of the type specified in Section 3.3, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent or Renewal Rent, as the case may be, for the Aircraft in respect of all periods commencing on or after the date of such sale), the following amounts:

- (a) all unpaid Basic Rent or Renewal Rent, as the case may be, (i) due at any time prior to the Termination Value Date immediately preceding the date of such sale, or (ii) if such sale occurs on a Termination Value Date, due at any time prior to such Date; plus
- (b) an amount equal to the excess, if any, of the Termination Value of the Aircraft, Airframe or any Engine, or any part thereof, as the case may be, computed as of the Termination Value Date used in the foregoing clause (a) for the computation of unpaid Rent, over (i) the proceeds of such sale, or (ii) if such sale is a private sale and is made to Lessor, Mortgagee, a Participant or any Affiliate thereof, the Fair Market Sales Value of the Aircraft, Airframe or any Engine, or any part thereof, as the case may be, determined as of the date of such sale; plus
- (c) all brokerage and other out-of-pocket fees and expenses incurred by Lessor, Mortgagee and any Participant in connection with such sale; plus
- (d) interest on the amounts specified in the foregoing clause (a) at the Payment Due Rate from and including the date on which any such amount was due to the date of payment of such amount in full; plus
- (e) interest on the sum of the amounts specified in the foregoing clauses (b) and (c), at the Payment Due Rate from and including the date of such sale to the date of payment of such amounts in full.

#### 15.1.5 Rescission

Lessor may (i) at its option, rescind or terminate this Lease as to the Aircraft, Airframe or any Engine, or any part thereof, or (ii) exercise any other right or remedy that may be available to it under applicable Law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof, including, without limitation, Lessee's agreement to lease the Aircraft for the Term and to pay Rent.

#### 15.1.6 Other Remedies

In addition to the foregoing remedies (but without duplication of amounts otherwise paid under this Section 15), Lessee shall be liable for any and all unpaid Rent due hereunder before, during or after (except as otherwise provided herein) the exercise of any of the foregoing remedies and for all attorneys' fees and other costs and expenses of Lessor, Mortgagee and the Participants, including, without limitation, interest on overdue Rent at the rate as herein provided, incurred by reason of the occurrence of any Lease Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of the Aircraft, Airframe or any Engine, or any part thereof, in accordance with the terms of Section 5 or in placing the Aircraft, Airframe or any Engine, or any part thereof, in the condition and airworthiness required by Section 5.

#### 15.2 Limitations Under CRAF

Notwithstanding the provisions of Section 15.1, during any period that the Aircraft, Airframe or any Engine is subject to CRAF in accordance with the provisions of Section 7.2.3 and in the possession of the U.S. Government, Lessor shall not, as a result of any Lease Event of Default, exercise its remedies hereunder in such manner as to limit Lessee's control under this Lease (or any Permitted Sublessee's control under any Permitted Sublease) of the Aircraft, Airframe or such Engine, unless at least 30 days' (or such other period as may then be applicable

under CRAF) written notice of default hereunder shall have been given by Lessor by registered or certified mail to Lessee (and any Permitted Sublessee) with a copy to the Contracting Officer Representative or Representatives for the Military Airlift Command of the United States Air Force to whom notices must be given under the contract governing Lessee's (or any Permitted Sublessee's) participation in CRAF with respect to the Aircraft, Airframe or any Engine.

#### 15.3 Right to Perform for Lessee

If Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor, Mortgagee or Owner Participant may (but shall not be obligated to) make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the expenses of Lessor, Mortgagee or Owner Participant incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the Payment Due Rate, shall be deemed Supplemental Rent, payable by Lessee upon demand. No such payment, performance or compliance shall be deemed to cure any Lease Default or Lease Event of Default or otherwise relieve Lessee of its obligations with respect thereto.

#### 15.4 Determination of Fair Market Rental Value and Fair Market Sales Value

For the purpose of this Section 15, the "Fair Market Rental Value" or the "Fair Market Sales Value" of the Aircraft, Airframe or any Engine, or any part thereof shall be determined on an "as is, where is" basis and shall take into account customary brokerage and other out-of-pocket fees and expenses which typically would be incurred in connection with a re-lease or sale of the Aircraft, Airframe or any Engine. Any such determination shall be made by an Appraiser selected by Lessor and the costs and expenses associated therewith shall be borne by Lessee, unless Lessor does not obtain possession of the Aircraft, Airframe and Engines pursuant to this Section 15, in which case an Appraiser shall not be appointed and Fair Market Rent and Fair Market Value for purposes of this Section 15 shall be zero.

#### 15.5 Lessor Appointed Attorney-in-Fact

Lessee hereby appoints Lessor as the attorney-in-fact of Lessee, with full authority in the place and stead of Lessee and in the name of Lessee or otherwise, for the purpose of carrying out the provisions of this and any other Operative Agreement and taking any action and executing any instrument that Lessor may deem necessary or advisable to accomplish the purposes hereof; provided, however, that Lessor may only take action or execute instruments under this Section 15.5 after a Lease Event of Default has occurred and is continuing. Lessee hereby declares that the foregoing powers are granted for valuable consideration, constitute powers granted as security for the performance of the obligations of Lessee hereunder, are coupled with an interest and shall be irrevocable. Without limiting the generality of the foregoing or any other rights of Lessor under the Operative Agreements, Lessor shall upon the occurrence and during the continuation of a Lease Event of Default have the sole and exclusive right and power to (i) settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to or pertaining to the Aircraft, Airframe or any Engine, or this Lease and (ii) make proof of loss, appear in and prosecute any action arising from any policy or policies of insurance maintained pursuant to this Lease, and settle, adjust or compromise any claims for loss, damage or destruction under, or take any other action in respect of, any such policy or policies.

#### 15.6 Remedies Cumulative

Nothing contained in this Lease shall be construed to limit in any way any right, power, remedy or privilege of Lessor hereunder or under any other Operative Agreement or now or hereafter existing at law or in equity. Each and every right, power, remedy and privilege hereby given to, or retained by, Lessor in this Lease shall be in addition to and not in limitation of every other right, power, remedy and privilege given under the Operative Agreements or now or hereafter existing at law or in equity. Each and every right, power, remedy and privilege of Lessor under this Lease and any other Operative Agreement may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by Lessor. All such rights, powers, remedies and privileges shall be cumulative and not mutually exclusive, and the exercise of one shall not be deemed a waiver of the right to exercise any other. Lessee hereby waives to the extent permitted by applicable Law any right which it may have to require Lessor to choose or elect remedies.

#### SECTION 16. LESSEE'S OBLIGATIONS; NO SETOFF, COUNTERCLAIM, ETC.

(a) Lessee's obligation to pay Rent and all other amounts payable hereunder, under the Participation Agreement or under any other Lessee Operative Agreement shall be absolute and unconditional, and shall be construed as covenants separate and independent from the agreements or undertakings of any other Person, including, without limitation, Lessor, Mortgagee or any

Participant, and shall not be affected by any event or circumstance, including, without limitation: (i) any setoff, counterclaim, recoupment, defense or other right that Lessee may have against Lessor, Mortgagee, any Participant, any Certificate Holder, Airframe Manufacturer, Engine Manufacturer, any Indemnitee or any other Person for any reason whatsoever; (ii) any defect in the title, airworthiness, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, the Aircraft, Airframe or any Engine, or any interruption or cessation in the use or possession thereof by Lessee for any reason whatsoever; (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee or any other Person; (iv) any restriction, prevention or curtailment of or interference with any use of the Aircraft, Airframe or any Engine, or any part thereof; (v) any change, waiver, extension, indulgence or other action or omission in respect of any obligation or liability of Lessee or Lessor; (vi) any claim that Lessee has or might have against any Person; (vii) any failure on the part of Lessor, Mortgagee or any Participant to perform or comply with any of the terms of this Lease or any other Operative Agreement; (viii) any invalidity or unenforceability or disaffirmance of this Lease or any provision hereof or any of the other Operative Agreements or any provision thereof, in each case whether against or by Lessee or otherwise; or (ix) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(b) If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as specifically provided herein, Lessee nonetheless agrees to pay an amount equal to each Basic Rent, Renewal Rent and Supplemental Rent payment at the time such payment would have become due and payable in accordance with the terms hereof had this Agreement not been terminated in whole or in part. All Rent payable by Lessee shall be paid without notice or demand (except as otherwise expressly provided) and without abatement, suspension, deferment, deduction, diminution or proration by reason of any circumstance or occurrence whatsoever. Lessee hereby waives, to the extent permitted by applicable law, any and all rights that it may now have or that at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Agreement or any part hereof, or to any abatement, suppression, deferment, diminution, reduction or proration of Rent, except in accordance with the express terms hereof. Each payment of Rent made by Lessee shall be final as to Lessor and Lessee and, except for any manifest clerical computational error, Lessee will not seek to recover all or any part of any such payment of Rent for any reason whatsoever.

(c) All obligations, liabilities, covenants and undertakings of Lessee in this Agreement or in any other Operative Agreement shall be performed, observed and complied with at Lessee's sole cost and expense, whether or not so expressed, unless otherwise expressly provided.

(d) Nothing set forth in this Section 16 shall be construed to prohibit Lessee from separately pursuing any claim that it may have from time to time against Lessor or any other Person with respect to any matter (other than the absolute and unconditional nature of Lessee's obligations hereunder to pay Rent, and other than the matters specified in paragraphs (b) and (c) above).

## SECTION 17. RENEWAL AND PURCHASE OPTIONS

### 17.1 Notices Generally

(a) At least 180 days but not more than 360 days prior to the Scheduled Expiration Date, Lessee may provide notice to Lessor that Lessee may exercise either the option to extend the leasing of the Aircraft for the First Renewal Lease Term pursuant to Section 17.2 or the option to purchase the Aircraft on the Scheduled Expiration Date pursuant to Section 17.3. At least 180 days but not more than 360 days prior to the First Renewal Term Expiration Date, Lessee may, if it has leased the Aircraft during the First Renewal Lease Term, provide notice to Lessor that Lessee may exercise either the option to extend the leasing of the Aircraft for the Second Renewal Lease Term pursuant to Section 17.2, or the option to purchase the Aircraft on the First Renewal Term Expiration Date pursuant to Section 17.3. Any such notice (a "Preliminary Notice") shall be irrevocable.

(b) If any such Preliminary Notice is given by Lessee, then Lessee may provide a further notice specifying which option it intends to elect, with respect to the relevant period, pursuant to Section 17.2.1 or 17.3.1, as the case may be.

(c) At least 180 days but not more than 360 days prior to the last day of the Second Renewal Lease Term, Lessee may provide notice (the "Definitive Purchase Notice") to Lessor that Lessee shall exercise the option to purchase the Aircraft on the Second Renewal Term Expiration Date pursuant to Section 17.3. Any such Definitive Purchase Notice shall be irrevocable.

### 17.2 Renewal Options

#### 17.2.1 Renewal Notice

(a) If Lessee has given a Preliminary Notice, as specified

in Section 17.1, and subject to the terms and conditions of this Section 17.2, Lessee may exercise its option to extend the leasing of the Aircraft hereunder, on the same terms, provisions and conditions (except as contemplated by this Section 17) set forth herein and in the other Lessee Operative Agreements with respect to the Base Lease Term, by delivery of a notice (a "Renewal Notice") to Lessor:

(i) in the case of the First Renewal Lease Term, not more than 180 days nor less than 120 days prior to the Scheduled Expiration Date, and

(ii) in the case of the Second Renewal Lease Term, not more than 180 days nor less than 120 days prior to the First Renewal Term Expiration Date.

(b) Notwithstanding anything to the contrary in this Agreement or any other Operative Agreement:

(i) No Preliminary Notice or Renewal Notice shall be binding on Lessor or oblige Lessor to extend the leasing of the Aircraft hereunder for the First Renewal Lease Term or the Second Renewal Lease Term, as the case may be, if any Lease Default or Lease Event of Default shall have occurred and be continuing on and as of either the date of such Preliminary Notice or Renewal Notice or the date that such Renewal Lease Term would otherwise commence.

(ii) Any Renewal Notice shall be irrevocable and shall constitute an unconditional obligation of Lessee to extend the leasing of the Aircraft hereunder for the First Renewal Lease Term or the Second Renewal Lease Term, as the case may be.

(iii) Lessee shall not be entitled to give any Renewal Notice if it has (i) not delivered a Preliminary Notice or (ii) delivered a Purchase Notice to Lessor.

#### 17.2.2 Renewal Rent

(a) During the Renewal Lease Term, Lessee shall pay to Lessor on each Payment Date, in the manner and in the funds of the type specified in Section 3.3, Renewal Rent in advance. Each installment of Renewal Rent shall, for all purposes hereof (including, without limitation, for purposes of Section 467 of the Code), be accrued on a daily basis over the three-month period beginning on the Payment Date on which such installment is scheduled to be made; and as security for the obligations of Lessee under this Lease and the other Lessee Operative Agreements, Lessee hereby grants to lessor a security interest in all amounts of Renewal Rent which may be paid but unaccrued hereunder from time to time.

(b) The Renewal Rent payable by Lessee on each Payment Date during any First or Second Renewal Lease Term shall be the lower of (i) an amount equal to one-quarter of the average annual Basic Rent payable during the Interim Term and the Base Lease Term, or (ii) the Fair Market Rental Value of the Aircraft for such First or Second Renewal Lease Term. Any such Fair Market Rental Value shall be determined not more than 170 days and not less than 150 days prior to the date of commencement of such First or Second Renewal Lease Term, as the case may be, by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an appraisal in accordance with Section 17.4.

#### 17.2.3 Stipulated Loss and Termination Values

(a) For any First or Second Renewal Lease Term, Stipulated Loss Value Dates and Termination Value Dates shall be extended throughout such Renewal Lease Term on the same days and for the same months as during the Base Lease Term.

(b) Stipulated Loss Value and Termination Value amounts that are payable during any such First or Second Renewal Lease Term shall be determined at the same time that the Renewal Rent for such Renewal Lease Term is determined under Section 17.2.2. Stipulated Loss Values for any such Lease Term shall, throughout such Renewal Lease Term, be equal to the greater of (i) the Fair Market Sales Value of the Aircraft, computed as of the first day of such Renewal Lease Term, and (ii) the Minimum Residual Percentage. Termination Values for any such Renewal Lease Term shall, throughout such Renewal Lease Term, be equal to the greater of (i) the Fair Market Sales Value of the Aircraft, computed as of the first day of such Renewal Lease Term, and (ii) the Minimum Value Percentage.

(c) Any Fair Market Sales Value of the Aircraft, for purposes of calculating Stipulated Loss Value and Termination Value amounts applicable during any such Renewal Lease Term, shall be determined by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an appraisal in accordance with Section 17.4.

### 17.3 Purchase Option

#### 17.3.1 Purchase Notice

(a) Subject to Section 17.1 and the terms and conditions of

this Section 17.3, Lessee may elect to purchase the Aircraft, on any Purchase Date, at a purchase price equal to the Fair Market Sales Value of the Aircraft computed as of the Purchase Date.

(b) Lessee may exercise such option to purchase the Aircraft, by delivery of a notice (a "Purchase Notice") to Lessor not more than 180 days nor less than 120 days prior to the Purchase Date specified in such Purchase Notice.

(c) Notwithstanding anything to the contrary in this Agreement or any other Operative Agreement:

(i) No Preliminary Notice, Definitive Purchase Notice or Purchase Notice shall be binding on Lessor or oblige Lessor to sell the Aircraft to Lessee hereunder if any Lease Default or Lease Event of Default shall have occurred and be continuing on and as of either the date of such Preliminary Notice, Definitive Purchase Notice or Purchase Notice or the proposed Purchase Date.

(ii) Any Purchase Notice (whether delivered or deemed to have been delivered) shall be irrevocable and shall constitute an unconditional obligation of Lessee to purchase the Aircraft under this Section 17.3.

(iii) No Preliminary Notice, Definitive Purchase Notice or Purchase Notice shall be binding on Lessor or oblige Lessor to sell the Aircraft to Lessee hereunder if the Fair Market Sales Value of the Aircraft is determined to be less than an amount equal to the Minimum Residual Percentage multiplied by Lessor's Cost.

(iv) Lessee shall not be entitled to give any Purchase Notice in respect of any Purchase Date if it has delivered a Renewal Notice for a Renewal Lease Term that would commence immediately following such Purchase Date.

#### 17.3.2 Purchase Price

The Fair Market Sales Value of the Aircraft shall be determined not more than 170 days and not less than 150 days prior to the applicable Purchase Date by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an appraisal in accordance with Section 17.4.

#### 17.3.3 Title

Upon full and final payment by Lessee of (a) the applicable Fair Market Sales Value of the Aircraft, (b) all unpaid Rent due and payable through and including the Purchase Date and (c) all other amounts due and payable by Lessee under this Agreement, the Participation Agreement or any other Operative Agreement, Lessor will transfer to Lessee title to the Aircraft in accordance with Section 4.6.

#### 17.4 Appraisals

Whenever Fair Market Rental Value or Fair Market Sales Value of the Aircraft is required to be determined by an appraisal under this Section 17, Lessee and Lessor shall appoint a mutually satisfactory Appraiser to conduct such appraisal. If Lessee and Lessor fail to agree upon a satisfactory Appraiser then each shall promptly appoint a separate Appraiser and such Appraisers shall jointly determine such amount. If either Lessee or Lessor fails to so appoint an Appraiser, the determination of the single Appraiser appointed shall be final. If two Appraisers are appointed and within 7 days after the appointment of the latter of such two Appraisers, they cannot agree upon such amount, such two Appraisers shall, within 8 days after such latter appointment, appoint a third Appraiser and such amount shall be determined by such three Appraisers, who shall make their separate appraisals within 7 days following the appointment of the third Appraiser, and any determination so made shall be conclusive and binding upon Lessor and Lessee. If no such third Appraiser is appointed within such 8-day period, either Lessor or Lessee may apply to the American Arbitration Association to make such appointment, and both parties shall be bound by such appointment. The foregoing appraisal procedure shall in any event be completed no less than 125 days before the end of the Base Lease Term or the Renewal Lease Term, as the case may be. If three Appraisers are appointed and the difference between the determination which is farther from the middle determination and the middle determination is more than 125% of the difference between the middle determination and the third determination, then such farther determination shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon Lessor and Lessee. Otherwise, the average of all three determinations shall be final and binding upon Lessor and Lessee. The fees and expenses of all such Appraisers and such appraisal procedure, together with the reasonable out-of-pocket fees and expenses of Lessor (including, without limitation, attorney's fees and expenses) shall be borne by Lessee.

### SECTION 18. MISCELLANEOUS

#### 18.1 Amendments

No provision of this Agreement may be amended, supplemented, waived, modified, discharged, terminated or otherwise varied orally, but only by an instrument in writing that specifically identifies the provision of this Agreement that it purports to amend, supplement, waive, modify, discharge, terminate or otherwise vary and is signed by Lessor and Lessee. Each such amendment, supplement, waiver, modification, discharge, termination or variance shall be effective only in the specific instance and for the specific purpose for which it is given. No provision of this Agreement shall be varied or contradicted by oral communication, course of dealing or performance or other manner not set forth in an agreement, document or instrument in writing and signed by Lessor and Lessee.

#### 18.2 Severability

If any provision hereof shall be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the extent permitted by Law (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction. If, however, any Law pursuant to which such provisions are held invalid, illegal or unenforceable may be waived, such Law is hereby waived by the parties hereto to the full extent permitted, to the end that this Agreement shall be deemed to be a valid and binding agreement in all respects, enforceable in accordance with its terms.

#### 18.3 Survival

The representations, warranties, indemnities and covenants set forth herein shall survive the making available of the respective Commitments by Participants, the delivery or return of the Aircraft, the Transfer of any interest of Owner Participant in this Agreement, the other Operative Agreements, the Trust Estate and the Trust Agreement, the Transfer of any interest by any Certificate Holder of its Loan Certificate and the expiration or other termination of this Agreement or any other Operative Agreement.

#### 18.4 Reproduction of Documents

This Agreement, all annexes, schedules and exhibits hereto and all agreements, instruments and documents relating hereto, including, without limitation (a) consents, waivers and modifications that may hereafter be executed and (b) financial statements, certificates and other information previously or hereafter furnished to any party hereto, may be reproduced by such party by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process, and such party may destroy any original documents so reproduced. Any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such party in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction likewise is admissible in evidence.

#### 18.5 Counterparts

This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts (or upon separate signature pages bound together into one or more counterparts), each of which when so executed shall be deemed to be an original, and all of which counterparts, taken together, shall constitute one and the same instrument.

#### 18.6 No Waiver

No failure on the part of Lessor to exercise, and no delay by Lessor in exercising, any of its rights, powers, remedies or privileges under this Agreement or provided at Law, in equity or otherwise shall impair, prejudice or constitute a waiver of any such right, power, remedy or privilege or be construed as a waiver of any breach hereof or default hereunder or as an acquiescence therein, nor shall any single or partial exercise of any such right, power, remedy or privilege preclude any other or further exercise thereof by Lessor or the exercise of any other right, power, remedy or privilege by Lessor. No notice to or demand on Lessee in any case shall, unless otherwise required under this Agreement, entitle Lessee to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of Lessor to any other or further action in any circumstances without notice or demand.

#### 18.7 Notices

Unless otherwise expressly permitted by the terms hereof, all notices, requests, demands, authorizations, directions, consents, waivers and other communications required or permitted to be made, given, furnished or filed hereunder shall be in writing (it being understood that the specification of a writing in certain instances and not in others does not imply an intention that a writing is not required as to the latter), shall refer specifically to this Agreement and shall be personally delivered, sent by facsimile or telecommunication transmission (which in either case provides written confirmation to the sender

of its delivery), sent by registered mail or certified mail, return receipt requested, postage prepaid, or sent by overnight courier service, in each case to the respective address or facsimile number set forth for such party in Schedule 1 to the Participation Agreement, or to such other address or number as either party hereto may hereafter specify by notice to the other party hereto. Each such notice, request, demand, authorization, direction, consent, waiver or other communication shall be effective when received or, if made, given, furnished or filed (a) by facsimile or telecommunication transmission, when confirmed, or (b) by registered or certified mail, three Business Days after being deposited, properly addressed, with the U.S. Postal Service.

#### 18.8 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE

(a) THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS. THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK.

(b) (i) EXCEPT AS PROVIDED IN SECTION 18.8(b)(ii), EACH PARTY HERETO HEREBY IRREVOCABLY AGREES, ACCEPTS AND SUBMITS TO, FOR ITSELF AND IN RESPECT OF ANY OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK IN THE CITY AND COUNTY OF NEW YORK AND OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, IN CONNECTION WITH ANY LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTER RELATING TO OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER OPERATIVE AGREEMENT, EXCEPT AS PROVIDED IN SECTION 18.8(g). TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO AGREES FIRST TO SEEK JURISDICTION AGAINST THE OTHER PARTY HERETO WITH RESPECT TO ANY SUCH ACTION, SUIT OR PROCEEDING IN SUCH COURTS OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK.

(ii) NOTWITHSTANDING THE FOREGOING AGREEMENT AS TO THE EXCLUSIVE NATURE OF SUCH JURISDICTION, IF LESSOR SHALL IN THE FIRST INSTANCE BRING ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE OPERATIVE AGREEMENTS IN THE COURTS DESCRIBED IN SECTION 18.8.(b)(i), AND IF EACH OF SUCH COURTS OF THE UNITED STATES AND OF THE STATE OF NEW YORK REFUSES TO ACCEPT JURISDICTION WITH RESPECT THERETO, SUCH SUIT, ACTION OR PROCEEDING MAY BE BROUGHT IN ANY OTHER COURT WITH JURISDICTION.

(iii) NO PARTY TO THIS AGREEMENT MAY MOVE TO (x) TRANSFER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE OPERATIVE AGREEMENTS BROUGHT IN SUCH COURTS OF THE UNITED STATES AND OF THE STATE OF NEW YORK TO ANOTHER JURISDICTION, (y) CONSOLIDATE ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURTS OF THE UNITED STATES AND OF THE STATE OF NEW YORK WITH A SUIT, ACTION OR PROCEEDING IN ANOTHER JURISDICTION OR (z) DISMISS ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURTS OF THE UNITED STATES AND OF THE STATE OF NEW YORK FOR THE PURPOSE OF BRINGING THE SAME IN ANOTHER JURISDICTION.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS, SUITS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER OPERATIVE AGREEMENT BROUGHT IN ANY OF THE AFORESAID COURTS, AND HEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM THAT ANY SUCH ACTION, SUIT OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(d)(i) EACH PARTY HERETO HEREBY IRREVOCABLY CONSENTS AND AGREES TO THE SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE MADE BY MAILING COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, AT THE ADDRESS SET FORTH IN SECTION 18.7 OR, IN THE CASE OF LESSEE, AT THE ADDRESS IN THE STATE, CITY AND COUNTY OF NEW YORK SET FORTH IN SCHEDULE 2 TO THE PARTICIPATION AGREEMENT, OR AT SUCH OTHER ADDRESS OR UPON SUCH AGENT AS MAY BE DETERMINED PURSUANT TO SECTION 18.8(d)(ii). EACH PARTY HERETO HEREBY AGREES THAT SERVICE UPON IT, OR ANY OF ITS AGENTS, IN EACH CASE IN ACCORDANCE WITH THIS SECTION 18.8(d), SHALL CONSTITUTE VALID AND EFFECTIVE PERSONAL SERVICE UPON SUCH PARTY, AND EACH PARTY HERETO HEREBY AGREES THAT THE FAILURE OF ANY OF ITS AGENTS TO GIVE ANY NOTICE OF SUCH SERVICE TO ANY SUCH PARTY SHALL NOT IMPAIR OR AFFECT IN ANY WAY THE VALIDITY OF SUCH SERVICE ON SUCH PARTY OR ANY JUDGMENT RENDERED IN ANY ACTION OR PROCEEDING BASED THEREON.

(ii) LESSEE SHALL GIVE LESSOR 30 DAYS' PRIOR WRITTEN NOTICE OF ANY CHANGE IN THE LOCATION, OR OF THE CLOSING, OF LESSEE'S PLACE OF BUSINESS SET FORTH IN SCHEDULE 2 TO THE PARTICIPATION AGREEMENT. ANY SUCH NOTICE SHALL (y) IF LESSEE SHALL CONTINUE TO MAINTAIN A PLACE OF BUSINESS IN THE STATE, CITY AND COUNTY OF NEW YORK, SPECIFY THE ADDRESS OF SUCH PLACE OF BUSINESS OR (z) IF LESSEE SHALL NO LONGER MAINTAIN A PLACE OF BUSINESS IN THE STATE, CITY AND COUNTY OF NEW YORK, AND, UNDER THE LAW OF THE STATE OF NEW YORK AS THEN IN EFFECT, LESSOR SHALL NOT BE PERMITTED TO EFFECT OUT-OF-STATE SERVICE UPON LESSEE BY MAIL IN THE MANNER SPECIFIED IN SECTION 18.8(d)(i) (AND SHALL SO NOTIFY LESSEE), DESIGNATE AN AGENT (WHICH AGENT SHALL BE REASONABLY ACCEPTABLE TO

LESSOR), IN EITHER CASE, IN THE STATE, CITY AND COUNTY OF NEW YORK, AT OR UPON WHICH LESSOR MAY SERVE PROCESS ON LESSEE PERSONALLY OR IN ACCORDANCE WITH THIS SECTION 18.8(d). IF LESSEE DESIGNATES AN AGENT IN ACCORDANCE WITH CLAUSE (z) ABOVE, LESSEE SHALL PROMPTLY PROVIDE LESSOR EVIDENCE OF THE APPOINTMENT OF SUCH AGENT (FOR THE THEN-REMAINING TERM) AND THE ACCEPTANCE THEREOF BY SUCH AGENT.

(e) EACH PARTY HERETO HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN ANY COURT IN ANY JURISDICTION BASED UPON OR ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES THAT THE WAIVER OF JURY TRIAL BY IT IN THIS SECTION 18.8(e) IS A MATERIAL INDUCEMENT TO THE OTHER PARTY HERETO TO ENTER INTO A BUSINESS RELATIONSHIP WITH IT AND THAT THE OTHER PARTY HERETO HAS RELIED ON THIS SECTION 18.8(e) IN ENTERING INTO THIS AGREEMENT.

(f) EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT FINAL JUDGMENT AGAINST IT IN ANY OF THE AFORESAID ACTIONS, SUITS OR PROCEEDINGS SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION, WITHIN OR OUTSIDE THE UNITED STATES OF AMERICA, BY SUIT ON THE JUDGMENT, A CERTIFIED OR EXEMPLIFIED COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND AMOUNT OF ITS OBLIGATIONS AND LIABILITIES.

(g) NOTHING HEREIN SHALL, OR SHALL BE CONSTRUED SO AS TO, LIMIT THE RIGHT OF EITHER PARTY HERETO TO DEFEND OR TO ASSERT A COUNTERCLAIM IN, OR TO SEEK RECOGNITION OF OR ENFORCEMENT OF ANY JUDGMENT RENDERED IN, ANY ACTION, SUIT OR PROCEEDING IN THE COURTS OF WHATEVER JURISDICTION THAT MAY BE APPROPRIATE IN THE OPINION OF EITHER SUCH PARTY.

(h) EACH PARTY HERETO REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS SECTION 18.8 WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY ACCEPTS AND AGREES TO THIS SECTION 18.8 FOLLOWING CONSULTATION WITH SUCH LEGAL COUNSEL. THIS SECTION 18.8 IS IRREVOCABLE AND UNCONDITIONAL AND SHALL APPLY TO ANY AMENDMENTS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

18.9 Third-Party Beneficiary

This Agreement is not intended to, and shall not, provide any person not a party hereto (other than Mortgagee and the Participants) with any rights of any nature whatsoever against either of the parties hereto, and no person not a party hereto (other than Mortgagee and the Participants) shall have any right, power or privilege in respect of, or have any benefit or interest arising out of, this Agreement.

18.10 Entire Agreement

This Agreement, together with the other Operative Agreements, on and as of the date hereof constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and all prior or contemporaneous understandings or agreements, whether written or oral, between the parties hereto with respect to such subject matter are hereby superseded in their entireties.

[This space intentionally left blank.]

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Agreement to be duly executed as of the day and year first above written.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION  
as Lessor, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee under the Trust Agreement

By /s/ Nancy M. Dahl  
-----  
Name: Nancy M. Dahl  
Title: Assistant Vice President

CONTINENTAL AIRLINES, INC.,  
as Lessee

By /s/ Michael B. Cox  
-----  
Name: Michael B. Cox  
Title: Vice President and Treasurer

Receipt of this original counterpart of the foregoing Lease Agreement is hereby acknowledged on this \_\_\_\_ day of \_\_\_\_\_, 1994.

WILMINGTON TRUST COMPANY,  
as Mortgagee

By \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Agreement to be duly executed as of the day and year first above written.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION  
as Lessor, not in its individual  
capacity, except as expressly  
provided herein, but solely as  
Owner Trustee under the Trust  
Agreement

By \_\_\_\_\_  
Name:  
Title:

CONTINENTAL AIRLINES, INC.,  
as Lessee

By \_\_\_\_\_  
Name:  
Title:

ANNEX A

DEFINITIONS

GENERAL PROVISIONS

(a) In each Operative Agreement, unless otherwise expressly provided, a reference to:

(i) each of "Lessee," "Lessor," "Owner Trustee," "Owner Participant," "Loan Participant," "Mortgagee," "Certificate Holder" or any other person includes, without prejudice to the provisions of any Operative Agreement, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;

(ii) words importing the plural include the singular and words importing the singular include the plural;

(iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Agreement, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Agreements, and any agreement, instrument or document entered into in substitution or replacement therefor;

(iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Delivery Date, and thereafter from time to time;

(v) the words "Agreement," "this Agreement," "hereby," "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Operative Agreement refer to such Operative Agreement as a whole and not to any particular provision of such Operative Agreement;

(vi) the words "including," "including, without limitation," "including, but not limited to," and terms or phrases of similar import when used in any Operative Agreement, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section," an "Exhibit," an "Annex" or a "Schedule" in any Operative Agreement, or in any annex thereto, is a reference to a section of, or an exhibit, an annex or a schedule to, such Operative Agreement or such annex, respectively.

(b) Each exhibit, annex and schedule to each Operative Agreement is incorporated in, and shall be deemed to be a part of, such Operative Agreement.

(c) Unless otherwise defined or specified in any Operative Agreement, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Agreement are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Agreement.

DEFINED TERMS

"Act" means the Federal Aviation Act of 1958.

"Actual Knowledge" means (a) as it applies to Owner Trustee or Mortgagee, as the case may be, actual knowledge of a responsible officer in the Corporate Trust Department or the Corporate Trust Office, respectively, and (b) as it applies to Lessee or Owner Participant, actual knowledge of a Vice President or more senior officer of Owner Participant or Lessee, respectively, or any other officer of Owner Participant or Lessee, respectively, in each case having responsibility for the transactions contemplated by the Operative Agreements; provided, that each of Lessee, Owner Participant, Owner Trustee and Mortgagee shall be deemed to have "Actual Knowledge" of any matter as to which it has received notice from Lessee, Owner Participant, any Certificate Holder, Owner Trustee or Mortgagee, such notice having been given pursuant to Section 19.7 of the Participation Agreement.

"Additional Insured" is defined by reference to Section 11 of the Lease.

"Adverse Change in Tax Law" means (a) for Lessee, a Change

in Tax Law that Lessee regards as one that could adversely affect the economic consequences of the transactions contemplated by the Participation Agreement and the other Operative Agreements anticipated by Lessee or (b) for Owner Participant, any Change in Tax Law that would adversely affect any of the following tax assumptions:

(i) For federal income tax purposes, the Lease will be a "true" lease for purposes of the Code and Owner Participant will be treated as the owner of the Aircraft and Lessee will be treated as the lessee thereof;

(ii) For federal income tax purposes, Owner Participant will be entitled to depreciation or cost recovery deductions with respect to Lessor's Cost of the Aircraft; and

(iii) For federal income tax purposes, Owner Participant will be entitled to deductions for interest payments on the Loan Certificates.

"Affiliate" means, with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such person. For purposes of this definition, "control" means the power, directly or indirectly, to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise and "controlling," "controlled by" and "under common control with" have correlative meanings.

"Aircraft" means, collectively, the Airframe and Engines.

"Aircraft Bill of Sale" means the full warranty bill of sale covering the Aircraft delivered by Airframe Manufacturer to Owner Trustee on the Delivery Date.

"Aircraft Documents" means all technical data, manuals and log books, and all inspection, modification and overhaul records and other service, repair, maintenance and technical records that are required by the FAA (or the relevant Aviation Authority), the Lease or the Maintenance Program to be maintained with respect to the Aircraft, Airframe, Engines or Parts, or that are of a type required to be delivered by Lessee upon return of the Aircraft, Airframe or Engines under Section 5 of the Lease; and such term shall include all additions, renewals, revisions and replacements of any such materials from time to time made, or required to be made, in accordance with the Lease, the Maintenance Program or such FAA (or other Aviation Authority) regulations, and in each case in whatever form and by whatever means or medium (including, without limitation, microfiche, microfilm, paper or computer disk) such materials may be maintained or retained by or on behalf of Lessee (provided, that all such materials shall be maintained in the English language); and such term shall include, without limitation, the documents described in Section N of Annex B to the Lease.

"Airframe" means (a) the aircraft (excluding Engines or engines from time to time installed thereon) manufactured by Airframe Manufacturer and identified by Airframe Manufacturer's model number, United States registration number and Airframe Manufacturer's serial number set forth in Lease Supplement No. 1 and any Replacement Airframe and (b) any and all Parts incorporated or installed in or attached or appurtenant to such airframe, and any and all Parts removed from such airframe, unless title to such Parts shall not be vested in Lessor in accordance with Section 8.1 and Annex C of the Lease. Upon substitution of a Replacement Airframe under and in accordance with the Lease, such Replacement Airframe shall become subject to the Lease and shall be the "Airframe" for all purposes of the Lease and the other Operative Agreements and thereupon the Airframe for which the substitution is made shall no longer be subject to the Lease, and such replaced Airframe shall cease to be the "Airframe."

"Airframe Manufacturer" means The Boeing Company, a Delaware corporation, solely in its capacity as manufacturer or seller of the Aircraft, Airframe, Engines or Parts (other than BFE and other than any Parts incorporated or installed in or attached or appurtenant to the Aircraft, Airframe or any Engine after delivery of the Aircraft, Airframe and Engines to Tramco, Inc. prior to the Delivery Date) under the Purchase Agreement or any other contract or other services provided for thereunder or related thereto.

"Amortization Amount" means, with respect to any Loan Certificate, as of any Payment Date, the amount determined by multiplying the percentage set forth opposite such Date on the Amortization Schedule by the Original Amount of such Loan Certificate.

"Amortization Schedule" means, with respect to each Loan Certificate, the amortization schedule for the Loan Certificates delivered pursuant to Section 2.02 of the Trust Indenture or, if a revised amortization schedule shall be established pursuant to Section 9 of the Participation Agreement, the amortization schedule so established.

"Appraiser" means a firm of internationally recognized,

independent aircraft appraisers.

"APU" means the auxiliary power unit installed on the Aircraft on the Delivery Date, whether or not installed on the Aircraft from time to time thereafter, unless title to such APU shall not be vested in Lessor in accordance with Section 8.1 of the Lease, and any replacement or substituted auxiliary power unit installed on the Aircraft in accordance with the Lease.

"Aviation Authority" means the FAA or, if the Aircraft is permitted to be, and is, registered with any other Government Entity under and in accordance with Section 7.1.2 of the Lease, such other Government Entity.

"Bankruptcy Code" means the United States Bankruptcy Code, 11 U.S.C. Section 102 et seq.

"Base Lease Term" means the period beginning on and including the Commencement Date and ending on the Scheduled Expiration Date, or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"Basic Rent" means the rent payable for the Aircraft pursuant to Section 3.2.1(a) of the Lease.

"Beneficial Owner" when used in relation to a Loan Certificate means a Person that, by reason of direct ownership, contract, share ownership or otherwise, has the right to receive or participate in receiving, directly or indirectly, payments of principal, interest or Make Whole Amount in respect of such Loan Certificate; provided, that a Person shall not be deemed to be a Beneficial Owner of a Loan Certificate solely because another Person in which such a Person owns common stock or other equity securities is a registered holder or Beneficial Owner of such Loan Certificate unless such Person is an Affiliate of such other Person.

"Bills of Sale" means the FAA Bill of Sale, the Aircraft Bill of Sale and the BFE Bill of Sale.

"BFE" means all appliances, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature sold by Lessee to Owner Trustee pursuant to the BFE Bill of Sale.

"BFE Amount" means the amount paid by Owner Trustee to Lessee to purchase the BFE, and is designated by Dollar amount in Schedule 4 to the Participation Agreement.

"BFE Bill of Sale" means the full warranty bill of sale executed by Lessee in favor of Owner Trustee, dated the Delivery Date, identifying and covering the BFE.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in New York, New York, Houston, Texas or Salt Lake City, Utah.

"Cash Equivalents" means the following securities (which shall mature within 90 days of the date of purchase thereof): (a) direct obligations of the U.S. Government; (b) obligations fully guaranteed by the U.S. Government; (c) certificates of deposit issued by, or bankers' acceptances of, or time deposits or a deposit account with, Owner Trustee, Mortgagee or any bank, trust company or national banking association incorporated or doing business under the laws of the United States or any state thereof having a combined capital and surplus and retained earnings of at least \$500,000,000 and having a rate of "C" or better from the Thomson BankWatch Service; or (d) commercial paper of any issuer doing business under the laws of the United States or one of the states thereof and in each case having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. equal to A1 or higher.

"Certificate Holder" means at any time each holder of one or more Loan Certificates.

"Change in Tax Law" means any amendment, modification, addition or change in or to the provisions of the Code, any other federal tax statutes, the Treasury Regulations promulgated thereunder, the Internal Revenue Service Revenue Rulings, Revenue Procedures or other administrative or judicial interpretations of the Code or the federal tax statutes that affects the tax assumptions set forth in the Tax Indemnity Agreement or otherwise affects Owner Participant's anticipated Net Economic Return (other than a change in the alternative minimum tax or other change that results in Owner Participant being subject to alternative minimum tax or unable to fully utilize tax benefits because of its particular tax situation).

"Citizen of the United States" is defined in Section 102(16) of the Act and in the FAA Regulations.

"Closing" means the closing of the transactions contemplated by the Participation Agreement on the Delivery Date.

"Code" means the Internal Revenue Code of 1986, as amended;

provided, that when used in relation to a Plan, "Code" shall mean the Internal Revenue Code of 1986 and any regulations and rulings issued thereunder, all as amended and in effect from time to time.

"Commencement Date" is defined in Schedule 1 to the Lease.

"Commitment" means, for any Participant, the amount of its participation in the payment of Lessor's Cost.

"Commitment Termination Date" is defined in Schedule 4 to the Participation Agreement.

"Consent and Agreement" means the Manufacturer Consent and Agreement 104, dated as of even date with the Participation Agreement, of Airframe Manufacturer.

"Corporate Trust Department" or "Trust Office" means the principal corporate trust office of Owner Trustee located from time to time at Owner Trustee's address for notices under the Participation Agreement or such other office at which Owner Trustee's corporate trust business shall be administered which Owner Trustee shall have specified by notice in writing to Lessee, Mortgagee and each Certificate Holder.

"Corporate Trust Office" means the principal office of Mortgagee located at Mortgagee's address for notices under the Participation Agreement or such other office at which Mortgagee's corporate trust business shall be administered which Mortgagee shall have specified by notice in writing to Lessee, Owner Trustee and each Certificate Holder.

"CRAF" means the Civil Reserve Air Fleet Program established pursuant to 10 U.S.C. Section 9511-13 or any similar substitute program.

"Damage Payment Threshold" is defined in Schedule 1 to the Lease.

"Debt" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction or any other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"Debt Rate" (a) for the initial Funding Period, is defined in Schedule 4 to the Participation Agreement and (b) for the subsequent Funding Period shall be as determined pursuant to Schedule 5 to the Participation Agreement.

"Default" means any event or condition that with the giving of notice or the lapse of time or both would become an Event of Default.

"Definitive Purchase Notice" is defined in Section 17.1 of the Lease.

"Delayed Delivery Date" means a delayed Delivery Date notified to each Participant, Owner Trustee and Mortgagee by Lessee pursuant to Section 5.3.1 of the Participation Agreement, which delayed Delivery Date shall be a Business Day not later than the Commitment Termination Date.

"Delivery Date" means the Business Day specified in Lease Supplement No. 1 as the date on which, among other things, the Aircraft is delivered to and accepted by Lessee under the Lease and the Closing occurs.

"Dollars," "United States Dollars" or "\$" means the lawful currency of the United States.

"DOT" means the Department of Transportation of the United States or any Government Entity succeeding to the functions of such Department of Transportation.

"Engine" means (a) each of the engines manufactured by Engine Manufacturer and identified by Engine Manufacturer's model number and Engine Manufacturer's serial number set forth in Lease Supplement No. 1 and originally installed on the Airframe on delivery thereof pursuant to the Lease, and any Replacement Engine, in any case whether or not from time to time installed on such Airframe or installed on any other airframe or aircraft, and (b) any and all Parts incorporated or installed in or attached or appurtenant to such engine, and any and all Parts removed from such engine, unless title to such Parts shall not be vested in Lessor in accordance with Section 8.1 and Annex C of the Lease. Upon substitution of a Replacement Engine under and in accordance with the Lease, such Replacement Engine shall become subject to the Lease and shall be an "Engine" for all purposes of the Lease and the other Operative Agreements and thereupon the Engine for which the substitution is made shall no longer be subject to the Lease, and such replaced Engine shall cease to be an "Engine."

"Engine Consent and Agreement" means the Engine Manufacturer Consent and Agreement 104 dated as of even date with the Participation Agreement, of Engine Manufacturer.

"Engine Manufacturer" means Rolls-Royce plc, a corporation

organized under the laws of England.

"ERISA" means the Employee Retirement Income Security Act of 1974 and any regulations and rulings issued thereunder all as amended and in effect from time to time.

"Event of Default" is defined in Section 4.02 of the Trust Indenture.

"Event of Loss" means, with respect to the Aircraft, Airframe or any Engine, any of the following circumstances, conditions or events with respect to such property, for any reason whatsoever:

- (a) the destruction of such property, damage to such property beyond practical or economic repair or rendition of such property permanently unfit for normal use;
- (b) the actual or constructive total loss of such property or any damage to such property, or requisition of title or use of such property, which results in an insurance settlement with respect to such property on the basis of a total loss or constructive or compromised total loss;
- (c) any loss of such property or loss of use of such property for a period of 90 days or more as a consequence of any theft, hijacking or disappearance of such property;
- (d) any seizure, condemnation, confiscation, taking or requisition of title to such property by any Government Entity or purported non-U.S. Government Entity;
- (e) any seizure, condemnation, confiscation, taking or requisition of use of such property, that continues until the earliest of (i) the last day of the Term, (ii) the date upon which the Aircraft is modified, altered or adapted in such a manner as would render conversion of such property for use in normal commercial passenger service impractical or uneconomical, (iii) the date on which such property is operated or located in any area excluded from coverage by any insurance policy required to be maintained in respect of such property pursuant to the Lease (unless an indemnity in lieu of insurance is provided to Lessor and Mortgagee in accordance with Section 11.4 of the Lease) or (iv) the date that is 90 days following the commencement of such loss of use (unless such loss of use results from action by the U.S. Government, in which case this clause (iv) shall not apply to such loss of use); and
- (f) as a result of any law, rule, regulation, order or other action by the Aviation Authority or by any Government Entity of the government of registry of the Aircraft or by any Government Entity otherwise having jurisdiction over the operation or use of the Aircraft, the use of such property in the normal course of Lessee's business of passenger air transportation is prohibited for a period expiring on the earlier to occur of (i) the last day of the Term or (ii) the date that is 180 days following commencement of such prohibition, provided, that if Lessee, prior to the expiration of such 180-day period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by Lessee, then the date that is 360 days following commencement of such prohibition.

The date of such Event of Loss shall be the date of such loss, damage, insurance settlement, seizure, condemnation, confiscation, taking or requisition of title or use or prohibition, except that for purposes of clauses (c), (e) and (f) above, no Event of Loss shall be deemed to have occurred until the date of expiration of the applicable period referred to therein.

"Excluded Payments" means (i) indemnity payments paid or payable by Lessee to or in respect of Owner Participant, or Owner Trustee in its individual capacity, their respective Affiliates, successors and permitted assigns and their directors, officers, employees, servants and agents pursuant to Section 10 of the Participation Agreement or any corresponding payments under the Trust Indenture, (ii) proceeds of public liability insurance paid or payable as a result of insurance claims made, or losses suffered, by Owner Trustee in its individual capacity or by Owner Participant, that are payable directly to Owner Trustee in its individual capacity, or Owner Participant, respectively, for their own account, (iii) proceeds of insurance maintained with respect to the Aircraft by Owner Participant or any Affiliate thereof for its or their own account or benefit (whether directly or through Owner Trustee) and permitted under Section 11.3 of the Lease, (iv) all payments required to be made under the Tax Indemnity Agreement by Lessee whether or not denominated as Supplemental Rent, (v) any interest that pursuant to the

Operative Agreements may from time to time accrue in respect of any of the amounts described in clauses (i) through (iv) above, (vi) any right to enforce the payment of any amount described in clauses (i) through (v) above (provided, that the rights referred to in this clause (vi) shall not be deemed to include the exercise of any remedies provided for in the Lease other than the right to sue for specific performance of any covenant to make such payment or to sue for damages in respect of the breach of any such covenant) and (vii) any right to exercise any election or option or make any decision or determination, or to give or receive any notice, consent, waiver or approval, or to take any other action in respect of, but in each case, only to the extent relating to, any Excluded Payments.

"Expenses" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims (including, without limitation, claims or liabilities based or asserted upon (a) negligence, (b) strict or absolute liability, (c) liability in tort, (d) infringement of patent, trademark or other property or other right and (e) liabilities arising out of violation of any Law), actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation), including, without limitation, all such costs, expenses and disbursements incurred by any person in asserting or establishing, or in defending any claims arising out of its assertion of, any rights it may have under, or its cooperation in connection with any Expenses indemnified pursuant to, Section 10 of the Participation Agreement.

"FAA" means the Federal Aviation Administration of the United States or any Government Entity succeeding to the functions of such Federal Aviation Administration.

"FAA Bill of Sale" means a bill of sale for the Aircraft on AC Form 8050-2 (or such other form as may be approved by the FAA) delivered to Owner Trustee on the Delivery Date by Airframe Manufacturer.

"FAA Filed Documents" means the Lease, Lease Supplement No. 1, the Trust Indenture, the Trust Agreement, the Trust Indenture Supplement, the FAA Bill of Sale and an application for registration of the Aircraft with the FAA in the name of Owner Trustee.

"FAA Regulations" means the Federal Aviation Regulations issued or promulgated pursuant to the Act from time to time.

"Fair Market Rental Value" means the fair market rental value in Dollars for the Aircraft that would apply in an arm's-length transaction between an informed and willing lessee under no compulsion to lease, and an informed and willing lessor under no compulsion to lease, the Aircraft, for the First Renewal Lease Term or the Second Renewal Lease Term, as the case may be, assuming that (a) the Aircraft has been maintained in accordance with, and is in the condition required by, the Lease, (b) payments of rent would be made quarterly, and (c) the Aircraft would be leased during any such Renewal Term on the same terms and conditions as are set forth in the Lease with respect to the Base Lease Term.

"Fair Market Sales Value" means the fair market sales value in Dollars for the Aircraft that would apply in an arm's-length transaction between an informed and willing buyer under no compulsion to buy, and an informed and willing seller under no compulsion to sell, the Aircraft, in a transaction that would close on or about the relevant time of determination, assuming that (a) the Aircraft has been maintained in accordance with, and is in the condition required by, the Lease and (b) the Aircraft would be delivered to such informed and willing buyer in the return condition required by the Lease.

"Financing Statements" means, collectively, UCC-1 (and, where appropriate, UCC-3) financing statements (a) covering the Trust Indenture Estate, by Owner Trustee, as debtor, showing Mortgagee as secured party, for filing in Utah and each other jurisdiction that, in the opinion of Mortgagee, is necessary to perfect its Lien on the Indenture Estate, (b) covering the Lease and the Aircraft, as a precautionary matter, by Lessee, as lessee, showing Owner Trustee as lessor and Mortgagee as assignee of Owner Trustee, for filing in Texas and each other jurisdiction that, in the opinion of Owner Trustee and Mortgagee, is reasonably desirable and (c) for purposes of Section 6.1.2 of the Participation Agreement only, terminating the lien of the (i) Purchase Contract Security Agreement dated December 7, 1993, between Lessee and Engine Manufacturer and (ii) 757 Purchase Agreement Assignment dated February 7, 1994 between Lessee and Airframe Manufacturer.

"First Renewal Lease Term" means, if Lessee exercises its option to renew the Lease at the end of the Base Lease Term pursuant to and in accordance with Section 17.2 of the Lease, the period commencing on the first day following the Scheduled Expiration Date, and ending on the First Renewal Term Expiration Date or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"First Renewal Term Expiration Date" means the first anniversary of the Scheduled Expiration Date.

"First Security" means First Security Bank of Utah, National Association, a national banking association, not in its capacity as Owner Trustee under the Trust Agreement, but in its individual capacity.

"Funding Period" means each of the two successive periods, the first commencing upon the Delivery Date and ending on (but excluding) the Payment Date next preceding the tenth anniversary of the Delivery Date and the second commencing on such Payment Date and ending on (but excluding) the final maturity date of the Loan Certificates.

"GAAP" means generally accepted accounting principles as set forth in the statements of financial accounting standards issued by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, as such principles may at any time or from time to time be varied by any applicable financial accounting rules or regulations issued by the SEC and, with respect to any person, shall mean such principles applied on a basis consistent with prior periods except as may be disclosed in such person's financial statements.

"Government Entity" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Agreements or relating to the observance or performance of the obligations of any of the parties to the Operative Agreements.

"GTA" means the Purchase Contract reference RR/CAL/DEG 2124 dated December 7, 1993, by and between Engine Manufacturer and Lessee (including all exhibits thereto, together with all letter agreements that by their terms constitute part of such Purchase Contract), to the extent assigned pursuant to the Purchase Agreement Assignment.

"Inclusion Event" is defined in the Tax Indemnity Agreement.

"Indemnitee" means (a) First Security and Owner Trustee, (b) WTC and Mortgagee, (c) each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (d) each Participant, (e) Owner Participant Parent (but only in its capacity as issuer of the Owner Participant Guaranty), (f) the Trust Estate and the Trust Indenture Estate, (g) each Affiliate of the persons described in clauses (a) through (e), inclusive, (h) the respective directors, officers, employees, agents and servants of each of the persons described in clauses (a) through (g), inclusive and (i) the successors and permitted assigns of the persons described in clauses (a) through (h), inclusive. If any Indemnitee is Airframe Manufacturer or Engine Manufacturer or any subcontractor or supplier of either thereof, such Person shall be an Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

"Indenture Default" means any condition, circumstance, act or event that, with the giving of notice, the lapse of time or both, would constitute an Indenture Event of Default.

"Indenture Agreements" means the Participation Agreement, the Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement, the Bills of Sale and any other contract, agreement or instrument from time to time assigned or pledged under the Trust Indenture.

"Indenture Event of Default" means any one or more of the conditions, circumstances, acts or events set forth in Section 4.02 of the Trust Indenture.

"Independent Tax Counsel" means independent tax counsel of recognized reputation selected by Owner Participant and reasonably acceptable to Lessee.

"Interim Lease Term" means the period commencing on and including the Delivery Date, and ending on and including the day immediately preceding the Commencement Date or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"Interim Term Value Date" is defined in Schedule 1 to the Lease.

"IRS" means the Internal Revenue Service of the United States or any Government Entity succeeding to the functions of such Internal Revenue Service.

"Law" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"Lease" or "Lease Agreement" means the Lease Agreement 104, dated as of even date with the Participation Agreement, between Owner Trustee and Lessee.

"Lease Default" means any condition, circumstance, act or event that, with the giving of notice, the lapse of time or both, would constitute a Lease Event of Default.

"Lease Event of Default" means any one or more of the conditions, circumstances, acts or events set forth in Section 14 of the Lease.

"Lease Supplement" means a supplement to the Lease, in the form of Exhibit A to the Lease.

"Lease Supplement No. 1" means the initial Lease Supplement, dated the Delivery Date.

"Lessee" means Continental Airlines, Inc., a Delaware corporation.

"Lessee Operative Agreements" means the Participation Agreement, the Lease, Lease Supplement No. 1, the Tax Indemnity Agreement, the BFE Bill of Sale, the Purchase Agreement Assignment and each other agreement between Lessee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Lessee Person" means Lessee, any sublessee, assignee, successor or other user or person in possession of the Aircraft, Airframe or an Engine with or without color of right, or any Affiliate of any of the foregoing (other than any Indemnitee or any related Indemnitee with respect thereto, or any person using or claiming any rights with respect to the Aircraft, Airframe or an Engine directly by or through any of the persons in this parenthetical).

"Lessor" means Owner Trustee in its capacity as lessor under the Lease.

"Lessor Lien" means, with respect to any person and in respect of any property (including, without limitation, the Aircraft, Airframe, Engines, Parts or Aircraft Documents), any Lien on such property which (a) arises from claims against such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) not related to or arising out of, directly or indirectly (i) its ownership of, Lien on or other interest in the Aircraft, Airframe, Engines, Parts or Aircraft Documents or all or any other part of the Trust Estate or Indenture Estate or (ii) any of the transactions contemplated by the Operative Agreements, (b) results from actions taken by such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) (i) in violation of such person's obligations under any of the terms of the Operative Agreements, (ii) not participated in or consented to by Lessee and (iii) not taken in connection with or by reason of the occurrence of a Lease Default or a Lease Event of Default, or (c) is imposed as a result of Taxes against such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) or any of its Affiliates not required to be indemnified by Lessee under the Participation Agreement, the Tax Indemnity Agreement or any other Operative Agreement; provided, that, for purposes of Sections 8.2.1 and 8.3.1 of the Participation Agreement, any Lien that is attributable solely to Owner Participant, First Security or Lessor and would otherwise constitute a Lessor Lien thereunder shall not constitute a Lessor Lien thereunder, so long as (A) the existence of such Lien poses no material risk of the sale, forfeiture or loss of the Aircraft, Airframe or any Engine or any interest therein, (B) the existence of such Lien does not interfere in any way with the use or operation of the Aircraft by Lessee (or any Permitted Sublessee), (C) the existence of such Lien does not affect the priority or perfection of, or otherwise jeopardize, the Lien of the Trust Indenture, (D) First Security, Lessor or Owner Participant, as the case may be, is diligently contesting such Lien by appropriate proceedings, (E) the existence of such Lien does not result in actual interruption in the receipt and distribution by Mortgagee in accordance with the Trust Indenture of Rent assigned to Mortgagee for the benefit of the Certificate Holders, and (F) any property subject to such Lien is not then required to be conveyed to any other Person pursuant to Section 4.6 of the Lease.

"Lessor's Cost" means the aggregate of the amounts paid by Owner Trustee to Airframe Manufacturer, and, with respect to BFE, Lessee, to purchase the Aircraft pursuant to the Purchase Agreement and the Purchase Agreement Assignment, and is designated by Dollar amount in Schedule 4 to the Participation Agreement.

"Liability Deductible" is defined in Schedule 1 to the Lease.

"Lien" means any mortgage, pledge, lien, charge, claim, encumbrance, lease or security interest affecting the title to or any interest in property.

"Loan Certificate Register" is defined in Section 2.07 of the Trust Indenture.

"Loan Certificates" means and includes any Loan Certificates outstanding under the Trust Indenture.

"Loan Participant" means, on or prior to the Delivery Date, the Person executing the Participation Agreement as Loan Participant and thereafter, each Certificate Holder.

"Loan Participant Agreements" means the Participation Agreement and each other agreement or document delivered by Loan Participant under the Participation Agreement or any other Operative Agreement.

"Loan Participant's Percentage," with respect to the Loan Participant, means the Percentage of Lessor's Cost allocated to such Loan Participant in Schedule 3 to the Participation Agreement.

"MACRS Deductions" is defined in the Tax Indemnity Agreement.

"Maintenance Program" is defined in Annex C to the Lease.

"Majority in Interest of Certificate Holders" means as of a particular date of determination, the holders of a majority in aggregate unpaid Original Amount of all Loan Certificates outstanding as of such date (excluding any Loan Certificates held by Owner Trustee, Lessee, Mortgagee or Owner Participant or any Affiliate of any such party or any interests of Owner Trustee or Owner Participant therein by reason of subrogation pursuant to Section 4.03 of the Trust Indenture (unless all Loan Certificates then outstanding shall be held by Owner Trustee, Owner Participant or any Affiliate of any thereof)).

"Make-Whole Amount" means, with respect to a prepayment or purchase of a Loan Certificate, an amount equal to the greater of (i) zero and (ii) (x) the present value, discounted on a quarterly compounded basis utilizing an interest factor equal to the Reinvestment Yield, of the principal payments provided for in the Amortization Schedule for such Loan Certificate (including the payment at final maturity) and the scheduled interest payments from the respective dates on which, but for such prepayment or purchase, such principal payments and interest payments would have been payable on such Loan Certificate, minus (y) the principal amount of such Loan Certificate so to be prepaid or purchase or purchase plus accrued but unpaid interest thereon. For purposes of this definition, "Reinvestment Yield" shall mean the sum of the Yield Adjustment plus the arithmetic mean of the two most recent weekly average yields to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities equal to the remaining Weighted Average Life to Maturity of such Loan Certificate as of the date of the proposed prepayment), as published by the Federal Reserve Board in its Statistical Release H.15(519) or any successor publication for the two calendar weeks ending on the Saturday next preceding such date or, if such average is not published for such period, of such reasonably comparable index as may be designated in good faith by the holder or holders of at least 66-2/3% of the unpaid Original Amount of the Loan Certificates for such period. If no possible maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding each of such relevant periods to the nearest month.

"Material Adverse Change" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Agreements.

"Minimum Liability Insurance Amount" is defined in Schedule 1 to the Lease.

"Minimum Residual Percentage" is defined in Schedule 1 to the Lease.

"Minimum Value Percentage" is defined in Schedule 1 to the Lease.

"Mortgaged Property" is defined in Section 3.03 of the Trust Indenture.

"Mortgagee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as mortgagee under the Trust Indenture.

"Mortgagee Agreements" means, collectively, the Participation Agreement, the Trust Indenture and each other agreement between Mortgagee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Mortgagee Event" means either (i) the Loan Certificates shall have become due and payable pursuant to Section 4.04(b) of the Trust Indenture or (ii) Mortgagee has taken action or notified Owner Trustee that it intends to take action to foreclose the Lien of the Trust Indenture or otherwise commence the exercise of any significant remedy under the Trust Indenture or the Lease.

"Net Economic Return" means Owner Participant's net after-tax yield and aggregate after-tax cash flow computed on the basis of the same methodology and assumptions as were utilized by the initial Owner Participant in determining Basic Rent, Stipulated Loss Value percentages and Termination Value percentages as of the Delivery Date, as such assumptions may be adjusted for events that have been the basis for adjustments to Basic Rent pursuant to Section 3.2.1(b) of the Lease or events giving rise to indemnity payments pursuant to Section 5.1 of the Tax Indemnity Agreement; provided, that, if the initial Owner Participant shall have transferred its interest, Net Economic Return shall be calculated as if the initial Owner Participant had retained its interest; provided further, that, notwithstanding the preceding proviso, solely for purposes of Section 13 of the Participation Agreement and calculating any adjustments to Basic Rent, Stipulated Loss Values and Termination Values in connection with a refunding pursuant to such Section 13 at a time when Owner Participant is a transferee (other than an Affiliate of the initial Owner Participant), the after-tax yield (but not the after-tax cash flow) component of Net Economic Return shall be calculated on the basis of the methodology and assumptions utilized by the transferee Owner Participant as of the date on which it acquired its interest.

"Net Present Value of Rents" means the present value, as of the date of determination, discounted at ten percent per annum, compounded quarterly to the date of determination, of all unpaid Basic Rent payments during the then-remaining portion of the Base Lease Term, expressed as a percentage of Lessor's Cost.

"Net Worth" means, for any person, the excess of its total assets over its total liabilities.

"New Debt" means debt securities in an aggregate principal amount specified in the Refunding Information, which amount shall be no greater than the aggregate principal amount of all Loan Certificates outstanding on the Refunding Date.

"Non-U.S. Person" means any Person other than a United States person, as defined in Section 7701(a)(30) of the Code.

"Officer's Certificate" means, in respect of any party to the Participation Agreement, a certificate signed by the Chairman, the President, any Vice President or Assistant Vice President, the Treasurer or the Secretary of such party.

"Operative Agreements" means, collectively, the Participation Agreement, the Trust Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement, the Lease, Lease Supplement No. 1, the Trust Indenture, the initial Trust Indenture Supplement, the Bills of Sale, the Tax Indemnity Agreement, the Owner Participant Guaranty, the Loan Certificates and each other Lessee Operative Agreement.

"Optimization Certificate" is defined in Section 9(a) of the Participation Agreement.

"Original Amount," with respect to a Loan Certificate, means the stated original principal amount of such Loan Certificate and, with respect to all Loan Certificates, means the aggregate stated original principal amounts of all Loan Certificates.

"Owner Participant" means the person executing the Participation Agreement as "Owner Participant" or, if a second person becomes an "Owner Participant" pursuant to Section 12.1.1 of the Participation Agreement, both of such persons.

"Owner Participant Agreements" means, collectively, the Participation Agreement, the Tax Indemnity Agreement, the Trust Agreement and each other agreement between Owner Participant and any other party to the Participation Agreement relating to the Transactions, delivered on the Delivery Date.

"Owner Participant Guaranty" means the Guaranty by Corporate Affiliate of Owner Participant 104 dated the Delivery Date from Owner Participant Parent to the beneficiaries named therein.

"Owner Participant Parent" means the person executing the Owner Participant Guaranty.

"Owner Participant's Percentage" means the percentage of Lessor's Cost allocated to the Owner Participant in Schedule 3 to the Participation Agreement.

"Owner Trustee" means First Security Bank of Utah, National Association, a national banking association, not in its individual capacity, except as expressly provided in any Operative Agreement, but solely as Owner Trustee under the Trust Agreement.

"Owner Trustee Agreements" means, collectively, the Participation Agreement, the Lease, Lease Supplement No. 1, the Trust Agreement, the Trust Indenture, the initial Trust Indenture Supplement, the Loan Certificates, the Purchase Agreement Assignment, and each other agreement between Owner Trustee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Participants" means, collectively, Owner Participant and Loan Participant and "Participant" means Owner Participant or Loan Participant, individually.

"Participation Agreement" means the Participation Agreement 104 dated as of July 15, 1994 among Lessee, Owner Participant, Loan Participant, Owner Trustee and Mortgagee.

"Parts" means all appliances, parts, components, instruments, appurtenances, accessories, furnishings, seats and other equipment of whatever nature (including, without limitation, all BFE, avionics, the APU and Passenger Convenience Equipment, but excluding Engines or engines), that may from time to time be installed or incorporated in or attached or appurtenant to the Airframe or any Engine; provided, that the term "Parts" shall not be deemed to include any Passenger Convenience Equipment if and for so long as such Equipment shall be owned by, or shall be subject to a security interest, license or other interest of, another Person (other than any Affiliate of Lessee) as provided under Section D.3 of Annex C to the Lease.

"Passenger Convenience Equipment" means components or systems installed on or affixed to the Airframe that are used to provide individual telecommunications or electronic entertainment to passengers aboard the Aircraft.

"Payment Date" is defined in Schedule 1 to the Lease.

"Payment Due Rate" is defined in Schedule 1 to the Lease.

"Permitted Air Carrier" means any U.S. Air Carrier or any air carrier listed on Schedule 5 to the Lease.

"Permitted Institution" means (a) any bank, trust company, insurance company, pension trust, finance or leasing corporation, financial institution or other person (other than, without Lessee's consent, a commercial air carrier or Affiliate thereof that is in direct competition with Lessee), in each case with a combined capital and surplus or net worth of at least \$50,000,000, or (b) any Affiliate of any person described in clause (a) in respect of which such person has provided a written guarantee of the obligations assumed by such Affiliate under the Owner Participant Agreements in form and substance reasonably satisfactory to Lessee, Owner Trustee and Mortgagee.

"Permitted Lien" means any Lien described in clauses (a) through (f), inclusive, of Section 6 of the Lease.

"Permitted Sublease" means a sublease permitted under Section 7.2.7 of the Lease.

"Permitted Sublessee" means the sublessee under a Permitted Sublease.

"Persons" or "persons" means individuals, firms, partnerships, joint ventures, trusts, trustees, Government Entities, organizations, associations, corporations, government agencies, committees, departments, authorities and other bodies, corporate or incorporate, whether having distinct legal status or not, or any member of any of the same.

"Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA, and any plan within the meaning of Section 4975(e)(1) of the Code.

"Post-Delivery Change in Tax Law" means a Change in Tax Law that is enacted, promulgated or issued after the Delivery Date and on or prior to the first anniversary of the Delivery Date that is based on or similar in substance or effect to one or more elements of the provisions of a proposal made after April 27, 1993 and on or before the Delivery Date by the President, the Department of the Treasury, the Majority Leader or Minority Leader of the House of Representatives or the staff or any member of the House Ways and Means Committee, the Senate Finance Committee or the Joint Committee on Taxation; provided, that such proposal was active or pending on the Delivery Date.

"Preliminary Notice" is defined in Section 17.1 of the Lease.

"Purchase Agreement" means the Purchase Agreement No. 1783, dated March 18, 1993 between Airframe Manufacturer and Lessee (including all exhibits thereto, together with all letter agreements entered into that by their terms constitute part of such Purchase Agreement), to the extent assigned pursuant to the Purchase Agreement Assignment.

"Purchase Agreement Assignment" means the Purchase Agreement and Engine Warranties Assignment 104, dated as of even date with

the Participation Agreement, between Lessee and Owner Trustee.

"Purchase Date" means the last Business Day of any of the Base Lease Term, First Renewal Lease Term, Second Renewal Lease Term, Third Renewal Lease Term or Fourth Renewal Lease Term, as specified in any Purchase Notice.

"Purchase Notice" is defined in Section 17.3.1 of the Lease.

"Refunding Certificate" means a certificate of an authorized representative of Owner Participant delivered pursuant to Section 13.1.1 of the Participation Agreement, setting forth (a) the Refunding Date and (b) the following information, subject to the limitations set forth in Section 13 of the Participation Agreement: (i) the principal amount of debt to be issued by Owner Trustee on the Refunding Date and (ii) the proposed revised schedules of Basic Rent, Stipulated Loss Value percentages and Termination Value percentages and the proposed Amortization Schedules.

"Refunding Date" means the proposed date on which the outstanding Loan Certificates will be redeemed and refinanced pursuant to Section 13 of the Participation Agreement.

"Refunding Information" means the information set forth in the Refunding Certificate (other than the Refunding Date) as such information may have been revised by any verification procedures demanded by Lessee pursuant to Section 3.2.1(d) of the Lease.

"Renewal Lease Term" means, collectively, the First Renewal Lease Term and the Second Renewal Lease Term, in each case, if any.

"Renewal Notice" is defined in Section 17.2.1 of the Lease.

"Renewal Rent" for the Aircraft means the rent payable therefor in respect of a Renewal Lease Term determined pursuant to Section 17.2.2 of the Lease.

"Rent" means, collectively, Basic Rent, Renewal Rent and Supplemental Rent.

"Replacement Airframe" means any airframe substituted for the Airframe pursuant to Section 10 of the Lease.

"Replacement Engine" means an engine substituted for an Engine pursuant to Section 5.3, 7.2, 9 or 10 of the Lease.

"Return Acceptance Supplement" means a Return Acceptance Supplement, dated as of the date the Aircraft is returned to Lessor pursuant to Section 5 of the Lease, by Lessor and Lessee substantially in the form of Exhibit B to the Lease.

"Scheduled Delivery Date" means the expected Delivery Date notified to each Participant, Owner Trustee and Mortgagee by Lessee pursuant to Section 5.1(a) of the Participation Agreement, which expected Delivery Date shall be a Business Day not later than the Commitment Termination Date.

"Scheduled Expiration Date" means the Business Day next preceding the twentieth anniversary of the Delivery Date.

"SEC" means the Securities and Exchange Commission of the United States, or any Government Entity succeeding to the functions of such Securities and Exchange Commission.

"Second Renewal Lease Term" means, if Lessee exercises its option to renew the Lease at the end of the First Renewal Lease Term pursuant to and in accordance with Section 17.2 of the Lease, the period commencing on the first day following the First Renewal Term Expiration Date, and ending on the second anniversary of the Scheduled Expiration Date.

"Section 1110" means 11 U.S.C. Section 1110 of the Bankruptcy Code or any successor or analogous section of the federal bankruptcy Law in effect from time to time.

"Secured Obligations" is defined in Section 2.06 of the Trust Indenture.

"Securities Act" means the Securities Act of 1933.

"Security" means a "security" as defined in Section 2(1) of the Securities Act.

"Similar Aircraft" means a Boeing Model 757-200 aircraft (other than the Aircraft) having a passenger compartment configuration (of the type used in Block Nos. ND301-325 as specified in Boeing Detail Specification D924N104-3 dated as of March 18, 1993, as amended or supplemented) most similar to the Aircraft.

"SLV Rate" is defined in Schedule 1 to the Lease.

"Stipulated Loss Value" means, with respect to the Aircraft, (a) during the Base Lease Term, the amount determined by multiplying (i) the percentage set forth in Schedule 3 to the Lease (as adjusted from time to time in accordance with

Section 3.2.1 of the Lease) opposite the Stipulated Loss Value Date by (ii) Lessor's Cost and (b) during any Renewal Term, the amount determined pursuant to Section 17.2.3 of the Lease. Notwithstanding anything to the contrary in any Operative Agreement, Stipulated Loss Value shall always be sufficient to pay in full, as of the date of payment thereof (assuming timely payment of the Loan Certificates prior to such date), the aggregate unpaid principal amount of all Loan Certificates outstanding as of such date, together with accrued and unpaid interest on all such Loan Certificates as of such date.

"Stipulated Loss Value Date" means (i) for any month, specified in Schedule 3 to the Lease, which precedes the month in which the Commencement Date occurs, the applicable Interim Term Value Date, and (ii) for any month, specified in Schedule 3 to the Lease, which includes or follows the month in which the Commencement Date occurs, the day in such month that corresponds to the day of the month on which the Commencement Date occurred or, if such day is not a Business Day, the immediately succeeding Business Day.

"Supplemental Rent" means all Expenses, Transaction Expenses and all other amounts, liabilities, indemnities and obligations (other than Basic Rent or Renewal Rent but including Make-Whole Amount, if any) that Lessee assumes or becomes obliged to or agrees to pay under any Lessee Operative Agreement to or on behalf of Lessor or any other person, including, without limitation, payments of Stipulated Loss Value, Termination Value and payments of indemnities under Section 10 of the Participation Agreement.

"Taxes" means all license, recording, documentary, registration and other similar fees and all taxes, levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever imposed by any Taxing Authority, together with any penalties, additions to tax, fines or interest thereon or additions thereto.

"Tax Attribute Period" is defined in Section 3.4 of the Tax Indemnity Agreement.

"Tax Indemnitee" means (a) First Security and Owner Trustee, (b) WTC and Mortgagee, (c) each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (d) each Participant, (e) the Trust Estate and the Trust Indenture Estate and (f) the respective successors, assigns, agents and servants of the foregoing. For purposes of this definition, the term "Owner Participant" shall include any member of an affiliated group (within the meaning of Section 1504 of the Code) of which Owner Participant is, or may become, a member if consolidated, joint or combined returns are filed for such affiliated group for federal, state or local income tax purposes.

If the Tax Indemnitee is the Airframe Manufacturer or Engine Manufacturer, such Person shall be a Tax Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement 104, dated as of even date with the Participation Agreement, between Lessee and Owner Participant.

"Taxing Authority" means any federal, state or local government or other taxing authority in the United States, any foreign government or any political subdivision or taxing authority thereof, any international taxing authority or any territory or possession of the United States or any taxing authority thereof.

"Term" means the term, commencing on the Delivery Date, for which the Aircraft is leased pursuant to Section 3 of the Lease, and shall include the Interim Lease Term, the Base Lease Term and, if applicable, any Renewal Lease Term.

"Termination Date" means any Payment Date occurring after the tenth anniversary of the Delivery Date and on or before the date one year prior to the Scheduled Expiration Date on which the Lease shall terminate in accordance with Section 9 of the Lease.

"Termination Value" means, with respect to the Aircraft, the amount determined by multiplying (a) the percentage set forth in Schedule 4 to the Lease (as adjusted from time to time in accordance with Section 3.2.1 of the Lease) opposite the Termination Value Date by (b) Lessor's Cost. Notwithstanding anything to the contrary in any Operative Agreement, Termination Value shall always be sufficient to pay in full, as of the date of payment thereof (assuming timely payment of the Loan Certificates prior to such date), the aggregate unpaid principal amount of all Loan Certificates outstanding as of such date, together with accrued and unpaid interest on all such Loan Certificates as of such date.

"Termination Value Date" means (i) for any month specified in Schedule 4 to the Lease, which precedes the month in which the Commencement Date occurs, the applicable Interim Term Value Date, and (ii) for any month, specified in Schedule 4 to the Lease, which includes or follows the month in which the Commencement Date occurs, the day in such month that corresponds to the day of

the month on which the Commencement Date occurred or, if such day is not a Business Day, the immediately succeeding Business Day.

"Transactions" means the transactions contemplated by the Participation Agreement and the other Operative Agreements.

"Transaction Expenses" means all costs and expenses incurred by Owner Participant, Loan Participant, Owner Trustee and Mortgagee in connection with (a) the preparation, execution and delivery of the Operative Agreements and the recording or filing of any documents, certificates or instruments in accordance with any Operative Agreement, including, without limitation, the FAA Filed Documents and the Financing Statements, (b) any sublease or transfer of possession of the Aircraft or Airframe or any Engine, any Event of Loss with respect to the Aircraft, any Engine or any Part, any payment of Stipulated Loss Value or Termination Value and any replacement of any Engine or Part pursuant to the Lease, (c) any optimization pursuant to Section 9 of the Participation Agreement, any refunding of the Loan Certificates pursuant to Section 13 of the Participation Agreement or, pursuant to Section 15.3 of the Participation Agreement, any restructuring of the transactions in accordance with Section 15 of the Participation Agreement, (d) any transfer of title to the Aircraft or any Engine contemplated by Section 4.6 of the Lease, (e) all waivers, amendments or other agreements in connection with the Operative Agreements or the transactions contemplated thereby, in each case, except during the continuation of a Lease Event of Default, only to the extent requested by Lessee or required by or made pursuant to the terms of the Operative Agreements (unless such requirement results from the actions of the party incurring such costs or expenses not required by or made pursuant to the Operative Agreements), whether or not any of the same are also indemnified against by any other person, and (f) with respect to Owner Trustee and Mortgagee, otherwise in connection with the administration of the transactions contemplated by the Participation Agreement, including, without limitation, in each such case (a) through (f), (i) the reasonable fees and disbursements of counsel for each Participant, counsel for Owner Trustee, counsel for Mortgagee and special counsel in Oklahoma City, Oklahoma, in each case, in connection with the Closing, (ii) all initial and ongoing fees, disbursements and expenses of Owner Trustee and Mortgagee, (iii) except as may be expressly provided in the Lease the fees, expenses and disbursements of any Appraiser retained under or as contemplated by the Participation Agreement or the Lease, and (iv) the reasonable fees, disbursements of counsel and other out-of-pocket expenses, of any Participant or Certificate Holder, or of Owner Trustee or Mortgagee incurred in connection with an optimization of the Amortization Schedule under Section 9 of the Participation Agreement.

"Transfer" means the transfer, sale, assignment or other conveyance of all or any interest in any property, right or interest.

"Transferee" means a person to which any Owner Participant, Owner Trustee or any Loan Participant or Certificate Holder purports or intends to Transfer any or all of its right, title or interest in the Trust Estate or in its Loan Certificate and the Trust Indenture Estate, respectively, as described in Section 12.1.1(a), 12.1.2 or 12.1.3 (but excluding participants in any participation referred to in Section 12.1.3), respectively, of the Participation Agreement.

"Trust" means the trust created by the Trust Agreement.

"Trust Agreement" means the Trust Agreement 104, dated as of even date with the Participation Agreement, between Owner Participant and Owner Trustee.

"Trust Estate" means all estate, right, title and interest of Owner Trustee in and to the Aircraft, the Lease, any Lease Supplement, the Purchase Agreement and the GTA including, without limitation, all amounts of Basic Rent and Supplemental Rent including, without limitation, insurance proceeds (other than insurance proceeds payable to or for the benefit of Owner Participant, Loan Participant, Certificate Holders or WTC) and requisition, indemnity or other payments or any kind for or with respect to the Aircraft (except amounts owing to Owner Participant, Loan Participant, Certificate Holders or WTC, or to any of their respective directors, officers, employees, servants and agents, pursuant to Section 10 of the Participation Agreement). Notwithstanding the foregoing, "Trust Estate" shall not include any Excluded Payment.

"Trust Indenture" means the Trust Indenture and Mortgage 104, dated as of even date with the Participation Agreement, between Owner Trustee and Mortgagee.

"Trust Indenture Estate" is defined in the "Granting Clause" of the Trust Indenture.

"Trust Indenture Supplement" means a Trust Indenture and Mortgage 104 Supplement, substantially in the form of Exhibit A to the Trust Indenture, with appropriate modifications to reflect the purpose for which it is being used.

"UCC" means the Uniform Commercial Code as in effect in any

applicable jurisdiction.

"U.S. Air Carrier" means any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Act, and as to which there is in force an air carrier operating certificate issued pursuant to Part 121 of the regulations promulgated under the Act, or which may operate as an air carrier by certification or otherwise under any successor or substitute provisions therefor or in the absence thereof.

"U.S. Person" means any Person described in Section 7701(a)(30) of the Code.

"United States" or "U.S." means the United States of America; provided, that for geographic purposes, "United States" means, in aggregate, the 50 states and the District of Columbia of the United States of America.

"U.S. Government" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"WTC" means Wilmington Trust Company, a Delaware banking corporation, not in its capacity as Mortgagee under the Trust Indenture, but in its individual capacity.

"Weighted Average Life to Maturity" of each Loan Certificate means at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of such Loan Certificate by the then outstanding principal amount of such Loan Certificate. The term "Remaining Dollar-years" shall mean the amount obtained by (1) multiplying the amount of each then-remaining principal payment on such Loan Certificate provided for in the Amortization Schedule for such Loan Certificate by the number of years (calculated at the nearest one-twelfth) that will elapse between the date of determination of the Weighted Average Life to Maturity of such Loan Certificate and the date of that required payment and (2) totaling all the products obtained in clause (1) above.

"Wet Lease" means any arrangement whereby Lessee agrees to furnish the Airframe and Engines or engines installed thereon to a third party pursuant to which the Airframe and such Engines or engines (i) shall at all times be in the sole possession and control of Lessee, (ii) shall be operated in all respects solely by regular employees of Lessee possessing all current certificates and licenses that are required under the Act or any FAA Regulations for the possession, use and operation of the Airframe and such Engines or engines (or, if the Airframe is then under foreign registration, in accordance with Section 7.1.2 of the Lease, the foregoing requirement shall apply in respect of all certificates and licenses required by such government of registration and the applicable Aviation Authority for the possession, use and operation of the Airframe and such Engines or engines), and (iii) shall in all events be maintained, insured and otherwise used and operated in compliance with the terms and provisions of the Lease.

"Yield Adjustment" means, with respect to any prepayment of the Loan Certificates, .50%.

ANNEX B

RETURN CONDITIONS

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

ANNEX C  
MAINTENANCE

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

ANNEX D  
INSURANCE

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

EXHIBIT A - LEASE SUPPLEMENT  
LEASE AGREEMENT 104

LEASE SUPPLEMENT NO. \_\_\_

LEASE SUPPLEMENT No. \_\_\_, dated \_\_\_\_\_, 199\_, between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, but solely as Owner Trustee under the Trust Agreement 104, dated as of July 15, 1994, with the Owner Participant named therein (such Owner Trustee, in its capacity as such Owner Trustee being herein called "Lessor"), and CONTINENTAL AIRLINES, INC., a Delaware corporation, as Lessee ("Lessee").

Lessor and Lessee have heretofore entered into that certain Lease Agreement 104, dated as of July 15, 1994, relating to one Boeing Model 757-224 aircraft (herein called the "Lease" and the defined terms therein being hereinafter used with the same meanings). The Lease provides for the execution and delivery of this Lease Supplement for the purpose of leasing the Airframe and Engines under the Lease as and when delivered by Lessor to Lessee in accordance with the terms thereof.

The Lease relates to the Airframe and Engines described below, and a counterpart of the Lease to which this Lease Supplement is attached and of which this Lease Supplement is a part, is being filed for recordation on the date hereof with the Federal Aviation Administration as one document.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessee has been duly authorized by Lessor to accept, and does hereby irrevocably accept on behalf of Lessor delivery of the Aircraft from Airframe Manufacturer under, and for all purposes of, the Aircraft Bill of Sale, the Participation Agreement and the Purchase Agreement Assignment.

2. Lessor hereby delivers and leases to Lessee under the Lease and Lessee hereby accepts and leases from Lessor under the Lease the following described Boeing 757-224 aircraft (the "Aircraft"), which Aircraft as of the date hereof consists of the following components:

(i) Airframe: U.S. Registration No. N17104; manufacturer's serial no. 27294; and

(ii) Engines: two (2) Rolls-Royce Model RB211-535E4-B-37 engines bearing, respectively, manufacturer's serial nos. 31268 and 31269 (each of which engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower).

3. The Delivery Date of the Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

4. Lessee hereby confirms its agreement to pay Lessor Rent for the Aircraft in accordance with Sections 3 and 17, and the other provisions, of the Lease.

5. Lessee hereby confirms to Lessor that Lessee has duly and irrevocably accepted the Aircraft under and for all purposes hereof, of the Lease and of the other Lessee Operative Agreements.

6. All of the terms and provisions of this Lease Supplement are hereby incorporated by reference in the Lease to the same extent as if fully set forth therein.

7. This Lease Supplement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

8. To the extent, if any, that this Lease Supplement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease Supplement may be created through the transfer or possession of any counterpart other than the original executed counterpart, which shall be identified as the counterpart containing the receipt therefor executed by the Mortgagee on the signature page thereof.

[This space intentionally left blank.]

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Supplement to be duly executed as of the day and year first above written.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION  
as Lessor, not in its individual  
capacity, except as expressly  
provided herein, but solely as  
Owner Trustee under the Trust  
Agreement

By \_\_\_\_\_  
Name:  
Title:

CONTINENTAL AIRLINES, INC.,  
as Lessee

By \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, Lessor and Lessee have each caused this  
Lease Supplement to be duly executed as of the day and year first  
above written.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION  
as Lessor, not in its individual  
capacity, except as expressly  
provided herein, but solely as  
Owner Trustee under the Trust  
Agreement

By \_\_\_\_\_  
Name:  
Title:

CONTINENTAL AIRLINES, INC.,  
as Lessee

By \_\_\_\_\_  
Name:  
Title:

Receipt of this original counterpart of the foregoing Lease  
Supplement is hereby acknowledged on this \_\_\_\_ day of \_\_\_\_\_,  
1994.

WILMINGTON TRUST COMPANY,  
as Mortgagee

By \_\_\_\_\_  
Name:  
Title:

SCHEDULE 1 - CERTAIN TERMS  
LEASE AGREEMENT 104

CERTAIN TERMS

Defined Term  
-----

Definition  
-----

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

SCHEDULE 2 - BASIC RENT  
LEASE AGREEMENT 104

BASIC RENT

Payment Date -----	Percentage of Lessors Cost -----
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[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

SCHEDULE 3 - STIPULATED LOSS VALUE  
LEASE AGREEMENT 104

STIPULATED LOSS VALUE

Month	Percentage of Lessor's Cost	Month	Percentage Lessor's Cost
-----	-----	-----	-----

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

SCHEDULE 4 - TERMINATION VALUE  
LEASE AGREEMENT 104

TERMINATION VALUE

Month	Percentage of Lessor's Cost	Month	Percentage Lessor's Cost
-----	-----	-----	-----

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

SCHEDULE 5 - PERMITTED AIR CARRIERS  
LEASE AGREEMENT 104

PERMITTED AIR CARRIERS

Aer Lingus  
Air Canada  
Air France  
Air Inter  
Air New Zealand  
Alitalia  
All Nippon  
Ansett Airlines of Australia  
Australian Airlines  
Braathens S.A.F.E.  
British Airways  
British Midland  
Britannia Airways  
Canadian Airlines, International  
Cathay Pacific Air Lines Ltd.  
Condor (Sub of Lufthansa)  
Finnair  
Icelandair  
Iberia Air Lines of Spain  
Japan Air Lines  
Japan Air System  
KLM  
Lufthansa  
Lux Air  
Malaysian Airlines  
Martinair  
Monarch Airlines  
Olympic  
Phillipine Airlines  
Qantas Airways Ltd.  
Sabena  
Scandinavian Airlines System  
Singapore Airlines Limited  
Swissair  
TAP (Portugal)  
Thai Airways  
Transavia  
Union de Transports Aeriens

SCHEDULE 6 - PLACARDS  
LEASE AGREEMENT 104

PLACARDS

Leased from

First Security Bank of Utah, National Association,  
not in its individual capacity but solely as  
Owner Trustee, Owner and Lessor

and  
Mortgaged to

Wilmington Trust Company,  
not in its individual capacity but solely as Mortgagee

THIS LEASE AGREEMENT 104 AMENDMENT NO. 1 ("Amendment"), dated as of December 22, 1995, is by and between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee ("Lessor") and CONTINENTAL AIRLINES, INC., a Delaware corporation ("Lessee").

RECITALS

(A) Pursuant to that certain Lease Agreement 104, dated as of July 15, 1994, as more specifically defined on Appendix A attached hereto (the "Lease"), Lessor agreed to lease and Lessee agreed to take on lease one Boeing model 757-224 aircraft bearing manufacturer's serial number 27294 and two RB211-535E4-B-37 engines bearing manufacturer's serial numbers 31268 and 31269 (the "Aircraft") upon the terms and conditions contained in the Lease.

(B) It is a condition precedent to the obligations of General Electric Company under that certain Purchase, Assignment and Assumption Agreement, dated as of December 22, 1995, by and between General Electric Company and Gaucho-2 Inc. that the Lease would be amended as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby agree as follows:

AGREEMENT

A. DEFINITIONS. Capitalized terms used but not defined herein shall have the respective meanings set forth or incorporated by reference, and shall be construed and interpreted in the manner described, in Annex A to the Lease as such Annex A is amended hereby.

B. LEASE AMENDMENTS. Lessor and Lessee agree that, effective as of the date hereof, the Lease is hereby amended as follows:

(1) Amendments to Annex A.

(a) Annex A to the Lease is hereby replaced in its entirety by the revised Annex A attached to this Amendment as Annex A.

(2) Amendments to Annex B.

(a) Annex B to the Lease (but not the exhibits thereto) is hereby replaced in its entirety by the revised Annex B attached to this Amendment as Annex B.

(b) Exhibit B-3 to Annex B to the Lease is hereby amended by deleting item 21 thereto and inserting the following new item 21 in lieu thereof:

21. Landing Gear Overhaul Records, including LLP status

(3) Amendments to Basic Rent Provisions Sections. 3.2.1(a), (b) and (c) of the Lease are hereby amended and restated in their entirety to read as follows:

(a) During the Base Lease Term, Lessee shall pay to Lessor, on each Payment Date, in the manner and in funds of the type specified in Section 3.3, Basic Rent in the amount equal to the percentage of Lessor's Cost specified in Schedule 2 for such Payment Date, as such amount (i) may be adjusted pursuant to Section 3.2.1(b) or (ii) increased in an amount equal to any increase in the amount of interest due on the Equipment Notes on the relevant Payment Date as a result of the resetting of the rate of interest on the Equipment Notes as required by the terms thereof after the consummation of the Refinancing Transaction.

(b) The percentages of (i) Basic Rent, Stipulated Loss Value and Termination Value set forth in Schedules 2, 3 and 4, respectively, shall be appropriately adjusted (upward or downward) in the manner set forth in Section 3.2.1(c), (x) as contemplated by Section 4 of the Refinancing Agreement or Section 13 of the Participation Agreement, to reflect a transaction described in either such Section and subject to the terms therein or (y) to reflect the resetting of the rate of interest on the Loan Certificates as provided in Schedule 5 to the Participation Agreement and (ii) Stipulated Loss Value and Termination Value shall be adjusted and recomputed in accordance with, and to the extent required by the Tax Indemnity Agreement. Any adjustment described in this Section 3.2.1(b) shall be set forth in an amendment to this Lease to be prepared by Lessor, executed and delivered by Lessor and Lessee, and filed with the FAA, all at the sole cost and expense of Lessee, and a copy of such amendment shall be provided to Mortgagee; provided, however, that the execution, delivery and filing of such amendment shall not be a condition to the

effectiveness of any adjustment required by the terms hereof.

(c) All adjustments pursuant to Section 3.2.1(b) shall be made, in the case of an adjustment pursuant to Section 4 of the Refinancing Agreement or Section 13 of the Participation Agreement, at the time of closing the transactions described therein and otherwise as promptly as practicable after either Owner Participant or Lessee gives notice to the other that an event has occurred that requires an adjustment. All such adjustments shall be made in a manner that (i) maintains the Net Economic Return to Owner Participant and (ii) to the extent possible consistent with clause (i), minimizes the Net Present Value of Rents to Lessee; provided, however, that payments of Basic Rent hereunder shall, notwithstanding any such adjustment, be payable in consecutive quarterly installments, subject always to the provisions of Section 3.2.1(e). Any recalculation of the percentages of Basic Rent, Stipulated Loss Value and Termination Value shall be prepared by Owner Participant, subject to verification at the request of Lessee in accordance with Section 3.2.1(d), on the basis of the same methodology and assumptions used by Owner Participant in determining the percentages of Basic Rent, Stipulated Loss Value and Termination Value as set forth on Schedule 6 to the Participation Agreement (including compliance with Revenue Procedures 75-21 and 75-28 and Section 467 of the Code), except as such assumptions have been modified to reflect the events giving rise to adjustments hereunder. Promptly after an adjustment is made hereunder, Owner Participant shall deliver to Lessee a description of such adjustment, setting forth in reasonable detail the calculation thereof. All adjustments shall (y) be made so as to avoid characterization of the Lease as a "disqualified leaseback or long-term agreement" within the meaning of Section 467 of the Code and to avoid any additional risk of such characterization and (z) be in compliance with the requirements of Revenue Procedure 75-21 and Sections 4.02(5), 4.07(1) and, on a prospective basis, 4.08(1) of Revenue Procedure 75-28. For purposes of this Section 3.2.1(c), adjustments to Basic Rent shall be considered to comply with Section 467 and not to result in recharacterization of the Lease as a "disqualified leaseback or long-term agreement" if (i) application of Section 467 does not result in acceleration of recognition of rental income or (ii) Section 467 does require acceleration of recognition of rental income, but the adjustments to Basic Rent maintain Owner Participant's Net Economic Return notwithstanding such acceleration.

(4) Amendments to Reflect Payment of Basic Rent in Arrears.

(a) Section 9.3(a)(iv) of the Lease is hereby amended and restated in its entirety to read as follows:

(iv) Lessee shall also pay all other amounts due and payable by Lessee to Lessor or Owner Participant under this Lease (other than the portion of any Basic Rent due on such Termination Date that is payable in advance), the Participation Agreement or any other Operative Agreement (including, without limitation, (A) Supplemental Rent in respect of Make-Whole Amount, if any, payable pursuant to Section 2.10(b) of the Trust Indenture in connection with a prepayment of the Loan Certificates upon redemption of such Loan Certificates in accordance with Section 2.10(b) (B) all interest charges provided for hereunder or under any other Operative Agreement with respect to the late payment of any amounts, so payable, and (C) the out-of-pocket fees and expenses incurred by Lessor and Owner Participant in connection with such termination and sale).

(b) The proviso at the end of Section 10.1.2(a)(i) of the Lease is hereby amended and restated in its entirety to read as follows:

provided that, in the event that a Payment Date shall occur (x) on or after the Stipulated Loss Value Date used in the foregoing clause (1) for the computation of unpaid Rent, and (y) on or before the date of payment of the amounts specified above in this subparagraph (i), then Lessee shall pay the Basic Rent or the Renewal Rent, as the case may be, due on such Payment Date, and to the extent such Basic Rent or Renewal Rent constitutes payment in advance, thereupon such amounts payable under this subparagraph (i) shall be reduced by the amount of such payment of Basic Rent or Renewal Rent, as the case may be.

(5) Amendments to Default Provisions. Section 14 of the Lease is hereby amended by adding the following additional Lease Event of Default:

#### 14.8 Cross-Defaults

A Lease Event of Default (as such term is defined in each Operative Lease) shall have occurred and be

continuing under any other Operative Lease.

(6) Amendments to Schedules.

(a) The term Payment Date set forth on Schedule 1 to the Lease is hereby amended and restated in its entirety to read as follows:

Payment Date January 15, 1996 and each April 15, July 15, October 15 and January 15 thereafter during the Term or, if any such day is not a Business Day, the immediately succeeding Business Day.

(b) Schedule 2 to the Lease is hereby replaced in its entirety by the revised Schedule 2 attached to this Amendment as Amended Schedule 2.

(c) Schedule 3 to the Lease is hereby replaced in its entirety by the revised Schedule 3 attached to this Amendment as Amended Schedule 3.

(d) Schedule 4 to the Lease is hereby replaced in its entirety by the revised Schedule 4 attached to this Amendment as Amended Schedule 4.

C. ENTIRE AGREEMENT. This Amendment is intended to be a complete and exclusive statement of the terms of the agreement of the parties hereto and supersedes any prior or contemporaneous agreements, whether oral or in writing with respect to the subject matter hereof.

D. STATUS OF LEASE. This Amendment shall be construed in connection with, and as a part of, the Lease. The terms, conditions, covenants, representations, agreements, rights, remedies, powers and privileges set forth in the Lease, as modified hereby, are hereby confirmed in all respects by the parties hereto and shall continue in full force and effect.

E. COUNTERPARTS. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. To the extent, if any, that this Amendment constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in the applicable jurisdiction) no security interest in Lessor's right, title and interest in and to this Amendment may be perfected through the delivery or possession of any counterpart of this Amendment other than the counterpart which has been marked "Original" on the signature page thereof.

IN WITNESS WHEREOF, this Amendment has been executed on behalf of each of the parties as of the date first written above.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as expressly provided  
herein, but solely as Owner  
Trustee under the Trust  
Agreement, as Lessor

By: /s/ Greg A. Hawley  
-----  
Name: Greg A. Hawley  
Title: Assistant Vice President

CONTINENTAL AIRLINES, INC.  
as Lessee

By: /s/ Gerald Laderman  
-----  
Name: Gerald Laderman  
Title: Vice President

APPENDIX A

Lease Agreement 104, dated as of July 15, 1994, between First Security Bank of Utah, National Association, as lessor, and Continental Airlines, Inc., as lessee, which was recorded by the Federal Aviation Administration on August 25, 1994, and assigned Conveyance No. Q56551, as supplemented by the following described instrument:

Instrument	Date of Instrument	FAA Recording Date	FAA Conveyance No.
----- Lease Supplement No. 1	07/29/94	08/25/94	Q56551

ANNEX A

DEFINITIONS

GENERAL PROVISIONS

(a) In each Operative Agreement, unless otherwise expressly provided, a reference to:

(i) each of "Lessee," "Lessor," "Owner Trustee," "Owner Participant," "Loan Participant," "Loan Trustee," "Note Holder" or any other person includes, without prejudice to the provisions of any Operative Agreement, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;

(ii) words importing the plural include the singular and words importing the singular include the plural;

(iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Agreement, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Agreements, and any agreement, instrument or document entered into in substitution or replacement therefor;

(iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Delivery Date, and thereafter from time to time;

(v) the words "Agreement," "this Agreement," "hereby," "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Operative Agreement refer to such Operative Agreement as a whole and not to any particular provision of such Operative Agreement;

(vi) the words "including," "including, without limitation," "including, but not limited to," and terms or phrases of similar import when used in any Operative Agreement, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section," an "Exhibit," an "Annex" or a "Schedule" in any Operative Agreement, or in any annex thereto, is a reference to a section of, or an exhibit, an annex or a schedule to, such Operative Agreement or such annex, respectively.

(b) Each exhibit, annex and schedule to each Operative Agreement is incorporated in, and shall be deemed to be a part of, such Operative Agreement.

(c) Unless otherwise defined or specified in any Operative Agreement, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Agreement are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Agreement.

DEFINED TERMS

"Act" means the Federal Aviation Act of 1958.

"Actual Knowledge" means (a) as it applies to Owner Trustee or Loan Trustee, as the case may be, actual knowledge of a responsible officer in the Corporate Trust Department or the Corporate Trust Office, respectively, and (b) as it applies to Lessee or Owner Participant, actual knowledge of a Vice President or more senior officer of Owner Participant or Lessee, respectively, or any other officer of Owner Participant or Lessee, respectively, in each case having responsibility for the transactions contemplated by the Operative Agreements; provided that each of Lessee, Owner Participant, Owner Trustee and Loan Trustee shall be deemed to have "Actual Knowledge" of any matter as to which it has received notice from Lessee, Owner Participant, any Note Holder, Owner Trustee or Loan Trustee, such notice having been given pursuant to Section 19.7 of the Participation Agreement.

"Additional Insured" is defined by reference to Section 11 of the Lease.

"Adverse Change in Tax Law" means (a) for Lessee, a Change in Tax Law that Lessee regards as one that could adversely affect the economic consequences of the transactions contemplated by the Participation Agreement and the other Operative Agreements anticipated by Lessee or (b) for Owner Participant, any Change in

Tax Law that would adversely affect any of the following tax assumptions:

(i) For federal income tax purposes, the Lease will be a "true" lease for purposes of the Code and Owner Participant will be treated as the owner of the Aircraft and Lessee will be treated as the lessee thereof;

(ii) For federal income tax purposes, Owner Participant will be entitled to depreciation or cost recovery deductions with respect to Lessor's Cost of the Aircraft; and

(iii) For federal income tax purposes, Owner Participant will be entitled to deductions for interest payments on the Equipment Notes.

"Affiliate" means, with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such person. For purposes of this definition, "control" means the power, directly or indirectly, to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise and "controlling," "controlled by" and "under common control with" have correlative meanings.

"Aircraft" means, collectively, the Airframe and Engines.

"Aircraft Bill of Sale" means the full warranty bill of sale covering the Aircraft delivered by Airframe Manufacturer to Owner Trustee on the Delivery Date.

"Aircraft Documents" means all technical data, manuals and log books, and all inspection, modification and overhaul records and other service, repair, maintenance and technical records that are required by the FAA (or the relevant Aviation Authority), the Lease or the Maintenance Program to be maintained with respect to the Aircraft, Airframe, Engines or Parts, or that are of a type required to be delivered by Lessee upon return of the Aircraft, Airframe or Engines under Section 5 of the Lease; and such term shall include all additions, renewals, revisions and replacements of any such materials from time to time made, or required to be made, in accordance with the Lease, the Maintenance Program or such FAA (or other Aviation Authority) regulations, and in each case in whatever form and by whatever means or medium (including, without limitation, microfiche, microfilm, paper or computer disk) such materials may be maintained or retained by or on behalf of Lessee (provided that all such materials shall be maintained in the English language); and such term shall include, without limitation, the documents described in Section N of Annex B to the Lease.

"Airframe" means (a) the aircraft (excluding Engines or engines from time to time installed thereon) manufactured by Airframe Manufacturer and identified by Airframe Manufacturer's model number, United States registration number and Airframe Manufacturer's serial number set forth in Lease Supplement No. 1 and any Replacement Airframe and (b) any and all Parts incorporated or installed in or attached or appurtenant to such airframe, and any and all Parts removed from such airframe, unless title to such Parts shall not be vested in Lessor in accordance with Section 8.1 and Annex C of the Lease. Upon substitution of a Replacement Airframe under and in accordance with the Lease, such Replacement Airframe shall become subject to the Lease and shall be the "Airframe" for all purposes of the Lease and the other Operative Agreements and thereupon the Airframe for which the substitution is made shall no longer be subject to the Lease, and such replaced Airframe shall cease to be the "Airframe."

"Airframe Manufacturer" means The Boeing Company, a Delaware corporation, solely in its capacity as manufacturer or seller of the Aircraft, Airframe, Engines or Parts (other than BFE and other than any Parts incorporated or installed in or attached or appurtenant to the Aircraft, Airframe or any Engine after delivery of the Aircraft, Airframe and Engine to Tramco, Inc. prior to the Delivery Date) under the Purchase Agreement or any other contract or other services provided for thereunder or related thereto.

"Amortization Amount" means, with respect to any Equipment Note, as of any Payment Date, the amount determined by multiplying the percentage set forth opposite such Date on the Amortization Schedule by the Original Amount of such Equipment Note.

"Amortization Schedule" means, with respect to each Equipment Note, the amortization schedule for the Equipment Notes delivered pursuant to Section 2.02 of the Trust Indenture or, if a revised amortization schedule shall be established pursuant to Section 13 of the Participation Agreement, the amortization schedule so established.

"Appraiser" means a firm of internationally recognized, independent aircraft appraisers.

"APU" means the auxiliary power unit installed on the Aircraft on the Delivery Date, whether or not installed on the

Aircraft from time to time thereafter, unless title to such APU shall not be vested in Lessor in accordance with Section 8.1 of the Lease, and any replacement or substituted auxiliary power unit installed on the Aircraft in accordance with the Lease.

"Aviation Authority" means the FAA or, if the Aircraft is permitted to be, and is, registered with any other Government Entity under and in accordance with Section 7.1.2 of the Lease, such other Government Entity.

"Bankruptcy Code" means the United States Bankruptcy Code, 11 U.S.C. Sections 102 et seq.

"Base Lease Term" means the period beginning on and including the Commencement Date and ending on the Scheduled Expiration Date, or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"Basic Rent" means the rent payable for the Aircraft pursuant to Section 3.2.1(a) of the Lease.

"Beneficial Owner" when used in relation to an Equipment Note means a Person that, by reason of direct ownership, contract, share ownership or otherwise, has the right to receive or participate in receiving, directly or indirectly, payments of principal, interest or Make-Whole Amount in respect of such Equipment Note; provided that a Person shall not be deemed to be a Beneficial Owner of an Equipment Note solely because another Person in which such a Person owns common stock or other equity securities is a registered holder or Beneficial Owner of such Equipment Note unless such Person is an Affiliate of such other Person.

"BFE" means all appliances, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature sold by Lessee to Owner Trustee pursuant to the BFE Bill of Sale.

"BFE Amount" means the amount paid by Owner Trustee to Lessee to purchase the BFE, and is designated by Dollar amount in Schedule 4 to the Participation Agreement.

"BFE Bill of Sale" means the full warranty bill of sale executed by Lessee in favor of Owner Trustee, dated the Delivery Date, identifying and covering the BFE.

"Bills of Sale" means the FAA Bill of Sale, the Aircraft Bill of Sale and the BFE Bill of Sale.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in New York, New York, Houston, Texas or Salt Lake City, Utah.

"Cash Equivalents" means the following securities (which shall mature within 90 days of the date of purchase thereof): (a) direct obligations of the U.S. Government; (b) obligations fully guaranteed by the U.S. Government; (c) certificates of deposit issued by, or bankers' acceptances of, or time deposits or a deposit account with, Owner Trustee, Loan Trustee or any bank, trust company or national banking association incorporated or doing business under the laws of the United States or any state thereof having a combined capital and surplus and retained earnings of at least \$500,000,000 and having a rate of "C" or better from the Thomson BankWatch Service; or (d) commercial paper of any issuer doing business under the laws of the United States or one of the states thereof and in each case having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. equal to A1 or higher.

"Certificate Holder" means Note Holder.

"Change in Tax Law" means any amendment, modification, addition or change in or to the provisions of the Code, any other federal tax statutes, the Treasury Regulations promulgated thereunder, the Internal Revenue Service Revenue Rulings, Revenue Procedures or other administrative or judicial interpretations of the Code or the federal tax statutes that affects the tax assumptions set forth in the Tax Indemnity Agreement or otherwise affects Owner Participant's anticipated Net Economic Return (other than a change in the alternative minimum tax or other change that results in Owner Participant being subject to alternative minimum tax or unable to fully utilize tax benefits because of its particular tax situation).

"Citizen of the United States," unless otherwise defined, is as defined in Section 102(16) of the Act and in the FAA Regulations.

"Closing" means the closing of the transactions contemplated by the Participation Agreement on the Delivery Date.

"Code" means the Internal Revenue Code of 1986, as amended; provided that, when used in relation to a Plan, "Code" shall mean the Internal Revenue Code of 1986 and any regulations and rulings issued thereunder, all as amended and in effect from time to time.

"Commencement Date" is defined in Schedule 1 to the Lease.

"Commitment" means, for any Participant, the amount of its participation in the payment of Lessor's Cost.

"Commitment Termination Date" is defined in Schedule 4 to the Participation Agreement.

"Consent and Agreement" means the Manufacturer Consent and Agreement 104, dated as of even date with the Participation Agreement, of Airframe Manufacturer.

"Continuous Stay Period" is defined in Section 4.04(a) of the Trust Indenture.

"Corporate Trust Department" or "Trust Office" means the principal corporate trust office of Owner Trustee located from time to time at Owner Trustee's address for notices under the Participation Agreement or such other office at which Owner Trustee's corporate trust business shall be administered which Owner Trustee shall have specified by notice in writing to Lessee, Loan Trustee and each Note Holder.

"Corporate Trust Office" means the principal office of Loan Trustee located at Loan Trustee's address for notices under the Participation Agreement or such other office at which Loan Trustee's corporate trust business shall be administered which Loan Trustee shall have specified by notice in writing to Lessee, Owner Trustee and each Note Holder.

"CRAF" means the Civil Reserve Air Fleet Program established pursuant to 10 U.S.C. Section 9511-13 or any similar substitute program.

"Damage Payment Threshold" is defined in Schedule 1 to the Lease.

"Debt" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction or any other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"Debt Rate" means, with respect to any Series, the rate per annum specified for such Series under the heading "Interest Rate" in Schedule I to the Trust Indenture, subject to (i) increase pursuant to Paragraph B of Schedule 5 of the Participation Agreement, and (ii) redetermination in respect of the second of the two Funding Periods, in accordance with Schedule 5 of the Participation Agreement.

"Default" means any event or condition that with the giving of notice or the lapse of time or both would become an Event of Default.

"Definitive Purchase Notice" is defined in Section 17.1 of the Lease.

"Delayed Delivery Date" means a delayed Delivery Date notified to each Participant, Owner Trustee and Loan Trustee by Lessee pursuant to Section 5.3.1 of the Participation Agreement, which delayed Delivery Date shall be a Business Day not later than the Commitment Termination Date.

"Delivery Date" means the Business Day specified in Lease Supplement No. 1 as the date on which, among other things, the Aircraft is delivered to and accepted by Lessee under the Lease and the Closing occurs.

"Dollars," "United States Dollars" or "\$" means the lawful currency of the United States.

"DOT" means the Department of Transportation of the United States or any Government Entity succeeding to the functions of such Department of Transportation.

"Enforcement Date" is defined in Section 4.03 of the Trust Indenture.

"Engine" means (a) each of the engines manufactured by Engine Manufacturer and identified by Engine Manufacturer's model number and Engine Manufacturer's serial number set forth in Lease Supplement No. 1 and originally installed on the Airframe on delivery thereof pursuant to the Lease, and any Replacement Engine, in any case whether or not from time to time installed on such Airframe or installed on any other airframe or aircraft, and (b) any and all Parts incorporated or installed in or attached or appurtenant to such engine, and any and all Parts removed from such engine, unless title to such Parts shall not be vested in Lessor in accordance with Section 8.1 and Annex C of the Lease. Upon substitution of a Replacement Engine under and in accordance with the Lease, such Replacement Engine shall become subject to the Lease and shall be an "Engine" for all purposes of the Lease and the other Operative Agreements and thereupon the Engine for which the substitution is made shall no longer be subject to the Lease, and such replaced Engine shall cease to be an "Engine."

"Engine Consent and Agreement" means the Engine Manufacturer Consent and Agreement 104 dated as of even date with the Participation Agreement, of Engine Manufacturer.

"Engine Manufacturer" means Rolls-Royce plc, a corporation organized under the laws of England.

"Equipment Note Register" is defined in Section 2.07 of the Trust Indenture.

"Equipment Notes" means and includes any equipment notes issued under the Trust Indenture in the form specified in Section 2.01 thereof (as such form may be varied pursuant to the terms of the Trust Indenture) and any Equipment Note issued under the Trust Indenture in exchange for or replacement of any other Equipment Note.

"ERISA" means the Employee Retirement Income Security Act of 1974 and any regulations and rulings issued thereunder all as amended and in effect from time to time.

"Event of Default" is defined in Section 4.02 of the Trust Indenture.

"Event of Loss" means, with respect to the Aircraft, Airframe or any Engine, any of the following circumstances, conditions or events with respect to such property, for any reason whatsoever:

- (a) the destruction of such property, damage to such property beyond practical or economic repair or rendition of such property permanently unfit for normal use;
- (b) the actual or constructive total loss of such property or any damage to such property, or requisition of title or use of such property, which results in an insurance settlement with respect to such property on the basis of a total loss or constructive or compromised total loss;
- (c) any loss of such property or loss of use of such property for a period of 90 days or more as a consequence of any theft, hijacking or disappearance of such property;
- (d) any seizure, condemnation, confiscation, taking or requisition of title to such property by any Government Entity or purported non-U.S. Government Entity;
- (e) any seizure, condemnation, confiscation, taking or requisition of use of such property that continues until the earliest of (i) the last day of the Term, (ii) the date upon which the Aircraft is modified, altered or adapted in such a manner as would render conversion of such property for use in normal commercial passenger service impractical or uneconomical, (iii) the date on which such property is operated or located in any area excluded from coverage by any insurance policy required to be maintained in respect of such property pursuant to the Lease (unless an indemnity in lieu of insurance is provided to Lessor and Loan Trustee in accordance with Section 11.4 of the Lease) or (iv) the date that is 90 days following the commencement of such loss of use (unless such loss of use results from action by the U.S. Government, in which case this clause (iv) shall not apply to such loss of use); and
- (f) as a result of any law, rule, regulation, order or other action by the Aviation Authority or by any Government Entity of the government of registry of the Aircraft or by any Government Entity otherwise having jurisdiction over the operation or use of the Aircraft, the use of such property in the normal course of Lessee's business of passenger air transportation is prohibited for a period expiring on the earlier to occur of (i) the last day of the Term or (ii) the date that is 180 days following commencement of such prohibition, provided that if Lessee, prior to the expiration of such 180-day period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by Lessee, then the date that is 360 days following commencement of such prohibition.

The date of such Event of Loss shall be the date of such loss, damage, insurance settlement, seizure, condemnation, confiscation, taking or requisition of title or use or prohibition, except that, for purposes of clauses (c), (e) and (f) above, no Event of Loss shall be deemed to have occurred until the date of expiration of the applicable period referred to therein.

"Excluded Payments" means (i) indemnity payments paid or payable by Lessee to or in respect of Owner Participant, or Owner Trustee in its individual capacity, their respective Affiliates,

successors and permitted assigns and their directors, officers, employees, servants and agents pursuant to Section 10 of the Participation Agreement or any corresponding payments under the Trust Indenture, (ii) proceeds of public liability insurance paid or payable as a result of insurance claims made, or losses suffered, by Owner Trustee in its individual capacity or by Owner Participant, that are payable directly to Owner Trustee in its individual capacity, or Owner Participant, respectively, for their own account, (iii) proceeds of insurance maintained with respect to the Aircraft by Owner Participant or any Affiliate thereof for its or their own account or benefit (whether directly or through Owner Trustee) and permitted under Section 11.3 of the Lease, (iv) all payments required to be made under the Tax Indemnity Agreement by Lessee whether or not denominated as Supplemental Rent, (v) all payments, if any, required to be made from the proceeds of collateral securing any obligation of Lessee to Owner Participant or any Affiliate thereof (provided that no such payment shall in any event constitute, or have the effect of, a release, discharge or satisfaction in whole or in part of any obligation or liability of Lessee under any of the Operative Agreements to make any payment or render any performance to or for the benefit of any other Person (including, without limitation, Lessor's obligation to pay Rent to the Loan Trustee in accordance with the Lease and the Trust Indenture)), (vi) any interest that pursuant to the Operative Agreements may from time to time accrue in respect of any of the amounts described in clauses (i) through (v) above, (vii) any right to enforce the payment of any amount described in clauses (i) through (vi) above (provided, that the rights referred to in this clause (vii) shall not be deemed to include the exercise of any remedies provided for in the Lease other than the right to sue for specific performance of any covenant to make such payment or to sue for damages in respect of the breach of any such covenant) and (viii) any right to exercise any election or option or make any decision or determination, or to give or receive any notice, consent, waiver or approval, or to take any other action in respect of, but in each case, only to the extent relating to, any Excluded Payments.

"Expenses" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims (including, without limitation, claims or liabilities based or asserted upon (a) negligence, (b) strict or absolute liability, (c) liability in tort, (d) infringement of patent, trademark or other property or other right and (e) liabilities arising out of violation of any Law), actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation), including, without limitation, all such costs, expenses and disbursements incurred by any person in asserting or establishing, or in defending any claims arising out of its assertion of, any rights it may have under, or its cooperation in connection with any Expenses indemnified pursuant to, Section 10 of the Participation Agreement.

"FAA" means the Federal Aviation Administration of the United States or any Government Entity succeeding to the functions of such Federal Aviation Administration.

"FAA Bill of Sale" means a bill of sale for the Aircraft on AC Form 8050-2 (or such other form as may be approved by the FAA) delivered to Owner Trustee on the Delivery Date by Airframe Manufacturer.

"FAA Filed Documents" means the Lease, Lease Supplement No. 1, the Trust Indenture, the Trust Agreement, the Trust Indenture Supplement, the FAA Bill of Sale and an application for registration of the Aircraft with the FAA in the name of Owner Trustee.

"FAA Regulations" means the Federal Aviation Regulations issued or promulgated pursuant to the Act from time to time.

"Fair Market Rental Value" means the fair market rental value in Dollars for the Aircraft that would apply in an arm's-length transaction between an informed and willing lessee under no compulsion to lease, and an informed and willing lessor under no compulsion to lease, the Aircraft, for the First Renewal Lease Term or Second Renewal Lease Term, as the case may be, assuming that (a) the Aircraft has been maintained in accordance with, and is in the condition required by, the Lease, (b) payments of rent would be made quarterly, and (c) the Aircraft would be leased during any such Renewal Term on the same terms and conditions as are set forth in the Lease with respect to the Base Lease Term.

"Fair Market Sales Value" means the fair market sales value in Dollars for the Aircraft that would apply in an arm's-length transaction between an informed and willing buyer under no compulsion to buy, and an informed and willing seller under no compulsion to sell, the Aircraft, in a transaction that would close on or about the relevant time of determination, assuming that (a) the Aircraft has been maintained in accordance with, and is in the condition required by, the Lease and (b) the Aircraft would be delivered to such informed and willing buyer in the return condition required by the Lease.

"Financing Statements" means, collectively, UCC-1 (and, where appropriate, UCC-3) financing statements (a) covering the Trust Indenture Estate, by Owner Trustee, as debtor, showing Loan Trustee as secured party, for filing in Utah and each other jurisdiction that, in the opinion of Loan Trustee, is necessary to perfect its Lien on the Trust Indenture Estate, (b) covering the Lease and the Aircraft, as a precautionary matter, by Lessee, as lessee, showing Owner Trustee as lessor and Loan Trustee as assignee of Owner Trustee, for filing in Texas and each other jurisdiction that, in the opinion of Owner Trustee and Loan Trustee, is reasonably desirable and (c) for purposes of Section 6.1.2 of the Participation Agreement only, terminating the lien of (i) the Purchase Contract Security Agreement dated December 7, 1993, between Lessee and Engine Manufacturer and (ii) the 757 Purchase Agreement Assignment dated February 7, 1994 between Lessee and Airframe Manufacturer.

"First Renewal Lease Term" means, if Lessee exercises its option to renew the Lease at the end of the Base Lease Term pursuant to and in accordance with Section 17.2 of the Lease, the period commencing on the first day following the Scheduled Expiration Date, and ending on the First Renewal Term Expiration Date or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"First Renewal Term Expiration Date" means the first anniversary of the Scheduled Expiration Date.

"First Security" means First Security Bank of Utah, National Association, a national banking association, not in its capacity as Owner Trustee under the Trust Agreement, but in its individual capacity.

"Funding Period" means, unless otherwise expressed, each of the two successive periods, the first commencing upon the Delivery Date and ending on (but excluding) the Payment Date next preceding the tenth anniversary of the Delivery Date and the second commencing on such Payment Date and ending on (but excluding) the final maturity date of the Equipment Notes.

"GAAP" means generally accepted accounting principles as set forth in the statements of financial accounting standards issued by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, as such principles may at any time or from time to time be varied by any applicable financial accounting rules or regulations issued by the SEC and, with respect to any person, shall mean such principles applied on a basis consistent with prior periods except as may be disclosed in such person's financial statements.

"General Electric Company" means General Electric Company, a New York corporation and any Affiliate thereof.

"Government Entity" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Agreements or relating to the observance or performance of the obligations of any of the parties to the Operative Agreements.

"GTA" means the Purchase Contract reference RR/CAL/DEG 2124 dated December 7, 1993, by and between Engine Manufacturer and Lessee (including all exhibits thereto, together with all letter agreements that by their terms constitute part of such Purchase Contract), to the extent assigned pursuant to the Purchase Agreement Assignment.

"Inclusion" is defined in the Tax Indemnity Agreement in which General Electric Company is Owner Participant.

"Inclusion Event" is defined in the Tax Indemnity Agreement in which Gaucho-2 Inc. is Owner Participant.

"Indemnitee" means (a) First Security and Owner Trustee, (b) WTC and Loan Trustee, (c) each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (d) each Participant, (e) Owner Participant Parent (but only in its capacity as issuer of the Owner Participant Guaranty), (f) the Trust Estate and the Trust Indenture Estate, (g) each Affiliate of the persons described in clauses (a) through (e), inclusive, (h) the respective directors, officers, employees, agents and servants of each of the persons described in clauses (a) through (g), inclusive and (i) the successors and permitted assigns of the persons described in clauses (a) through (h), inclusive. If any Indemnitee is Airframe Manufacturer or Engine Manufacturer or any subcontractor or supplier of either thereof, such Person shall be an Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

"Indenture Default" means any condition, circumstance, act or event that, with the giving of notice, the lapse of time or both, would constitute an Indenture Event of Default.

"Indenture Agreements" means the Participation Agreement, the Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement, the Bills of Sale and any other contract, agreement or instrument from time to time assigned or pledged under the Trust Indenture.

"Indenture Event of Default" means any one or more of the conditions, circumstances, acts or events set forth in Section 4.02 of the Trust Indenture.

"Independent Tax Counsel" means independent tax counsel of recognized reputation selected by Owner Participant and reasonably acceptable to Lessee.

"Interim Lease Term" means the period commencing on and including the Delivery Date, and ending on and including the day immediately preceding the Commencement Date or such earlier date on which the Term terminates in accordance with the provisions of the Lease.

"Interim Term Value Date" is defined in Schedule 1 to the Lease.

"IRS" means the Internal Revenue Service of the United States or any Government Entity succeeding to the functions of such Internal Revenue Service.

"Law" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"Lease" or "Lease Agreement" means the Lease Agreement 104, dated as of even date with the Participation Agreement, between Owner Trustee and Lessee.

"Lease Default" means any condition, circumstance, act or event that, with the giving of notice, the lapse of time or both, would constitute a Lease Event of Default.

"Lease Event of Default" means any one or more of the conditions, circumstances, acts or events set forth in Section 14 of the Lease.

"Lease Supplement" means a supplement to the Lease, in the form of Exhibit A to the Lease.

"Lease Supplement No. 1" means the initial Lease Supplement, dated the Delivery Date.

"Lessee" means Continental Airlines, Inc., a Delaware corporation.

"Lessee Operative Agreements" means the Participation Agreement, the Lease, Lease Supplement No. 1, the Tax Indemnity Agreement, the BFE Bill of Sale, the Purchase Agreement Assignment and each other agreement between Lessee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Lessee Person" means Lessee, any sublessee, assignee, successor or other user or person in possession of the Aircraft, Airframe or an Engine with or without color of right, or any Affiliate of any of the foregoing (other than any Indemnitee or any related Indemnitee with respect thereto, or any person using or claiming any rights with respect to the Aircraft, Airframe or an Engine directly by or through any of the persons in this parenthetical).

"Lessor" means Owner Trustee in its capacity as lessor under the Lease.

"Lessor Lien" means, with respect to any person and in respect of any property (including, without limitation, the Aircraft, Airframe, Engines, Parts or Aircraft Documents), any Lien on such property which (a) arises from claims against such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) not related to or arising out of, directly or indirectly (i) its ownership of, Lien on or other interest in the Aircraft, Airframe, Engines, Parts or Aircraft Documents or all or any other part of the Trust Estate or Indenture Estate or (ii) any of the transactions contemplated by the Operative Agreements, (b) results from actions taken by such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) (i) in violation of such person's obligations under any of the terms of the Operative Agreements, (ii) not participated in or consented to by Lessee and (iii) not taken in connection with or by reason of the occurrence of a Lease Default or a Lease Event of Default, or (c) is imposed as a result of Taxes against such person (if such person is a trustee, whether in its individual capacity or in its capacity as a trustee) or any of its Affiliates not required to be indemnified by Lessee under the Participation Agreement, the Tax Indemnity Agreement or any other Operative Agreement; provided that for purposes of Sections 8.2.1 and 8.3.1 of the Participation Agreement, any Lien that is attributable solely to Owner Participant, First Security or Lessor and would

otherwise constitute a Lessor Lien thereunder shall not constitute a Lessor Lien thereunder, so long as (A) the existence of such Lien poses no material risk of the sale, forfeiture or loss of the Aircraft, Airframe or any Engine or any interest therein, (B) the existence of such Lien does not interfere in any way with the use or operation of the Aircraft by Lessee (or any Permitted Sublessee), (C) the existence of such Lien does not affect the priority or perfection of, or otherwise jeopardize, the Lien of the Trust Indenture, (D) First Security, Lessor or Owner Participant, as the case may be, is diligently contesting such Lien by appropriate proceedings, (E) the existence of such Lien does not result in actual interruption in the receipt and distribution by Loan Trustee in accordance with the Trust Indenture of Rent assigned to Loan Trustee for the benefit of the Note Holders, and (F) any property subject to such Lien is not then required to be conveyed to any other Person pursuant to Section 4.6 of the Lease.

"Lessor's Cost" (i) in respect of the period in which Gaucho-2 Inc. is Owner Participant, the aggregate of the amounts paid by Owner Trustee to Airframe Manufacturer, and, with respect to BFE, Lessee, to purchase the Aircraft pursuant to the Purchase Agreement and the Purchase Agreement Assignment, and is designated by Dollar amount as Lessor's Cost in Schedule 4 to the Participation Agreement and (ii) in respect of the period in which General Electric Company or any transferee is Owner Participant, the amount designated by Dollar amount as Subsequent Lessor's Cost in Schedule 4 to the Participation Agreement.

"Liability Deductible" is defined in Schedule 1 to the Lease.

"Lien" means any mortgage, pledge, lien, charge, claim, encumbrance, lease or security interest affecting the title to or any interest in property.

"Loan Certificate Register" means the Equipment Note Register.

"Loan Certificates" means the Equipment Notes.

"Loan Participant" means, on or prior to the Delivery Date, the Person executing the Participation Agreement as Loan Participant and thereafter, each Note Holder.

"Loan Participant Agreements" means the Participation Agreement and each other agreement or document delivered by Loan Participant under the Participation Agreement or any other Operative Agreement.

"Loan Participant's Percentage" with respect to the Loan Participant, means the Percentage of Lessor's Cost allocated to such Loan Participant in Schedule 3 to the Participation Agreement.

"Loan Trustee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as loan trustee under the Trust Indenture.

"Loan Trustee Event" means either (i) the Equipment Notes shall have become due and payable pursuant to Section 4.04(b) of the Trust Indenture or (ii) Loan Trustee has taken action or notified Owner Trustee that it intends to take action to foreclose the Lien of the Trust Indenture or otherwise commence the exercise of any significant remedy under the Trust Indenture or the Lease.

"MACRS Deductions" is defined in the Tax Indemnity Agreement.

"Maintenance Program" is defined in Annex C to the Lease.

"Majority in Interest of Note Holders" means as of a particular date of determination, the holders of a majority in aggregate unpaid Original Amount of all Equipment Notes outstanding as of such date (excluding any Equipment Notes held by Owner Trustee, Lessee, Loan Trustee or Owner Participant or any Affiliate of any such party or any interests of Owner Trustee or Owner Participant therein by reason of subrogation pursuant to Section 4.03 of the Trust Indenture (unless all Equipment Notes then outstanding shall be held by Owner Trustee, Owner Participant or any Affiliate of any thereof)); provided that for the purposes of directing any action or casting any vote or giving any consent, waiver or instruction hereunder, any Note Holder of an Equipment Note or Equipment Notes may allocate, in such Note Holder's sole discretion, any fractional portion of the principal amount of such Equipment Note or Equipment Notes in favor of or in opposition to any such action, vote, consent, waiver or instruction.

"Make-Whole Amount" means, with respect to a redemption or purchase of an Equipment Note, an amount equal to the greater of (i) zero and (ii) (x) the present value, discounted on a quarterly compounded basis utilizing an interest factor equal to the Reinvestment Yield, of the principal payments provided for in the Amortization Schedule for such Equipment Note (including the payment at final maturity) and the scheduled interest payments from the respective dates on which, but for such redemption or

purchase, such principal payments and interest payments would have been payable on such Equipment Note, minus (y) the principal amount of such Equipment Note so to be redeemed or purchased plus accrued but unpaid interest thereon. For purposes of this definition, "Reinvestment Yield" shall mean the arithmetic mean of the two most recent weekly average yields to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities equal to the remaining Weighted Average Life to Maturity of such Equipment Note as of the date of the proposed prepayment), as published by the Federal Reserve Board in its Statistical Release H.15(519) or any successor publication for the two calendar weeks ending on the Saturday next preceding such date or, if such average is not published for such period, of such reasonably comparable index as may be designated in good faith by the holder or holders of at least 66-2/3% of the unpaid Original Amount of the Loan Certificates for such period. If no possible maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding each of such relevant periods to the nearest month.

"Material Adverse Change" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Agreements.

"Minimum Liability Insurance Amount" is defined in Schedule 1 to the Lease.

"Minimum Residual Percentage" is defined in Schedule 1 to the Lease.

"Minimum Value Percentage" is defined in Schedule 1 to the Lease.

"Mortgaged Property" is defined in Section 3.03 of the Trust Indenture.

"Mortgagee" means Loan Trustee.

"Mortgagee Agreements" means, collectively, the Participation Agreement, the Trust Indenture and each other agreement between Loan Trustee and any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Mortgagee Event" means either (i) the Loan Certificates shall have become due and payable pursuant to Section 4.04(b) of the Trust Indenture or (ii) Loan Trustee has taken action or notified Owner Trustee that it intends to take action to foreclose the Lien of the Trust Indenture or otherwise commence the exercise of any significant remedy under the Trust Indenture or the Lease.

"Net Economic Return" means (i) with respect to Gaucho-2 Inc. as Owner Participant, Owner Participant's net after-tax yield and aggregate after-tax cash flow computed on the basis of the same methodology and assumptions as were utilized by Gaucho-2 Inc. in determining Basic Rent, Stipulated Loss Value percentages and Termination Value percentages as of the Delivery Date, as such assumptions may be adjusted for events that have been the basis for adjustments to Basic Rent pursuant to Section 3.2.1(b) of the Lease or events giving rise to indemnity payments pursuant to Section 5.1 of the Tax Indemnity Agreement in which Gaucho-2 Inc. is Owner Participant, (ii) with respect to General Electric Company as Owner Participant, Owner Participant's net after-tax yield and aggregate after-tax cash flow computed on the basis of the same methodology and assumptions as were utilized by General Electric Company as of the effective time of the purchase by General Electric Company of its interest as Owner Participant (taking into account both General Electric Company's interest as Owner Participant and its interest as holder of Series D Equipment Notes or pass-through certificates representing an interest therein) in determining Basic Rent, Stipulated Loss Value percentages and Termination Value percentages in accordance with Schedule 6 to the Participation Agreement, as such assumptions may be adjusted for events that have been the basis for adjustments to Basic Rent pursuant to Section 3.2.1(b) of the Lease after General Electric Company's becoming Owner Participant or events giving rise to indemnity payments pursuant to Section 6(a) of the Tax Indemnity Agreement in which General Electric Company is Owner Participant, and (iii) with respect to any transferee of General Electric Company as Owner Participant, such Owner Participant's net after-tax yield and aggregate after-tax cash flow computed on the basis of the same methodology and assumptions used by General Electric Company as of the effective time of the purchase by General Electric Company of its interest as Owner Participant in determining Basic Rent, Stipulated Loss Value percentages and Termination Value percentages other than the maintenance of Termination Value percentages in accordance with annual January percentages (taking into account both General Electric Company's interest as Owner Participant and its interest as holder of Series D Equipment Notes or pass-through

certificates representing an interest therein), as such assumptions may be adjusted for events that have been the basis for adjustments to Basic Rent pursuant to section 3.2.1(b) of the Lease after General Electric Company's becoming Owner Participant or events giving rise to indemnity payments pursuant to section 6(a) of the Tax Indemnity Agreement in which General Electric Company is Owner Participant; provided that (x) for purposes of clauses (ii) and (iii) above, if General Electric Company shall have transferred its interest as Owner Participant or its interest in the Series D Equipment Notes, Net Economic Return shall be calculated as if General Electric Company had retained all such interests, and (y) with respect to General Electric Company as Owner Participant, such methodology and assumptions are more specifically set forth on Schedule 6 to the Participation Agreement.

"Net Present Value of Rents" means the present value, as of the date of determination, discounted at ten percent per annum, compounded quarterly to the date of determination, of all unpaid Basic Rent payments during the then-remaining portion of the Base Lease Term, expressed as a percentage of Lessor's Cost.

"Net Worth" means, for any person, the excess of its total assets over its total liabilities.

"New Debt" means debt securities in an aggregate principal amount specified in the Refunding Information, which amount shall be no greater than the aggregate principal amount of all Equipment Notes outstanding on the Refunding Date.

"Non-U.S. Person" means any Person other than a United States person, as defined in Section 7701(a)(30) of the Code.

"Note Holder" means at any time each registered holder of one or more Equipment Notes.

"Officer's Certificate" means, in respect of any party to the Participation Agreement, a certificate signed by the Chairman, the President, any Vice President or Assistant Vice President, the Treasurer or the Secretary of such party.

"Operative Agreements" means, collectively, the Participation Agreement, the Trust Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement, the Lease, Lease Supplement No. 1, the Trust Indenture, the initial Trust Indenture Supplement, the Bills of Sale, the Tax Indemnity Agreement, the Owner Participant Guaranty, the Equipment Notes and each other Lessee Operative Agreement.

"Operative Leases" means each of the lease agreements between Lessor and Lessee identified on Schedule 1 hereto.

"Original Amount," with respect to an Equipment Note, means the stated original principal amount of such Equipment Note and, with respect to all Equipment Notes, means the aggregate stated original principal amounts of all Equipment Notes.

"Original Indenture" means the Trust Indenture and Mortgage 104, dated as of July 15, 1994, between the Owner Trustee and the Loan Trustee.

"Owner Participant" means the person executing the Participation Agreement as "Owner Participant" or, if a second person becomes an "Owner Participant" pursuant to Section 12.1.1 of the Participation Agreement, both of such persons; provided that if an Owner Participant Transfers 100% of its interest to a successor Owner Participant, such transferring Owner Participant shall thereafter no longer be considered an "Owner Participant."

"Owner Participant Agreements" means, collectively, the Participation Agreement, the Tax Indemnity Agreement, the Trust Agreement and each other agreement between Owner Participant and any other party to the Participation Agreement relating to the Transactions, delivered on the Delivery Date.

"Owner Participant Guaranty" means the Guaranty by Corporate Affiliate of Owner Participant 104 dated the Delivery Date from Owner Participant Parent to the beneficiaries named therein.

"Owner Participant Parent" means the person executing the Owner Participant Guaranty.

"Owner Participant's Percentage" means the percentage of Lessor's Cost allocated to the Owner Participant in Schedule 3 to the Participation Agreement.

"Owner Trustee" means First Security Bank of Utah, National Association, a national banking association, not in its individual capacity, except as expressly provided in any Operative Agreement, but solely as Owner Trustee under the Trust Agreement.

"Owner Trustee Agreements" means, collectively, the Participation Agreement, the Lease, Lease Supplement No. 1, the Trust Agreement, the Trust Indenture, the initial Trust Indenture Supplement, the Equipment Notes, the Purchase Agreement Assignment, and each other agreement between Owner Trustee and

any other party to the Participation Agreement, relating to the Transactions, delivered on the Delivery Date.

"Participants" means, collectively, Owner Participant and Loan Participant and "Participant" means Owner Participant or Loan Participant, individually.

"Participation Agreement" means the Participation Agreement 104 dated as of July 15, 1994 among Lessee, Owner Participant, Loan Participant, Owner Trustee and Loan Trustee.

"Parts" means all appliances, parts, components, instruments, appurtenances, accessories, furnishings, seats and other equipment of whatever nature (including, without limitation, all BFE, avionics, the APU and Passenger Convenience Equipment, but excluding Engines or engines), that may from time to time be installed or incorporated in or attached or appurtenant to the Airframe or any Engine; provided that the term "Parts" shall not be deemed to include any Passenger Convenience Equipment if and for so long as such Equipment shall be owned by, or shall be subject to a security interest, license or other interest of, another Person (other than any Affiliate of Lessee) as provided under Section D.3 of Annex C to the Lease.

"Pass Through Certificates" means the pass through certificates to be issued by the Pass Through Trustees in connection with the Refinancing Transaction.

"Pass Through Trust Agreement" means each of the four separate pass through trust agreements to be entered into by and between the Lessee and the Pass Through Trustee in connection with the Refinancing Transaction.

"Pass Through Trustee" means Wilmington Trust Company, a Delaware banking corporation, in its capacity as trustee under each Pass Through Trust Agreement, and each other person which may from time to time be acting as successor trustee under any such Pass Through Trust Agreement.

"Passenger Convenience Equipment" means components or systems installed on or affixed to the Airframe that are used to provide individual telecommunications or electronic entertainment to passengers aboard the Aircraft.

"Payment Date" is defined in Schedule 1 to the Lease.

"Payment Due Rate" is defined in Schedule 1 to the Lease.

"Permitted Air Carrier" means any U.S. Air Carrier or any air carrier listed on Schedule 5 to the Lease.

"Permitted Institution" means (a) any bank, trust company, insurance company, pension trust, finance or leasing corporation, financial institution or other person (other than, without Lessee's consent, a commercial air carrier or Affiliate thereof that is in direct competition with Lessee), in each case with a combined capital and surplus or net worth of at least \$50,000,000, or (b) any Affiliate of any person described in clause (a) in respect of which such person has provided a written guarantee of the obligations assumed by such Affiliate under the Owner Participant Agreements in form and substance reasonably satisfactory to Lessee, Owner Trustee and Loan Trustee.

"Permitted Lien" means any Lien described in clauses (a) through (f), inclusive, of Section 6 of the Lease.

"Permitted Sublease" means a sublease permitted under Section 7.2.7 of the Lease.

"Permitted Sublessee" means the sublessee under a Permitted Sublease.

"Persons" or "persons" means individuals, firms, partnerships, joint ventures, trusts, trustees, Government Entities, organizations, associations, corporations, government agencies, committees, departments, authorities and other bodies, corporate or incorporate, whether having distinct legal status or not, or any member of any of the same.

"Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA, and any plan within the meaning of Section 4975(e)(1) of the Code.

"Preliminary Notice" is defined in Section 17.1 of the Lease.

"Purchase Agreement" means the Purchase Agreement No. 1783, dated March 18, 1993, between Airframe Manufacturer and Lessee (including all exhibits thereto, together with all letter agreements entered into that by their terms constitute part of such Purchase Agreement), to the extent assigned pursuant to the Purchase Agreement Assignment.

"Purchase Agreement Assignment" means the Purchase Agreement and Engine Warranties Assignment 104 dated as of even date with the Participation Agreement, between Lessee and Owner Trustee.

"Purchase Date" means the last Business Day of any of the

Base Lease Term, First Renewal Lease Term or Second Renewal Lease Term, as specified in any Purchase Notice.

"Purchase Notice" is defined in Section 17.3.1 of the Lease.

"QIB" is defined in Section 2.08 of the Trust Indenture.

"Refinancing Transaction" means a refinancing transaction involving, among other things, (i) the redemption of the Equipment Notes issued on the date of the Trust Indenture and the concurrent issuance and sale of new Equipment Notes to the Pass Through Trustees (or their designee) pursuant to the Refunding Agreement and (ii) the issuance and sale of the Pass Through Certificates by the Pass Through Trustees to certain initial purchasers thereof, on the terms and conditions described in the draft offering circular dated December 22, 1995 (subject to such changes as may be agreed by the relevant parties) relating to the offering of Continental Airlines Pass Through Certificates Series 1996.

"Refunding Agreement" means the refunding agreement to be entered into by and among the Lessee, the Owner Participant, the Owner Trustee, the Pass Through Trustee under each Pass Through Trust Agreement and the Loan Trustee, providing for, among other things, the issuance and sale of the Equipment Notes in connection with the Refinancing Transaction.

"Refunding Certificate" means a certificate of an authorized representative of Owner Participant delivered pursuant to Section 13.1.1 of the Participation Agreement, setting forth (a) the Refunding Date and (b) the following information, subject to the limitations set forth in Section 13 of the Participation Agreement: (i) the principal amount of debt to be issued by Owner Trustee on the Refunding Date and (ii) the proposed revised schedules of Basic Rent, Stipulated Loss Value percentages and Termination Value percentages and the proposed Amortization Schedules.

"Refunding Date" means the proposed date on which the outstanding Equipment Notes will be redeemed and refinanced pursuant to Section 13 of the Participation Agreement.

"Refunding Information" means the information set forth in the Refunding Certificate (other than the Refunding Date) as such information may have been revised by any verification procedures demanded by Lessee pursuant to Section 3.2.1(d) of the Lease.

"Registration Rights Agreement" means the registration rights agreement to be entered into by and among the Lessee and certain initial purchasers of the Pass Through Certificates to be issued pursuant to the Refunding Agreement, providing for, among other things, the exchange offer with respect to such Pass Through Certificates to be registered under the Securities Act or the shelf registration of such Pass Through Certificates for a period to be specified therein.

"Renewal Lease Term" means, collectively, the First Renewal Lease Term and the Second Renewal Lease Term, in each case, if any.

"Renewal Notice" is defined in Section 17.2.1 of the Lease.

"Renewal Rent" for the Aircraft means the rent payable therefor in respect of a Renewal Lease Term determined pursuant to Section 17.2.2 of the Lease.

"Rent" means, collectively, Basic Rent, Renewal Rent and Supplemental Rent.

"Replacement Airframe" means any airframe substituted for the Airframe pursuant to Section 10 of the Lease.

"Replacement Engine" means an engine substituted for an Engine pursuant to Section 5.3, 7.2, 9 or 10 of the Lease.

"Return Acceptance Supplement" means a Return Acceptance Supplement, dated as of the date the Aircraft is returned to Lessor pursuant to Section 5 of the Lease, by Lessor and Lessee substantially in the form of Exhibit B to the Lease.

"Scheduled Delivery Date" means the expected Delivery Date notified to each Participant, Owner Trustee and Loan Trustee by Lessee pursuant to Section 5.1(a) of the Participation Agreement, which expected Delivery Date shall be a Business Day not later than the Commitment Termination Date.

"Scheduled Expiration Date" means July 15, 2014.

"SEC" means the Securities and Exchange Commission of the United States, or any Government Entity succeeding to the functions of such Securities and Exchange Commission.

"Second Renewal Lease Term" means, if Lessee exercises its option to renew the Lease at the end of the First Renewal Lease Term pursuant to and in accordance with Section 17.2 of the Lease, the period commencing on the first day following the First Renewal Term Expiration Date, and ending on the second anniversary of the Scheduled Expiration Date or such earlier date

on which the Term terminates in accordance with the provisions of the Lease.

"Section 1110" means 11 U.S.C. Section 1110 of the Bankruptcy Code or any successor or analogous section of the federal bankruptcy Law in effect from time to time.

"Secured Obligations" is defined in Section 2.06 of the Trust Indenture.

"Securities Act" means the Securities Act of 1933, as amended.

"Security" means a "security" as defined in Section 2(1) of the Securities Act.

"Senior Holder" is defined in Section 2.15(c) of the Trust Indenture.

"Series" means any of Series A, Series B, Series C or Series D.

"Series A" or "Series A Equipment Notes" means Equipment Notes issued under the Trust Indenture and designated as "Series A" thereunder, in the Original Amount and maturities and bearing interest as specified in Schedule I to the Trust Indenture under the heading "Series A."

"Series B" or "Series B Equipment Notes" means Equipment Notes issued under the Trust Indenture and designated as "Series B" thereunder, in the Original Amount and maturities and bearing interest as specified in Schedule I to the Trust Indenture under the heading "Series B."

"Series C" or "Series C Equipment Notes" means Equipment Notes issued under the Trust Indenture and designated as "Series C" thereunder, in the Original Amount and maturities and bearing interest as specified in Schedule I to the Trust Indenture under the heading "Series C."

"Series D" or "Series D Equipment Notes" means Equipment Notes issued under the Trust Indenture and designated as "Series D" thereunder, in the Original Amount and maturities and bearing interest as specified in Schedule I to the Trust Indenture under the heading "Series D."

"Similar Aircraft" means a Boeing Model 757-200 aircraft (other than the Aircraft) having a passenger compartment configuration (of the type used in Block Nos. ND301-325 as specified in Boeing Detail Specification D924N104-3 dated as of March 18, 1993, as amended or supplemented) most similar to the Aircraft.

"SLV Rate" is defined in Schedule 1 to the Lease.

"Stipulated Loss Value" means, with respect to the Aircraft, unless otherwise specified (a) during the Base Lease Term, the amount determined by multiplying (i) the percentage set forth in Schedule 3 to the Lease (as adjusted from time to time in accordance with Section 3.2.1. of the Lease) opposite the Stipulated Loss Value Date by (ii) Lessor's Cost and (b) during any Renewal Term, the amount determined pursuant to Section 17.2.3 of the Lease. Notwithstanding anything to the contrary in any Operative Agreement, Stipulated Loss Value shall always be sufficient to pay in full, as of the date of payment thereof (assuming timely payment of the Loan Certificates prior to such date), the aggregate unpaid principal amount of all Loan Certificates outstanding as of such date, together with accrued and unpaid interest on all such Loan Certificates as of such date.

"Stipulated Loss Value Date" means the day in such month specified in Schedule 3 to the Lease or, if such day is not a Business Day, the immediately succeeding Business Day.

"Supplemental Rent" means all Expenses, Transaction Expenses and all other amounts, liabilities, indemnities and obligations (other than Basic Rent or Renewal Rent but including Make-Whole Amount, if any) that Lessee assumes or becomes obliged to or agrees to pay under any Lessee Operative Agreement to or on behalf of Lessor or any other person, including, without limitation, payments of Stipulated Loss Value, Termination Value and payments of indemnities under Section 10 of the Participation Agreement.

"Tax Attribute Period" is defined in the applicable Tax Indemnity Agreement.

"Tax Indemnitee" means (a) First Security and Owner Trustee, (b) WTC and Loan Trustee, (c), each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (d) each Participant, (e) the Trust Estate and the Trust Indenture Estate and (f) the respective successors, assigns, agents and servants of the foregoing. For purposes of this definition, the term "Owner Participant" shall include any member of an affiliated group (within the meaning of Section 1504 of the Code) of which Owner Participant is, or may become, a member if consolidated, joint or combined returns are filed for

such affiliated group for federal, state or local income tax purposes. If the Tax Indemnitee is the Airframe Manufacturer or Engine Manufacturer, such Person shall be a Tax Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

"Tax Indemnity Agreement" means, with respect to Gaucho-2 Inc. as Owner Participant, the Tax Indemnity Agreement 104, dated as of even date with the Participation Agreement, between Lessee and Gaucho-2 Inc. and, with respect to General Electric Company or any transferee thereof as Owner Participant, the Tax Indemnity Agreement 104, dated as of December 22, 1995, between Lessee and General Electric Company.

"Taxes" means all license, recording, documentary, registration and other similar fees and all taxes, levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever imposed by any Taxing Authority, together with any penalties, additions to tax, fines or interest thereon or additions thereto.

"Taxing Authority" means any federal, state or local government or other taxing authority in the United States, any foreign government or any political subdivision or taxing authority thereof, any international taxing authority or any territory or possession of the United States or any taxing authority thereof.

"Term" means the term, commencing on the Delivery Date, for which the Aircraft is leased pursuant to Section 3 of the Lease, and shall include the Interim Lease Term, the Base Lease Term and, if applicable, any Renewal Lease Term.

"Termination Date" means any Payment Date occurring after the tenth anniversary of the Delivery Date and on or before the date one year prior to the Scheduled Expiration Date on which the Lease shall terminate in accordance with Section 9 of the Lease.

"Termination Value" means, with respect to the Aircraft, the amount determined by multiplying (a) the percentage set forth in Schedule 4 to the Lease (as adjusted from time to time in accordance with Section 3.2.1. of the Lease) opposite the Termination Value Date by (b) Lessor's Cost. Notwithstanding anything to the contrary in any Operative Agreement, Termination Value shall always be sufficient to pay in full, as of the date of payment thereof (assuming timely payment of the Equipment Notes prior to such date), the aggregate unpaid principal amount of all Equipment Notes outstanding as of such date, together with accrued and unpaid interest on all such Equipment Notes as of such date.

"Termination Value Date" means for any month, the day in such month specified in Schedule 4 to the Lease or, if such day is not a Business Day, the immediately succeeding Business Day.

"Transaction Expenses" means all costs and expenses incurred by Owner Participant, Loan Participant, Owner Trustee and Loan Trustee in connection with (a) the preparation, execution and delivery of the Operative Agreements and the recording or filing of any documents, certificates or instruments in accordance with any Operative Agreement, including, without limitation, the FAA Filed Documents and the Financing Statements, (b) any sublease or transfer of possession of the Aircraft or Airframe or any Engine, any Event of Loss with respect to the Aircraft, any Engine or any Part, any payment of Stipulated Loss Value or Termination Value and any replacement of any Engine or Part pursuant to the Lease, (c) any refunding of the Equipment Notes pursuant to Section 13 of the Participation Agreement or, pursuant to Section 15.3 of the Participation Agreement, any restructuring of the transactions in accordance with Section 15 of the Participation Agreement, (d) any transfer of title to the Aircraft or any Engine contemplated by Section 4.6 of the Lease, (e) all waivers, amendments or other agreements in connection with the Operative Agreements or the transactions contemplated thereby, in each case, except during the continuation of a Lease Event of Default, only to the extent requested by Lessee or required by or made pursuant to the terms of the Operative Agreements (unless such requirement results from the actions of the party incurring such costs or expenses not required by or made pursuant to the Operative Agreements), whether or not any of the same are also indemnified against by any other person, and (f) with respect to Owner Trustee and Loan Trustee, otherwise in connection with the administration of the transactions contemplated by the Participation Agreement, including, without limitation, in each such case (a) through (f), (i) the reasonable fees and disbursements of counsel for each Participant, counsel for Owner Trustee, counsel for Loan Trustee and special counsel in Oklahoma City, Oklahoma, in each case, in connection with the Closing, (ii) all initial and ongoing fees, disbursements and expenses of Owner Trustee and Loan Trustee, and (iii) except as may be expressly provided in the Lease the fees, expenses and disbursements of any Appraiser retained under or as contemplated by the Participation Agreement or the Lease.

"Transactions" means the transactions contemplated by the Participation Agreement and the other Operative Agreements.

"Transfer" means the transfer, sale, assignment or other

conveyance of all or any interest in any property, right or interest.

"Transferee" means a person to which any Owner Participant, Owner Trustee or any Loan Participant or Note Holder purports or intends to Transfer any or all of its right, title or interest in the Trust Estate or in its Equipment Note and the Trust Indenture Estate, respectively, as described in Section 12.1.1(a), 12.1.2 or 12.1.3 (but excluding participants in any participation referred to in Section 12.1.3), respectively, of the Participation Agreement.

"Trust" means the trust created by the Trust Agreement.

"Trust Agreement" means the Trust Agreement 104, dated as of even date with the Participation Agreement, between Owner Participant and Owner Trustee.

"Trust Estate" means all estate, right, title and interest of Owner Trustee in and to the Aircraft, the Lease, any Lease Supplement, the Purchase Agreement and the GTA including, without limitation, all amounts of Basic Rent and Supplemental Rent including, without limitation, insurance proceeds (other than insurance proceeds payable to or for the benefit of Owner Participant, Loan Participant, Note Holders or WTC) and requisition, indemnity or other payments of any kind for or with respect to the Aircraft (except amounts owing to Owner Participant, Loan Participant, Note Holders or WTC, or to any of their respective directors, officers, employees, servants and agents, pursuant to Section 10 of the Participation Agreement). Notwithstanding the foregoing, "Trust Estate" shall not include any Excluded Payment.

"Trust Indenture" means the Amended and Restated Trust Indenture and Mortgage 104, dated as of December 22, 1995, between Owner Trustee and Loan Trustee, which amends and restates the Original Indenture.

"Trust Indenture Estate" is defined in the "Granting Clause" of the Trust Indenture.

"Trust Indenture Supplement" means a Trust Indenture and Mortgage 104 Supplement, substantially in the form of Exhibit A to the Trust Indenture, with appropriate modifications to reflect the purpose for which it is being used.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"United States" or "U.S." means the United States of America; provided that for geographic purposes, "United States" means, in aggregate, the 50 states and the District of Columbia of the United States of America.

"U.S. Air Carrier" means any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Act, and as to which there is in force an air carrier operating certificate issued pursuant to Part 121 of the regulations promulgated under the Act, or which may operate as an air carrier by certification or otherwise under any successor or substitute provisions therefor or in the absence thereof.

"U.S. Government" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"U.S. Person" means any Person described in Section 7701(a)(30) of the Code.

"Weighted Average Life to Maturity" of each Equipment Note means at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of such Equipment Note by the then outstanding principal amount of such Equipment Note. The term "Remaining Dollar-years" shall mean the amount obtained by (1) multiplying the amount of each then-remaining principal payment on such Equipment Note provided for in the Amortization Schedule for such Equipment Note by the number of years (calculated at the nearest one-twelfth) that will elapse between the date of determination of the Weighted Average Life to Maturity of such Equipment Note and the date of that required payment and (2) totaling all the products obtained in clause (1) above.

"Wet Lease" means any arrangement whereby Lessee agrees to furnish the Airframe and Engines or engines installed thereon to a third party pursuant to which the Airframe and such Engines or engines (i) shall at all times be in the sole possession and control of Lessee, (ii) shall be operated in all respects solely by regular employees of Lessee possessing all current certificates and licenses that are required under the Act or any FAA Regulations for the possession, use and operation of the Airframe and such Engines or engines (or, if the Airframe is then under foreign registration, in accordance with Section 7.1.2 of the Lease, the foregoing requirement shall apply in respect of all certificates and licenses required by such government of registration and the applicable Aviation Authority for the possession, use and operation of the Airframe and such Engines or

engines), and (iii) shall in all events be maintained, insured and otherwise used and operated in compliance with the terms and provisions of the Lease.

"WTC" means Wilmington Trust Company, a Delaware banking corporation, not in its capacity as Loan Trustee under the Trust Indenture, but in its individual capacity.

SCHEDULE 1

SCHEDULE 1 TO ANNEX A

OPERATIVE LEASES

- (1) Lease Agreement 632, dated as of July 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (2) Lease Agreement 633, dated as of August 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (3) Lease Agreement 624, dated as of February 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (4) Lease Agreement 627, dated as of March 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (5) Lease Agreement 631, dated as of June 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (6) Lease Agreement 620, dated as of February 15, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (7) Lease Agreement 623, dated as of January 15, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (8) Lease Agreement 625, dated as of January 15, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (9) Lease Agreement 626, dated as of March 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (10) Lease Agreement 106, dated as of September 15, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (11) Lease Agreement 107, dated as of October 1, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (12) Lease Agreement 113, dated as of April 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (13) Lease Agreement 110, dated as of December 1, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (14) Lease Agreement 112, dated as of February 1, 1995, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (15) Lease Agreement 104, dated as of July 15, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (16) Lease Agreement 105, dated as of August 15, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (17) Lease Agreement 108, dated as of November 1, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.
- (18) Lease Agreement 109, dated as of December 1, 1994, between First Security Bank of Utah, National Association and Continental Airlines, Inc.

ANNEX B

RETURN CONDITIONS

The terms of this Annex B shall apply with respect to the return of the Aircraft by or on behalf of Lessee under the Lease, whether at the Scheduled Expiration Date or the end of any Renewal Term or upon the exercise of Lessee's rights under Section 9 of the Lease, or upon the exercise of Lessor's remedies following the occurrence of a Lease Event of Default, or otherwise; provided that the terms of this Annex B shall not apply (i) in the event that an Event of Loss occurs with respect to the Aircraft (but the terms of this Annex B shall apply with respect to any Replacement Airframe and each Engine or Replacement Engine installed thereon), or (ii) in the event that Lessee purchases the Aircraft in accordance with Section 17 of the Lease.

Capitalized terms used but not defined herein shall have the respective meanings set forth or incorporated by reference in Annex A to the Lease.

A. Return of Aircraft

Lessee shall, at Lessee's expense, return the Aircraft to Lessor on the date of expiration or termination of the Lease at one of Lessee's facilities in the continental United States where the maintenance checks described in Section C are customarily performed by Lessee (the "Return Location"). At the time of return of the Aircraft to Lessor, Lessor and Lessee shall execute a Return Acceptance Supplement in the form attached hereto as Exhibit B-1.

B. Condition of Aircraft - General

The Aircraft at the time of its return to Lessor (i) shall be free and clear of all Liens except those permitted under clauses (a) and (b) of Section 6 of the Lease, (ii) shall have been maintained and repaired in accordance with the Maintenance Program and the other requirements of Annex C as if such Aircraft were to be kept in further service by Lessee (subject to the proviso in Section A.3 of Annex C), and (iii) shall meet the following requirements:

1. Operating Condition

The Aircraft shall be in as good operating condition as when delivered, ordinary wear and tear excepted, with all of the Aircraft equipment, components and systems, including both Engines and all Parts functioning in accordance with their intended use irrespective of deviations or variations authorized by the Minimum Equipment List or Configuration Deviation List. The equipment required to be returned hereunder shall include, without limitation, all equipment originally delivered with the Aircraft on the Delivery Date (or any replacements thereof made in accordance with the terms of Annex C to the Lease) but shall exclude any Obsolete Parts to the extent the same may be removed and not replaced under Section D.2 of Annex C.

2. Cleanliness Standards

The Aircraft shall be clean by United States commercial airline standards.

3. Certificate of Airworthiness

The Aircraft shall have and be in compliance with a current valid standard United States Certificate of Airworthiness issued by the FAA and shall be in a condition qualifying for operation by Lessee pursuant to the FAA standards and rules for commercial passenger and cargo revenue service contained in FAR 121 or any successor provision thereto, as amended, as such Aircraft shall be operated by Lessee as a passenger aircraft, without any corrections, repairs, modifications, alterations or overhauls having to be performed by Lessor to meet such standards and rules.

4. Compliance With Governmental Requirements

The Aircraft shall have had accomplished thereon and be in compliance with all outstanding mandatory airworthiness directives (including, without limitation, all repetitive inspections and terminations) affecting the Aircraft, as issued by the FAA, which have a known compliance deadline on or prior to the return date of the Aircraft. In the event Lessee has obtained a waiver or deviation from the FAA regarding compliance with any such mandatory airworthiness directives, Lessee shall, irrespective of such waiver or deviation, comply with all such mandatory airworthiness directives covered by such waiver or deviation prior to return of the Aircraft to Lessor.

5. Deferred Maintenance

The Aircraft shall have had accomplished thereon all outstanding deferred maintenance items.

#### 6. Corrosion Treatment

At the time of its return to Lessor, the Aircraft will be in compliance with the requirements of the corrosion prevention and control program which is required by Annex C. Cleaning and treatment of all mild and moderate corrosion and correction of all severe and exfoliated corrosion deferred by Lessee or found by Lessor during Lessor's ground inspection shall be accomplished, prior to the return of the Aircraft, in accordance with the corrosion treatment and correction criteria set forth in Boeing Document D634T401, as amended, entitled "Corrosion Prevention Manual" and in the "757 Structural Repair Manual," as each of the foregoing may be amended from time to time.

#### 7. Configuration

The Aircraft shall be in the same configuration with all Parts installed thereon as when the Aircraft was delivered to Lessee by Lessor under the Lease, as set forth in Exhibit B-2 (Aircraft Configuration Description), excepting only permitted modifications and alterations.

#### C. Condition of Airframe

The Airframe at the time of its return to Lessor shall meet the requirements and shall have such hours and cycles remaining under the Maintenance Program as set forth below:

##### 1. "4C" Check

Have at least 25% of Lessee's then current interval remaining, in flight hours, and in calendar time if calendar time is also applicable, prior to the next scheduled accomplishment of the complete "4C" check or its equivalent. If the Aircraft has less than 25% of the interval remaining to the next scheduled "4C" check, the "4C" check shall have been accomplished immediately after removal from service and prior to return to Lessor. If the Maintenance Program incorporates "4C" checks or equivalent structural checks accomplished in phases, Lessee shall have accomplished immediately after removal from service and prior to return to Lessor, those phases of the "4C" check that have less than 25% of Lessee's then current "4C" check interval remaining in flight hours and in calendar time if calendar time is also applicable, prior to their next scheduled accomplishment. Further, if the Maintenance Program incorporates structural inspection items accomplished under a structural sampling inspection program, Lessee shall provide documentation evidencing compliance therewith in flight hours, cycles and date for each sampled structural inspection item. Such documentation shall reflect those sampling inspections actually performed on the Aircraft and shall also reflect those sampling inspections performed on other Model 757-224 aircraft for which credit for such inspections was credited by time and date against the Aircraft.

##### 2. Special Checks

Have at least 3,500 hours or 1,500 cycles or 12 months, whichever is applicable, remaining before any special checks, and/or scheduled maintenance inspections (other than airworthiness directive inspections, such inspections being covered in Section B.4 above) other than the complete combined "C" check items, including the "A" and "B" checks, and multiple "A," "B" and "C" check items, that are due to be accomplished with the next sequential "C" check (provided, however, that if any such checks are required at a frequency less than 3,500 hours or 1,500 cycles or 12 months, they shall have a full check interval remaining).

##### 3. Landing Gears

The installed main landing gear and nose landing gear shall be in good operating condition, and shall have at least 25% of Lessee's then-current interval remaining in flight hours and in cycles or calendar time (if cycles and calendar time are also applicable) prior to removal from the Aircraft for overhaul.

##### 4. Tires and Brakes

Have 25% or more of the full service life remaining on all tires and brakes.

#### D. Condition of Hardtime Controlled Components

Aircraft and Engine hour and/or cycle controlled components at time of redelivery to the Lessor shall have remaining, as a minimum, 3,500 hours and/or 1,500 cycles, whichever is applicable, until the next scheduled removal for overhaul, test, inspection or disassembly. All components controlled on a calendar basis shall have remaining, as a minimum, 12 months before scheduled removal for testing, inspection or overhaul. Such hour/cycle or calendar controlled components are defined as those components for which hours and/or

cycles and/or calendar times are controlled under the Maintenance Program. However, if a Part has a life, overhaul or check interval that is less than the above-stated hours, cycles or calendar time limits, such Part shall have the maximum interval remaining to removal for replacement or overhaul.

#### E. Condition of Installed Engines

Each installed Engine and each module and Part thereof shall have been maintained in accordance with the Maintenance Program, and repaired in accordance with Engine Manufacturer's repair requirements. At the time of return to Lessor, each installed Engine and each module and Part thereof shall be in good operating condition and shall meet the following requirements:

##### 1. Time Remaining to Scheduled Removal

Each Engine shall have remaining at least 3,500 hours and 1,500 cycles, as applicable, until the next scheduled engine removal for heavy maintenance, Hot Section Inspection ("HSI"), replacement of life limited parts, or any other cause based on whichever is next scheduled to occur at time of return.

##### 2. Borescope Inspection

Each Engine shall have a complete on-wing borescope inspection performed on it by Lessor during the ground inspection described in Section G and satisfactory evidence shall be provided to Lessor reflecting the correction of any discrepancies beyond manufacturer's Maintenance Manual acceptance limits found during such inspection.

##### 3. Historical Records/Trend Monitoring Data

Complete Engine records, including but not limited to Group A (Lifed) components (as listed in the Engine Manufacturer's Time Limits Manual T-211(535)-6RR) as required by the FAA, shall be made available to Lessor, at Lessee's engine records facility in the continental United States, during the ground inspection provided for in Section G for Lessor's review and evaluation of the condition of each Engine. If the Aircraft and/or Engine historical and maintenance records and/or trend monitoring data indicate a rate of acceleration in performance deterioration or oil consumption of any installed Engine, including the APU, which is higher than normal based on Lessee's maintenance experience in operating such engines, Lessee shall, prior to the return of the Aircraft, correct or cause to be corrected such conditions, if such conditions exceed manufacturer's limits, so as to meet manufacturer's normal tolerances.

##### 4. Auxiliary Power Unit (APU)

The installed APU at the time of return to Lessor shall be in good operating condition, shall have remaining at least 3,500 hours and 1,500 cycles, as applicable, before next scheduled removal for heavy maintenance, HSI, replacement of life limited parts, or any other cause based on whichever is next scheduled to occur at the time of return, and shall have a borescope inspection performed by Lessor during the ground inspection described in Section G. Satisfactory evidence shall be provided to Lessor reflecting the correction of any discrepancies found during such inspection.

#### F. Engine Performance Check

The Aircraft shall be capable of certificated, full rated performance without limitations throughout the entire operating envelope as defined in the Airplane Flight Manual. Performance compliance will be demonstrated at the time of the operational test flight (engines, nacelles and accessories) in accordance with the manufacturer's Maintenance Manual, Section 71-00-00, Test 5 - Performance.

#### G. Ground Inspection by Lessor

The Aircraft shall be made available to Lessor for ground inspection by Lessor at the Return Location. Such inspection shall commence seven calendar days immediately prior to the date of return of the Aircraft to Lessor. Lessee shall remove the Aircraft from scheduled service and open the areas of the Aircraft as required to perform the checks described in Section C.1, and shall allow Lessor to accomplish its inspection in order to determine that the Aircraft is in the condition required herein. During such checks, if Lessor's representatives discover a discrepancy or corrosion that extends to the adjacent panel or panels that are not open, Lessee will open such adjacent panel or panels to allow further inspection to the extent required by the Maintenance Program. Lessee shall promptly correct any corrosion or discrepancies from the condition required by the provisions of this Annex B which are observed during such inspection and are communicated in writing by Lessor to Lessee.

#### H. Operational Ground Check

Promptly after completion of any corrections required

under Section G, Lessee shall conduct an operational ground check on the Aircraft in accordance with Lessee's Flight Test Manual, Section 4, pages 1 through 25 (as the same may be revised from time to time) for the purpose of demonstrating to Lessor the satisfactory operation of the systems that are normally ground checked by Lessee, including, to the extent applicable, a full fuel tank leak check, altimeter calibration, ATC transponder system operational check, pilot and static systems check, and hydraulic systems internal leak check. Lessee shall promptly correct any discrepancies from the conditions required by the provisions of this Annex B which are observed during such operational ground check and communicated in writing by Lessor to Lessee.

#### I. Operational Test Flight

Promptly after completion of any corrections required herein, the Aircraft shall be test flown by Lessee, in accordance with Lessee's test flight procedure using qualified flight test personnel, for not less than 1-1/2 hours in the vicinity of the Return Location, for the purpose of demonstrating to Lessor the satisfactory operation of such Aircraft and its equipment. During such test flight, command, care, custody and control of the Aircraft shall at all times remain with Lessee. Up to five of Lessor's designees (or more if consented to by Lessee) may participate in such flight as observers. A duly qualified pilot designated by Lessor shall occupy either the pilot's or co-pilot's seat during such operational test flight. Upon completion of such operational flight testing, the representatives of Lessor participating in such testing shall specify in writing any discrepancies in the Aircraft required to be corrected by Lessee in order to comply with the provisions of this Lease and Lessee shall promptly correct any such discrepancies.

#### J. Indemnification

Lessee will defend, indemnify and hold harmless Lessor and its Affiliates, and their respective agents, directors, officers and employees, and the successors and assigns thereof (each, an "Indemnitee") from and against all claims, liabilities, damages, losses and judgments, including costs and expenses incident thereto (and including, without limitation, attorneys' fees), which may be asserted against, suffered by, charged to or recoverable from Indemnitees by reason of injury to or death of any person or persons, or loss of or damage to any property, including the Aircraft, arising out of or in any way connected with any ground inspection, operational ground check and flights whether or not arising in tort or occasioned in whole or in part by the fault or negligence of Indemnitees. The foregoing indemnity is in addition to, and shall not be construed as a substitution for or other limitation on, the other rights of Lessor under the Operative Agreements.

#### K. Ferry Flight

Upon completion of the operational test flight and after Lessee has corrected the discrepancies as required to comply with this Annex B, the Aircraft condition shall be technically accepted by Lessor's representatives at the Return Location or such other location as may be mutually agreed upon by the parties, and the Aircraft shall promptly be ferried at Lessor's risk and expense to a final destination in the United States specified by Lessor. A flight crew designated by Lessor shall ferry the Aircraft to the final destination.

#### L. Deferred Discrepancy Correction

Lessor may, at its option, accept delivery of the Aircraft and any discrepancies found during the ground inspection, operational ground check and operational test flight set forth in Sections G, H and I which were not corrected by Lessee prior to return of the Aircraft to Lessor, or any of those discrepancies which continue to persist during the ferry flight, may be corrected by Lessor or its designee after return of the Aircraft; provided, however, that the discrepancies are documented and mutually agreed between Lessor and Lessee. Lessee shall reimburse Lessor for the expenses incurred by Lessor in accomplishing such discrepancy corrections. Lessee shall reimburse Lessor for such expenses within 30 days of the date of Lessor's invoice therefor.

#### M. Flight Cost

All flights pursuant to Section I shall be made at Lessee's expense and Lessee shall pay for all costs associated with such flights, including, but not limited to, costs for fuel, oil, airport fees, insurance, takeoff/landing fees, airway communication fees, ground handling fees and customs duties.

#### N. Aircraft Documents

Concurrently with return of the Aircraft to Lessor, Lessee will deliver to Lessor at Lessee's records facility in the continental United States all Aircraft Documents, including, without limitation, one copy of each of the documents (including current revisions thereto) as listed in Exhibit B-3 hereto in the medium of microfiche, microfilm, paper, disk or any then-current

medium, or a combination of these mediums. The Aircraft Documents shall be provided in English, and be in good condition, readable, capable of being reproduced and accurate as to content. Aircraft Documents that cannot be delivered to Lessor by Lessee concurrently with return of the Aircraft due to Lessee's compliance with the provisions of this Annex B will be provided to Lessor by Lessee not later than ten working days following return of the Aircraft. Lessee will not be obligated to pay rent in connection with such delayed delivery of Aircraft Documents. Lessee shall make the Aircraft Documents available for review by Lessor seven working days immediately prior to the date of return of the Aircraft to Lessor. At the time of return of the Aircraft Documentation, Lessee and Lessor shall execute an aircraft documentation return receipt in the form attached hereto as Exhibit B-4 (Aircraft Documentation Return Receipt) evidencing that part of the Aircraft Documents received by Lessor at the time of return of the Aircraft and identifying that part of the Aircraft Documents to be provided to Lessor by Lessee not later than ten working days after return of the Aircraft.

#### O. Ground Lock Safety Pins

Concurrently with delivery of the Aircraft, Lessee will deliver to Lessor on board such Aircraft one aircraft shipset of aircraft safety devices for the landing gear downlocks.

#### P. Service Bulletin Kits

All vendor and manufacturer's no-charge service bulletin kits ordered and received by Lessee for the Aircraft but not installed therein shall be returned with the Aircraft, as part of the Aircraft at time of return, and shall be loaded by Lessee on board the Aircraft as cargo.

#### Q. Lessee's Special Exterior Markings

At the time of the return of the Aircraft, Lessee shall, at Lessee's election, either remove or paint over Lessee's exterior markings on the Aircraft and the area where such markings were removed or painted over shall be refurbished by Lessee as necessary to blend in with the surrounding surface.

#### R. Ownership

Any documents, equipment and any other item returned to Lessor pursuant to this Annex B which are not already owned by Lessor shall thereupon become the property of Lessor.

#### S. Pre-Return Aircraft Review

If requested by Lessor, during the six-month period prior to the date on which the Aircraft is to be returned to Lessor, Lessee will meet with Lessor's technical personnel to assist them in obtaining technical information on the Aircraft in Lessee's possession, as reasonably requested by Lessor, to facilitate the sale, lease or other disposition of the Aircraft.

#### T. Additional Conditions

##### 1. Sales Demonstration

Subject to mutual agreement between the parties as to schedule, during the six-month period prior to the date on which the Aircraft is to be returned to Lessor, Lessee will, on not more than three occasions, consistent with its operational requirements, make the Aircraft and Aircraft Documents available for a preliminary limited inspection by any prospective third-party purchaser or subsequent lessee or operator of the Aircraft (an "Operator").

##### 2. Maintenance Program

During such six-month period, Lessee will cooperate with Lessor, or any Operator, in permitting and facilitating the review of the Maintenance Program, including work cards, for the Aircraft for the purpose of transitioning the Aircraft to a different maintenance program.

##### 3. Sale of Support Equipment and Tooling to Third-Party

During such six-month period, Lessee will, upon receipt of Lessor's written request, cooperate with Lessor and any Operator to show, identify and offer for sale direct to such Operator (or to Lessor if Lessor so elects) under terms and conditions, including prices, delivery and payment to be negotiated between Lessee and such Operator (or Lessor, as the case may be), any support equipment applicable to the Aircraft which Lessee owns and is willing to sell.

##### 4. Aircraft Configuration

Six months prior to redelivery of the Aircraft, Lessee will provide to Lessor, upon its request, (i) one copy of the Aircraft Engineering Authorization Completion List, (ii) one copy of the Aircraft Illustrated Parts Catalog, and (iii) one copy of the Aircraft Interior Configuration (LOPA), emergency equipment location drawing and galley drawings.

AMENDED SCHEDULE 2

SCHEDULE 2 -- BASIC RENT  
LEASE AGREEMENT 104

BASIC RENT

Payment Date	Percentage of Lessor's Cost
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AMENDED SCHEDULE 3

SCHEDULE 3 -- STIPULATED LOSS VALUE  
LEASE AGREEMENT 104

STIPULATED LOSS VALUE

Month	Percentage of Lessor's Cost	Month	Percentage of Lessor's Cost
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AMENDED SCHEDULE 4

SCHEDULE 4 -- TERMINATION VALUE  
LEASE AGREEMENT 104

TERMINATION VALUE

Month	Percentage of Lessor's Cost	Month	Percentage of Lessor's Cost
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LEASE AGREEMENT 104 AMENDMENT NO. 2

THIS LEASE AGREEMENT 104 AMENDMENT NO. 2 ("Amendment"), dated as of January 31, 1996, is by and between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee ("Lessor") and CONTINENTAL AIRLINES, INC., a Delaware corporation ("Lessee").

RECITALS

(A) Pursuant to that certain Lease Agreement 104, dated as of July 15, 1994, as more specifically defined on Appendix A attached hereto (the "Lease"), Lessor agreed to lease and Lessee agreed to take on lease one Boeing aircraft (the "Aircraft") upon the terms and conditions contained in the Lease.

(B) Lessor and Lessee wish to amend the Lease as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby agree as follows:

AGREEMENT

A. DEFINITIONS. Capitalized terms used but not defined herein shall have the respective meanings set forth or incorporated by reference, and shall be construed and interpreted in the manner described, in Annex A to the Lease, as amended hereby.

B. AGREEMENT TO ENTER INTO CERTAIN OTHER AGREEMENTS. Lessee agrees to enter into the Refunding Agreement and the other documents set forth in Section 3(b) of the Refunding Agreement that are to be executed concurrently with the Refunding Agreement.

C. LEASE AMENDMENTS. Lessor and Lessee agree that, effective as of the date hereof, the Lease is hereby amended as follows:

(1) Amendment to Provision Pertaining to Certain Agreements of Lessee.

Section 8.3 of the Lease is hereby amended by deleting it in its entirety and substituting the following new Section 8.3 in lieu thereof:

Lessee hereby agrees with Lessor that it shall perform the agreements, covenants and indemnities set forth in the Participation Agreement and the Tax Indemnity Agreement and shall perform "Lessee's pro rata share" (as such term is defined in the definition of "Supplemental Rent" in Annex A hereto) of the obligations under the Participation Purchase Agreement, and hereby restates Lessee's representations and warranties set forth in the Participation Agreement, in each case as fully and to the same extent and with the same force and effect as if set forth in full in this Section 8.3.

(2) Amendments to Event of Loss Provisions.

(a) Section 10.1.1(a) of the Lease is hereby amended by deleting the second sentence thereof in its entirety and substituting the following new sentence in lieu thereof:

Within 20 days after such occurrence, Lessee shall give Lessor, Mortgagee and Owner Participant written notice of Lessee's election to make payment in respect of such Event of Loss, as provided in Section 10.1.2 (which notice or any subsequent notice shall specify the date, which shall be the first Business Day occurring 25 days after the date of such notice, on which such payment shall be made), or to replace the Airframe, and any such Engines, as provided in Section 10.1.3.

(b) Section 10.1.2(a)(i) of the Lease is hereby amended by deleting the first clause thereof up to but not including clause (1) thereof and substituting the following new clause in lieu thereof:

On or before the Business Day next following the earlier of (x) the sixty-first day following the date of the occurrence of such Event of Loss, and (y) the second Business Day following the receipt of insurance proceeds with respect to such occurrence (but in any event not earlier than the date specified in Lessee's notice under Section 10.1.1(a) on which payment in respect of such Event of Loss shall be made), Lessee shall pay to

Lessor:

(3) Amendments to Default Provisions.

(a) Section 14.5 of the Lease is hereby amended by deleting it in its entirety and substituting the following new Section 14.5 in lieu thereof:

Lessee shall fail to observe, perform or comply with, or shall otherwise breach, any other covenant, agreement or obligation set forth herein or in any other Lessee Operative Agreement (other than the covenants, agreements and obligations set forth in the first sentence of Section 4.8(a), the first sentence of Section 10.3.3(a) of this Lease, Section 3 of the Tax Indemnity Agreement in which Gaucho-2 is Owner Participant and Section 3 (except for Lessee's covenants in the last clause thereof, which appears in the last four lines of such Section) and Section 5 of the Tax Indemnity Agreement in which General Electric Company is Owner Participant and in Section 8.3 of this Lease insofar as it relates to Section 3 of the Tax Indemnity Agreement in which Gaucho-2 is Owner Participant or Section 3 (except for Lessee's covenants in the last clause thereof) and Section 5 of the Tax Indemnity Agreement in which General Electric Company is Owner Participant), and such failure shall continue unremedied for a period of 30 days (or any shorter period as may be expressly set forth in such other Lessee Operative Agreement) from and after the date of written notice thereof to Lessee.

(b) Section 14.6 of the Lease is hereby amended by deleting it in its entirety and substituting the following new Section 14.6 in lieu thereof:

Any representation or warranty made by Lessee herein, in the Participation Agreement or in any other Lessee Operative Agreement (other than the representations and warranties of Lessee in Section 3 of the Tax Indemnity Agreement in which Gaucho-2 is Owner Participant and Section 3 (except for Lessee's covenant in the last clause thereof, which appears in the last four lines of such Section) and Section 5 of the Tax Indemnity Agreement in which General Electric Company is Owner Participant and in Section 8.3 of this Lease insofar as it relates to Section 3 of the Tax Indemnity Agreement in which Gaucho-2 is Owner Participant or Section 3 (except for Lessee's covenants in the last clause thereof) and Section 5 of the Tax Indemnity Agreement in which General Electric Company is Owner Participant) (a) shall prove to have been untrue, inaccurate or misleading in any material respect as of the date made, (b) such untrue, inaccurate or misleading representation or warranty is material at the time in question, and (c) the same shall remain uncured for a period in excess of 30 days from and after the date of written notice thereof to Lessee.

(4) Amendments to Third-Party Beneficiaries Provision.

Section 18.9 of the Lease is hereby amended by deleting it in its entirety and substituting the following new Section 18.9 in lieu thereof:

This Agreement is not intended to, and shall not, provide any person not a party hereto (other than Loan Trustee, the Participants, the Liquidity Provider, the Subordination Agent and the Pass Through Trustees) with any rights of any nature whatsoever against either of the parties hereto, and no person not a party hereto (other than Loan Trustee, the Participants, the Liquidity Provider, the Subordination Agent and the Pass Through Trustees) shall have any right, power or privilege in respect of, or have any benefit or interest arising out of, this Agreement.

(5) Amendments to Annex A.

(a) Annex A to the Lease is hereby amended by replacing the definition of "Indemnatee" with the following new definition in lieu thereof:

"Indemnatee" means (i) First Security and Owner Trustee, (ii) WTC and Loan Trustee, (iii) each separate or additional trustee appointed pursuant to the Trust Agreement or the Trust Indenture, (iv) each Participant, (v) Owner Participant Parent (but only in its capacity as issuer of the Owner Participant Guaranty), (vi) the Trust Estate and the Trust Indenture Estate, (vii) the Subordination Agent, (viii) the Liquidity Provider, (ix) the Pass Through

Trustees, (x) each Affiliate of the persons described in clauses (i) through (v), inclusive, (xi) each Affiliate of the persons described in clauses (vii), (viii) and (ix), (xii) the respective directors, officers, employees, agents and servants of each of the persons described in clauses (i) through (vi) inclusive and in clause (x), (xiii) the respective directors, officers, employees, agents and servants of each of the persons described in clauses (vii), (viii), (ix) and (xi), (xiv) the successors and permitted assigns of the persons described in clauses (i) through (vi), inclusive, and in clauses (x) and (xii), and (xv) the successors and permitted assigns of the persons described in clauses (vii), (viii), (ix), (xi) and (xiii); provided that the persons described in clauses (vii), (viii), (ix), (xi), (xiii) and (xv) are Indemnitees only for purposes of Section 10.1 of the Participation Agreement. If any Indemnitee is Airframe Manufacturer or Engine Manufacturer or any subcontractor or supplier of either thereof, such Person shall be an Indemnitee only in its capacity as Owner Participant, Owner Participant Parent, Loan Participant or Certificate Holder.

(b) Annex A to the Lease is hereby further amended by inserting the following new definition after the definition "Independent Tax Counsel" and before the definition "Interim Lease Term":

"Intercreditor Agreement" means that certain Intercreditor Agreement among the Pass Through Trustees, the Liquidity Provider and the Subordination Agent.

(c) Annex A to the Lease is hereby further amended by inserting the following new definitions after the definition "Lien" and before the definition "Loan Certificate Register":

"Liquidity Facilities" means the three Revolving Credit Agreements between the Subordination Agent, as borrower, and the Liquidity Provider, and any replacement thereof, in each case as the same may be amended, modified or supplemented.

"Liquidity Provider" means Credit Suisse, acting through its New York Branch, as Class A Liquidity Provider, Class B Liquidity Provider and Class C Liquidity Provider under the Liquidity Facilities, or any successor thereto.

(d) Annex A to the Lease is hereby further amended by inserting the following new definition after the definition "Participation Agreement" and before the definition "Parts":

"Participation Purchase Agreement" means one or more participation purchase agreements between Lessee and the Liquidity Provider pursuant to which Lessee agrees, subject to the terms and conditions stated therein, to purchase participations in advances made by the Liquidity Provider under the Liquidity Facilities.

(e) Annex A to the Lease is hereby further amended by inserting the following new definition after the definition "Stipulated Loss Value Date" and before the definition "Supplemental Rent":

"Subordination Agent" means Wilmington Trust Company, as subordination agent under the Intercreditor Agreement, or any successor thereto.

(f) Annex A to the Lease is hereby further amended by replacing the definition of "Supplemental Rent" with the following new definition in lieu thereof:

"Supplemental Rent" means, without duplication (a) all Expenses, Transaction Expenses and all other amounts, liabilities, indemnities and obligations (other than Basic Rent or Renewal Rent but including Make-Whole Amount, if any) that Lessee assumes or becomes obligated to or agrees to pay under any Lessee Operative Agreement to or on behalf of Lessor or any other person, including, without limitation, payments of Stipulated Loss Value, Termination Value and payments of indemnities under Section 10 of the Participation Agreement, (b) Lessee's pro rata share of the excess of (i) any amounts owed to the Liquidity Provider by the Subordination Agent as borrower under each Liquidity Facility (other than amounts due as repayment of advances thereunder) and the related fee letter between the Subordination Agent as borrower and the Liquidity

Provider and any amounts owed to the Liquidity Provider under each "Refunding Agreement" (as such term is defined in each of the Operative Leases), over (ii) any "Investment Earnings" on amounts on deposit in any "Cash Collateral Account" (as such terms are defined in the Intercreditor Agreement), (c) Lessee's pro rata share of all compensation and reimbursement of expenses, disbursements and advances payable by Lessee under the Pass Through Trust Agreements, (d) Lessee's pro rata share of amounts owed to the Liquidity Provider pursuant to the Participation Purchase Agreement, which shall be paid directly to the Liquidity Provider, (e) Lessee's pro rata share of out-of-pocket costs, fees and expenses payable by Lessee under Section 12 of the Refunding Agreement (other than such costs, fees and expenses payable thereunder to Lessee's special New York counsel and Perkins Coie), and Lessee's pro rata share of underwriters' fees, discounts and commissions payable by Lessee under Section 3 of that certain Purchase Agreement dated as of January 24, 1996 among the Lessee and the initial purchasers party thereto and (f) Lessee's pro rata share of all compensation and reimbursement of expenses and disbursements payable to the Subordination Agent under the Intercreditor Agreement except with respect to any income or franchise taxes incurred by the Subordination Agent in connection with the transactions contemplated by the Intercreditor Agreement. As used herein, "Lessee's pro rata share" means as of any time a fraction, the numerator of which is the principal balance then outstanding of Equipment Notes and the denominator of which is the aggregate principal balance then outstanding of all "Equipment Notes" (as such term is defined in each of the Operative Leases).

(6) Amendments to Schedules.

(a) Schedule 2 to the Lease is hereby replaced in its entirety by the revised Schedule 2 attached to this Amendment as Amended Schedule 2.

(b) Schedule 3 to the Lease is hereby replaced in its entirety by the revised Schedule 3 attached to this Amendment as Amended Schedule 3.

(c) Schedule 4 to the Lease is hereby replaced in its entirety by the revised Schedule 4 attached to this Amendment as Amended Schedule 4.

D. ENTIRE AGREEMENT. This Amendment is intended to be a complete and exclusive statement of the terms of the agreement of the parties hereto and supersedes any prior or contemporaneous agreements, whether oral or in writing with respect to the subject matter hereof.

E. STATUS OF LEASE. This Amendment shall be construed in connection with, and as a part of, the Lease. The terms, conditions, covenants, representations, agreements, rights, remedies, powers and privileges set forth in the Lease, as modified hereby, are hereby confirmed in all respects by the parties hereto and shall continue in full force and effect.

F. COUNTERPARTS. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. To the extent, if any, that this Amendment constitutes chattel paper (as such term is defined in the Uniform Commercial Code in effect in the applicable jurisdiction) no security interest in Lessor's right, title and interest in and to this Amendment may be perfected through the delivery or possession of any counterpart of this Amendment other than the counterpart which has been marked "Original" on the signature page thereof.

IN WITNESS WHEREOF, this Amendment has been executed on behalf of each of the parties as of the date first written above.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as expressly provided  
herein, but solely as Owner  
Trustee under the Trust  
Agreement, as Lessor

By: \_\_\_\_\_  
Name: Greg A. Hawley  
Title: Assistant Vice  
President

CONTINENTAL AIRLINES, INC.,  
as Lessee

By: \_\_\_\_\_  
Name: Gerald Laderman  
Title: Vice President

APPENDIX A

Lease Agreement 104, dated as of July 15, 1994, between First Security Bank of Utah, National Association, as lessor, and Continental Airlines, Inc., as lessee, which was recorded by the Federal Aviation Administration on August 25, 1994, and assigned Conveyance No. Q56551, as supplemented and amended by the following described instruments:

Instrument	Date of Instrument	FAA Recording Date	FAA Conveyance No.
Lease Supplement No. 1	07/29/94	08/25/94	Q56551
Lease Agreement 104 Amendment No. 1	12/22/95	[filed 12/29/95 but recording date not yet available]	[not yet available]

AMENDED SCHEDULE 2

SCHEDULE 2 - BASIC RENT  
LEASE AGREEMENT 104

BASIC RENT

Payment Date	Percentage of Lessor's Cost
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AMENDED SCHEDULE 3

SCHEDULE 3 - STIPULATED LOSS VALUE  
LEASE AGREEMENT 104

STIPULATED LOSS VALUE

Month	Percentage of Lessor's Cost	Month	Percentage of Lessor's Cost
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AMENDED SCHEDULE 4

SCHEDULE 4 - TERMINATION VALUE  
LEASE AGREEMENT 104

TERMINATION VALUE

Month	Percentage of Lessor's Cost	Month	Percentage of Lessor's Cost
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this document filed with the FAA as  
containing confidential financial information.]

Dated as of December 22, 1995

Between

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as expressly stated herein,  
but solely as Owner Trustee,

Owner Trustee

and

WILMINGTON TRUST COMPANY,  
not in its individual capacity,  
except as expressly stated herein,  
but solely as Loan Trustee,

Loan Trustee

EQUIPMENT NOTES COVERING  
ONE BOEING 757-224 AIRCRAFT  
BEARING U.S. REGISTRATION MARK N17104  
LEASED BY CONTINENTAL AIRLINES, INC.

TABLE OF CONTENTS

	Page
GRANTING CLAUSE. . . . .	3
ARTICLE I      DEFINITIONS . . . . .	9
ARTICLE II      THE EQUIPMENT NOTES. . . . .	9
SECTION 2.01. Form of Equipment Notes. . . . .	9
SECTION 2.02. Issuance and Terms of Equipment Notes. . . . .	15
SECTION 2.03. Payments from Trust Indenture Estate Only . . . . .	17
SECTION 2.04. Method of Payment. . . . .	19
SECTION 2.05. Application of Payments. . . . .	21
SECTION 2.06. Termination of Interest in Trust Indenture Estate . . . . .	21
SECTION 2.07. Registration, Transfer and Exchange of Equipment Notes. . . . .	22
SECTION 2.08. Mutilated, Destroyed, Lost or Stolen Equipment Notes. . . . .	23
SECTION 2.09. Payment of Expenses on Transfer; Cancellation . . . . .	24
SECTION 2.10. Mandatory Redemptions of Equipment Notes. . . . .	24
SECTION 2.11. Voluntary Redemptions of Equipment Notes. . . . .	24
SECTION 2.12. Redemptions; Notice of Redemption. . . . .	25
SECTION 2.13. Revisions to Amortization Schedule . . . . .	26
SECTION 2.14. Option to Purchase Equipment Notes . . . . .	26
SECTION 2.15. Subordination. . . . .	27
SECTION 2.16. Purchase Upon Acceleration . . . . .	28
ARTICLE III      RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME FROM THE TRUST INDENTURE ESTATE . . . . .	29
SECTION 3.01. Basic Rent Distribution. . . . .	29
SECTION 3.02. Event of Loss; Replacement; Voluntary Termination; Optional Redemption . . . . .	31
SECTION 3.03. Payments After Event of Default. . . . .	32
SECTION 3.04. Certain Payments . . . . .	35
SECTION 3.05. Other Payments . . . . .	35
SECTION 3.06. Payments to Owner Trustee. . . . .	36
ARTICLE IV      COVENANTS OF OWNER TRUSTEE; EVENTS OF DEFAULT; REMEDIES OF LOAN TRUSTEE. . . . .	37
SECTION 4.01. Covenants of Owner Trustee . . . . .	37
SECTION 4.02. Event of Default . . . . .	38
SECTION 4.03. Certain Rights . . . . .	40
SECTION 4.04. Remedies . . . . .	42
SECTION 4.05. Return of Aircraft, Etc. . . . .	45
SECTION 4.06. Remedies Cumulative. . . . .	46
SECTION 4.07. Discontinuance of Proceedings. . . . .	46
SECTION 4.08. Waiver of Past Defaults. . . . .	46
SECTION 4.09. Appointment of Receiver. . . . .	47
SECTION 4.10. Loan Trustee Authorized to Execute Bills of Sale, Etc. . . . .	47
SECTION 4.11. Rights of Note Holders to Receive Payment. . . . .	47

ARTICLE V	DUTIES OF THE LOAN TRUSTEE. . . . .	48
SECTION 5.01.	Notice of Event of Default . . . . .	48
SECTION 5.02.	Action upon Instructions; Certain Rights and Limitations. . . . .	48
SECTION 5.03.	Indemnification. . . . .	51
SECTION 5.04.	No Duties Except as Specified in Trust Indenture or Instructions. . . . .	51
SECTION 5.05.	No Action Except Under Lease, Trust Indenture or Instructions. . . . .	52
SECTION 5.06.	Replacement Airframes and Replacement Engines. . . . .	52
SECTION 5.07.	Indenture Supplements for Replacements . .	52
SECTION 5.08.	Effect of Replacement. . . . .	53
SECTION 5.09.	Investment of Amounts Held by Loan Trustee. . . . .	53
ARTICLE VI	THE OWNER TRUSTEE AND THE LOAN TRUSTEE. . . . .	53
SECTION 6.01.	Acceptance of Trusts and Duties. . . . .	53
SECTION 6.02.	Absence of Duties. . . . .	54
SECTION 6.03.	No Representations or Warranties as to Aircraft or Documents. . . . .	54
SECTION 6.04.	No Segregation of Monies; No Interest. . .	55
SECTION 6.05.	Reliance; Agreements; Advice of Counsel. .	56
SECTION 6.06.	Capacity in Which Acting . . . . .	56
SECTION 6.07.	Compensation . . . . .	56
SECTION 6.08.	Instructions from Note Holders . . . . .	57
ARTICLE VII	INDEMNIFICATION OF LOAN TRUSTEE BY OWNER TRUSTEE	57
SECTION 7.01.	Scope of Indemnification . . . . .	57
ARTICLE VIII	SUCCESSOR AND SEPARATE TRUSTEES . . . . .	58
SECTION 8.01.	Notice of Successor Owner Trustee. . . . .	58
SECTION 8.02.	Resignation of Loan Trustee; Appointment of Successor . . . . .	58
SECTION 8.03.	Appointment of Additional and Separate Trustees . . . . .	60
ARTICLE IX	SUPPLEMENTS AND AMENDMENTS TO THIS TRUST INDENTURE AND OTHER DOCUMENTS . . . . .	61
SECTION 9.01.	Instructions of Majority; Limitations. . .	61
SECTION 9.02.	Trustees Protected . . . . .	63
SECTION 9.03.	Documents Mailed to Note Holders . . . . .	64
SECTION 9.04.	No Request Necessary for Lease Supplement or Trust Indenture Supplement . . . . .	64
ARTICLE X	MISCELLANEOUS . . . . .	64
SECTION 10.01.	Termination of Trust Indenture . . . . .	64
SECTION 10.02.	No Legal Title to Trust Indenture Estate in Note Holders. . . . .	65
SECTION 10.03.	Sale of Aircraft by Loan Trustee Is Binding. . . . .	65
SECTION 10.04.	Trust Indenture for Benefit of Owner Trustee, Loan Trustee, Owner Participant and Note Holders . . . . .	65
SECTION 10.05.	Notices. . . . .	65
SECTION 10.06.	Severability . . . . .	66
SECTION 10.07.	No Oral Modification or Continuing Waivers. . . . .	66
SECTION 10.08.	Successors and Assigns . . . . .	66
SECTION 10.09.	Headings . . . . .	67
SECTION 10.10.	Normal Commercial Relations. . . . .	67
SECTION 10.11.	Governing Law; Counterpart Form. . . . .	67
SECTION 10.12.	Voting By Note Holders . . . . .	67
SECTION 10.13.	Bankruptcy . . . . .	68
EXHIBIT A	Form of Trust Indenture and Mortgage Supplement	
SCHEDULE I	Equipment Notes Amortization	

AMENDED AND RESTATED TRUST INDENTURE AND MORTGAGE 104, dated as of December 22, 1995 ("Trust Indenture") between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, except as expressly stated herein, but solely as Owner Trustee under the Trust Agreement referred to below (together with its successors under the Trust Agreement, the "Owner Trustee"), and WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except as expressly stated herein, but solely as Loan Trustee hereunder (together with its successors hereunder, the "Loan Trustee").

W I T N E S S E T H

WHEREAS, all capitalized terms used herein shall have the respective meanings set forth or referred to in Article I hereof;

WHEREAS, the Owner Participant and the Owner Trustee in its individual capacity have entered into the Trust Agreement whereby, among other things, (i) the Owner Trustee has established a certain trust for the use and benefit of the Owner Participant subject, however, to the Trust Indenture Estate created pursuant hereto for the use and benefit of, and with the priority of payment to, the holders of Equipment Notes issued hereunder, and (ii) the Owner Trustee has been authorized and directed to execute and deliver this Agreement;

WHEREAS, (i) the Owner Trustee and Wilmington Trust Company, as Mortgagee, entered into the Trust Indenture and Mortgage 104 dated as of July 15, 1994 between the Owner Trustee and the Mortgagee (the "Original Indenture"), (ii) the Owner Trustee and the Mortgagee entered into the Trust Indenture and Mortgage 104 Supplement No. 1 (the "Supplement") dated July 29, 1994 to the Original Indenture, (iii) the Original Indenture and the Supplement were recorded by the Federal Aviation Administration on August 25, 1994 and were assigned Conveyance No. Q56550 and (iv) the Lease Agreement 104 dated as of even date with the Original Indenture between the Owner Trustee and Lessee (the "Lease") and the Lease Supplement No. 1 were recorded by the Federal Aviation Administration on August 25, 1994 and were assigned Conveyance No. Q56551 and (v) pursuant to the Original Indenture, the Owner Trustee issued and sold to The Boeing Company, a Delaware corporation ("Boeing"), Loan Certificates (as defined in the Original Indenture);

WHEREAS, pursuant to the Purchase, Assignment and Assumption Agreement dated as of the date hereof (the "Purchase, Assignment and Assumption Agreement") relating to the Aircraft, General Electric Company, a New York corporation ("GE") has agreed, subject to the terms and conditions contained therein, to purchase and assume from a certain affiliate of Boeing (the "Boeing Affiliate") all of the Boeing Affiliate's Transferred Interests (as defined in the Purchase, Assignment and Assumption Agreement);

WHEREAS, in connection with the foregoing transactions, the parties have agreed that concurrently with the purchase by GE of the Boeing Affiliate's Transferred Interests, (i) GE will cause the Owner Trustee to redeem a portion of the Loan Certificates, (ii) the remaining Loan Certificates shall be exchanged by Boeing for Series A Equipment Notes, Series B Equipment Notes and Series C Equipment Notes and certain other consideration and (iii) the Owner Trustee shall issue, Series D Equipment Notes to GE (or an affiliate thereof);

WHEREAS, the parties have agreed that subject to certain conditions, Lessee shall have the right to cause the implementation of the Refinancing Transaction pursuant to which, among other things, the Equipment Notes issued to Boeing and GE (or an affiliate thereof) on the date hereof (the "Initial Equipment Notes") shall be redeemed and new Equipment Notes (the "Refinancing Equipment Notes") shall be issued to the Pass Through Trustees (or their designee);

WHEREAS, in light of the foregoing and in anticipation of the Refinancing Transaction, the parties desire by this Trust Indenture, among other things, (i) to amend and restate in its entirety the Original Indenture, (ii) to provide for the issuance by the Owner Trustee of the Equipment Notes and (iii) to provide for the assignment, mortgage and pledge by the Owner Trustee to the Loan Trustee, as part of the Trust Indenture Estate hereunder, among other things, of all of the Owner Trustee's right, title and interest in and to the Aircraft and, except as hereinafter expressly provided, all of the Owner Trustee's right, title and interest in, to and under the Lease and all payments and other amounts received hereunder or thereunder in accordance with the terms hereof or thereof, as security for, among other things, the Owner Trustee's obligations to the Loan Trustee, for the ratable benefit and security of the Note Holders;

WHEREAS, all things have been done to make the

Equipment Notes, when executed by the Owner Trustee and authenticated and delivered by the Loan Trustee hereunder, the valid, binding and enforceable obligations of the Owner Trustee; and

WHEREAS, all things necessary to make this Trust Indenture the valid, binding and legal obligation of the Owner Trustee for the uses and purposes herein set forth, in accordance with its terms, have been done and performed and have happened;

#### GRANTING CLAUSE

NOW, THEREFORE, THIS TRUST INDENTURE AND MORTGAGE WITNESSETH, that, to secure the prompt payment of the Original Amount of, interest on, Make-Whole Amount, if any, and all other amounts due with respect to, all Equipment Notes from time to time outstanding hereunder according to their tenor and effect and to secure the performance and observance by the Owner Trustee of all the agreements, covenants and provisions contained herein and in the Participation Agreement and the Equipment Notes, for the benefit of the Note Holders and the Loan Participants and the prompt payment of all amounts from time to time owing under the Participation Agreement to the Loan Participants and/or the Note Holders by the Owner Trustee and for the uses and purposes and subject to the terms and provisions hereof, and in consideration of the premises and of the covenants herein contained, and of the acceptance of the Equipment Notes by the holders thereof, and for other good and valuable consideration the receipt and adequacy whereof are hereby acknowledged, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Loan Trustee, its successors in trust and assigns, for the security and benefit of the Loan Participants and the Note Holders, a first priority security interest in and mortgage lien on all right, title and interest of the Owner Trustee in, to and under the following described property, rights and privileges, whether now or hereafter acquired, other than Excluded Payments (which collectively, excluding Excluded Payments but including all property hereafter specifically subjected to the Lien of this Trust Indenture by the terms hereof or any supplement hereto, are included within, and are referred to as, the "Trust Indenture Estate"), to wit:

(1) The Airframe which is one Boeing 757-224 aircraft with the FAA Registration number of N17104 and the manufacturer's serial number of 27294 and Engines, each of which Engines is a Rolls-Royce RB211-535E4-B-37 engine with the manufacturer's serial numbers of 31268 and 31269, is of 750 or more rated takeoff horsepower or the equivalent of such horsepower (such Airframe and Engines more particularly described in the Indenture Supplement executed and delivered as provided in the Original Indenture) as the same is now and will hereafter be constituted, whether now owned by the Owner Trustee or hereafter acquired, leased or intended to be leased under the Lease, and in the case of such Engines, whether or not any such Engine shall be installed in or attached to the Airframe or any other airframe, together with (a) all Parts of whatever nature, which are from time to time included within the definitions of "Airframe" or "Engines", whether now owned or hereafter acquired, including all substitutions, renewals and replacements of and additions, improvements, accessions and accumulations to the Airframe and Engines (other than additions, improvements, accessions and accumulations which constitute appliances, parts, instruments, appurtenances, accessories, furnishings or other equipment excluded from the definition of Parts) and (b) all Aircraft Documents;

(2) All right, title, interest, claims and demands of the Owner Trustee, as lessor, in, to and under the Lease, including the Interim Lease Term, the Base Lease Term and any Renewal Lease Term, together with all rights, powers, privileges, options and other benefits of the Owner Trustee as lessor under the Lease, including the immediate and continuing right to receive and collect all Rent, income, revenues, issues, profits, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the lessor under the Lease pursuant thereto, and, subject to Section 5.02 hereof, the right to make all waivers and agreements, to give and receive copies of all notices and other instruments or communications, to accept surrender or redelivery of the Aircraft or any part thereof, as well as all the rights, powers and remedies on the part of the Owner Trustee as lessor under the Lease, to take such action upon the occurrence of a Lease Event of Default thereunder, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by Law, and to do any and all other things whatsoever which the Owner Trustee or any lessor is or may be entitled to do under or in respect of the Lease and any right to restitution from the Lessee or any other Person in respect of any determination of invalidity of the Lease;

(3) All right, title, interest, claims and demands of the Owner Trustee in, to and under:

(a) the Purchase Agreement and the GTA;

- (b) the Purchase Agreement Assignment with the Consent and Agreement and the Engine Consent and Agreement attached thereto;
- (c) the Bills of Sale; and
- (d) any and all other contracts, agreements and instruments relating to the Airframe and Engines or any rights or interests therein to which the Owner Trustee is now or may hereafter be a party;

together with all rights, powers, privileges, licenses, easements, options and other benefits of the Owner Trustee under each contract, agreement and instrument referred to in this clause (3), including the right to receive and collect all payments to the Owner Trustee thereunder now or hereafter payable to or receivable by the Owner Trustee pursuant thereto and, subject to Section 5.02 hereof, the right to make all waivers and agreements, to give and receive notices and other instruments or communications, or to take any other action under or in respect of any thereof or to take such action upon the occurrence of a default thereunder, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted thereby or by Law, and to do any and all other things which the Owner Trustee is or may be entitled to do thereunder and any right to restitution from the Lessee, the Owner Participant or any other Person in respect of any determination of invalidity of any thereof;

(4) All rents, issues, profits, revenues and other income of the property subjected or required to be subjected to the Lien of this Trust Indenture, including all payments or proceeds payable to the Owner Trustee after termination of the Lease with respect to the Aircraft as the result of the sale, lease or other disposition thereof, and all estate, right, title and interest of every nature whatsoever of the Owner Trustee in and to the same;

(5) Without limiting the generality of the foregoing, all insurance and requisition proceeds with respect to the Aircraft or any part thereof, including the insurance required under Section 11 of the Lease;

(6) Without limiting the generality of the foregoing, all rights of the Owner Trustee to amounts paid or payable by Lessee to the Owner Trustee under the Participation Agreement and all rights of the Owner Trustee to enforce payments of any such amounts thereunder;

(7) Without limiting the generality of the foregoing, all monies and securities from time to time deposited or required to be deposited with the Loan Trustee pursuant to any terms of this Trust Indenture or the Lease or required hereby or by the Lease to be held by the Loan Trustee hereunder as security for the obligations of the Lessee under the Lease or of the Owner Trustee hereunder; and

(8) All proceeds of the foregoing.

Excluding, however, in all events from each of foregoing clauses (1) through (8) inclusive all Excluded Payments and the right to specifically enforce the same or to sue for damages for the breach thereof as provided in Section 5.02 hereof.

Concurrently with the delivery of the Original Indenture, the Owner Trustee has delivered to the Loan Trustee the original executed counterpart of the Lease and the Lease Supplement No. 1 (to each of which a chattel paper receipt is attached), and executed copies of the Participation Agreement, the Purchase Agreement and the GTA (to the extent assigned by the Purchase Agreement Assignment), the Purchase Agreement Assignment with the Consent and Agreement and the Engine Consent and Agreement attached thereto.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, and its successors and assigns, in trust for the equal and proportionate benefit and security of the Note Holders, except as provided in Section 2.15 and Article III hereof without any preference, distinction or priority of any one Equipment Note over any other by reason of priority of time of issue, sale, negotiation, date of maturity thereof or otherwise for any reason whatsoever, and for the uses and purposes and in all cases and as to all property specified in paragraphs (1) through (8) inclusive above, subject to the terms and provisions set forth in this Trust Indenture.

It is expressly agreed that anything herein contained to the contrary notwithstanding, the Owner Trustee shall remain liable under the Indenture Agreements, to perform all of the obligations assumed by it thereunder, except to the extent prohibited or excluded from doing so pursuant to the terms and provisions thereof, and the Loan Trustee, the Loan Participants and the Note Holders shall have no obligation or liability under the Indenture Agreements, by reason of or arising out of the assignment hereunder, nor shall the Loan Trustee, the Loan Participants or the Note Holders be required or obligated in any manner to perform or fulfill any obligations of the Owner Trustee

under or pursuant to the Indenture Agreements, or, except as herein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

The Owner Trustee does hereby constitute the Loan Trustee the true and lawful attorney of the Owner Trustee, irrevocably, granted for good and valuable consideration and coupled with an interest and with full power of substitution, and with full power (in the name of the Owner Trustee or otherwise) to ask for, require, demand, receive, compound and give acquittance for any and all monies and claims for monies (in each case including insurance and requisition proceeds but in all cases excluding Excluded Payments) due and to become due under or arising out of the Indenture Agreements, and all other property which now or hereafter constitutes part of the Trust Indenture Estate, to endorse any checks or other instruments or orders in connection therewith and to file any claims or to take any action or to institute any proceedings which the Loan Trustee may deem to be necessary or advisable in the premises. Without limiting the generality of the foregoing, but subject to the rights of the Owner Trustee and the Owner Participant under Sections 2.14, 4.03 and 4.04(a) hereof, during the continuance of any Event of Default under this Trust Indenture, the Loan Trustee shall have the right under such power of attorney to accept any offer in connection with the exercise of remedies as set forth herein of any purchaser to purchase the Airframe and Engines and upon such purchase to execute and deliver in the name of and on behalf of the Owner Trustee an appropriate bill of sale and other instruments of transfer relating to the Airframe and Engines, when purchased by such purchaser, and to perform all other necessary or appropriate acts with respect to any such purchase, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Owner Trustee or otherwise, which the Loan Trustee may deem necessary or appropriate to protect and preserve the right, title and interest of the Loan Trustee in and to such Rents and other sums and the security intended to be afforded hereby; provided, however, that no action of the Loan Trustee pursuant to this paragraph shall increase the obligations or liabilities of the Owner Trustee to any Person beyond those obligations and liabilities specifically set forth in this Trust Indenture and in the other Operative Agreements. Under the Lease, Lessee is directed, so long as this Trust Indenture shall not have been fully discharged, to make all payments of Rent (other than Excluded Payments) and all other amounts which are required to be paid to or deposited with the Owner Trustee pursuant to the Lease (other than Excluded Payments) directly to, or as directed by, the Loan Trustee at such address or addresses as the Loan Trustee shall specify, for application as provided in this Trust Indenture. The Owner Trustee agrees that promptly upon receipt thereof, it will transfer to the Loan Trustee any and all monies from time to time received by it constituting part of the Trust Indenture Estate, for distribution by the Loan Trustee pursuant to this Trust Indenture, except that the Owner Trustee shall accept for distribution pursuant to the Trust Agreement any amounts distributed to it by the Loan Trustee under this Trust Indenture.

The Owner Trustee agrees that at any time and from time to time, upon the written request of the Loan Trustee, the Owner Trustee will promptly and duly execute and deliver or cause to be duly executed and delivered any and all such further instruments and documents as the Loan Trustee may reasonably deem necessary or desirable to perfect, preserve or protect the mortgage, security interests and assignments created or intended to be created hereby or to obtain for the Loan Trustee the full benefits of the assignment hereunder and of the rights and powers herein granted.

The Owner Trustee does hereby warrant and represent that it has not assigned or pledged, and hereby covenants and agrees that it will not assign or pledge, so long as the assignment hereunder shall remain in effect, and the Lien hereof shall not have been released pursuant to Section 10.01 hereof, any of its right, title or interest hereby assigned, to anyone other than the Loan Trustee, and that it will not, except as otherwise provided in this Trust Indenture and except with respect to Excluded Payments to which it is entitled, (i) accept any payment from Lessee under any Indenture Agreement, (ii) enter into any agreement amending or supplementing any Indenture Agreement, (iii) execute any waiver or modification of, or consent under, the terms of, or exercise any rights, powers or privileges under, any Indenture Agreement, (iv) settle or compromise any claim arising under any Indenture Agreement or (v) submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any Indenture Agreement to arbitration thereunder.

The Owner Trustee does hereby further agree that it will not without the written consent of the Loan Trustee:

- (a) receive or collect or agree to the receipt or collection of any payment of Rent, including Basic Rent, Stipulated Loss Value, Termination Value or

any other payment to be made pursuant to Section 9 or 10 of the Lease prior to the date for the payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Loan Trustee hereunder) any payment of Rent, including Basic Rent, Stipulated Loss Value, Termination Value or any other payment to be made pursuant to Section 9 or 10 of the Lease, then due or to accrue in the future under the Lease in respect of the Airframe and Engines; or

- (b) except as contemplated by the Trust Agreement in connection with the appointment of a successor owner trustee, sell, mortgage, transfer, assign or hypothecate (other than to the Loan Trustee hereunder) its interest in the Airframe and Engines or any part thereof or in any amount to be received by it from the use or disposition of the Airframe and Engines, other than amounts distributed to it pursuant to Article III hereof.

It is hereby further agreed that any and all property described or referred to in the granting clauses hereof which is hereafter acquired by the Owner Trustee shall ipso facto, and without any further conveyance, assignment or act on the part of the Owner Trustee or the Loan Trustee, become and be subject to the Lien herein granted as fully and completely as though specifically described herein, but nothing contained in this paragraph shall be deemed to modify or change the obligations of the Owner Trustee contained in the foregoing paragraphs.

The Owner Trustee does hereby ratify and confirm the Lease and does hereby agree that it will not violate any covenant or agreement made by it therein, herein or in any other Owner Trustee Agreement.

IT IS HEREBY COVENANTED AND AGREED by and between the parties hereto as follows:

ARTICLE I  
DEFINITIONS

Capitalized terms used but not defined herein shall have the respective meanings set forth or incorporated by reference, and shall be construed in the manner described, in Annex A to the Lease.

ARTICLE II  
THE EQUIPMENT NOTES

SECTION 2.01. Form of Equipment Notes

The Equipment Notes shall be substantially in the form set forth below:

THIS EQUIPMENT NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO THE SECURITIES LAWS OF ANY STATE. ACCORDINGLY, THIS EQUIPMENT NOTE MAY NOT BE SOLD UNLESS EITHER REGISTERED UNDER THE ACT AND SUCH APPLICABLE STATE LAWS OR AN EXEMPTION FROM SUCH REGISTRATIONS IS AVAILABLE.

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION,  
AS OWNER TRUSTEE UNDER TRUST AGREEMENT 104  
DATED AS OF JULY 15, 1994.

SERIES [\_\_\_\_\_] LIMITED RECOURSE EQUIPMENT NOTE DUE  
[\_\_\_\_\_] ISSUED IN CONNECTION WITH THE  
BOEING MODEL 757-224 AIRCRAFT BEARING  
UNITED STATES REGISTRATION NUMBER N17104.

No. \_\_\_\_\_ Date: [\_\_\_\_\_, \_\_\_\_]  
\$ \_\_\_\_\_

INTEREST RATE MATURITY DATE  
[\_\_\_\_\_] [\_\_\_\_\_, \_\_\_\_]

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity but solely as Owner Trustee (herein in such capacity called the "Owner Trustee") under that certain Trust Agreement 104, dated as of July 15, 1994, between the Owner Participant named therein and First Security Bank of Utah, National Association (herein as such Trust Agreement may be supplemented or amended from time to time called the "Trust Agreement"), hereby promises to pay to \_\_\_\_\_, or the registered assignee thereof, the principal sum of \$\_\_\_\_\_ (the "Original Amount"), together with interest on the amount of the Original Amount remaining unpaid from time to time (calculated on the basis of a year of 360 days comprised of twelve 30-day months) from the date hereof until paid in full at a rate per annum equal to the Debt Rate. The Original Amount of this Equipment Note shall be payable in installments on the dates set forth in Schedule I hereto equal to the corresponding percentage of the Original Amount of this Equipment Note set forth in Schedule I hereto. Accrued but unpaid interest shall be

due and payable in quarterly installments commencing on January 15, 1996, and thereafter on April 15, July 15, October 15 and January 15 of each year, to and including \_\_\_\_\_, \_\_\_\_\_. Notwithstanding the foregoing, the final payment made on this Equipment Note shall be in an amount sufficient to discharge in full the unpaid Original Amount and all accrued and unpaid interest on, and any other amounts due under, this Equipment Note. Notwithstanding anything to the contrary contained herein, if any date on which a payment under this Equipment Note becomes due and payable is not a Business Day then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day and if such payment is made on such next succeeding Business Day, no interest shall accrue on the amount of such payment during such extension.

For purposes hereof, the term "Trust Indenture" means the Amended and Restated Trust Indenture and Mortgage 104, dated as of December \_\_, 1995, between the Owner Trustee and Wilmington Trust Company (the "Loan Trustee"), as the same may be amended or supplemented from time to time. All other capitalized terms used in this Equipment Note and not defined herein shall have the respective meanings assigned in the Trust Indenture.

This Equipment Note shall bear interest, payable on demand, at the Payment Due Rate (calculated on the basis of a year of 360 days comprised of twelve 30-day months) on any overdue Original Amount, any overdue Make-Whole Amount, if any, and (to the extent permitted by applicable Law) any overdue interest and any other amounts payable hereunder which are overdue, in each case for the period the same is overdue. Amounts shall be overdue if not paid when due (whether at stated maturity, by acceleration or otherwise).

[The interest rate borne by this Equipment Note shall be subject to adjustments to the extent, and under the circumstances, specified by the Registration Rights Agreement.]\*

All payments of Original Amount, interest, Make-Whole Amount, if any, and other amounts, if any, to be made by the Owner Trustee hereunder and under the Trust Indenture or the Participation Agreement shall be payable only from the income and proceeds from the Trust Estate to the extent included in the Trust Indenture Estate and only to the extent that the Owner Trustee shall have sufficient income or proceeds from the Trust Estate to the extent included in the Trust Indenture Estate to enable the Loan Trustee to make such payments in accordance with the terms of Section 2.03 and Article III of the Trust Indenture, and each holder hereof, by its acceptance of this Equipment Note, agrees that it will look solely to the income and proceeds from the Trust Indenture Estate to the extent available for distribution to the holder hereof as above provided and that none of the Owner Participant, the Owner Trustee and the Loan Trustee is personally liable or liable in any manner extending to any assets other than the Trust Indenture Estate to the holder hereof for any amounts payable or any liability under this Equipment Note or, except as provided in the Trust Indenture or in the Participation Agreement, for any liability under the Trust Indenture or the Participation Agreement; provided, however, that nothing herein contained shall limit, restrict or impair the right of the Loan Trustee, subject always to the terms and provisions of the Trust Indenture, to accelerate the maturity of this Equipment Note upon occurrence of an Event of Default under the Trust Indenture in accordance with Section 4.04(b) of the Trust Indenture, to bring suit and obtain a judgment against the Owner Trustee on this Equipment Note for purposes of realizing upon the Trust Indenture Estate and to exercise all rights and remedies provided under the Trust Indenture or otherwise realize upon the Trust Indenture Estate.

There shall be maintained an Equipment Note Register for the purpose of registering transfers and exchanges of Equipment Notes at the Corporate Trust Office of the Loan Trustee or at the office of any successor in the manner provided in Section 2.07 of the Trust Indenture.

The Original Amount and interest and other amounts due hereunder shall be payable in Dollars in immediately available funds at the Corporate Trust Office of the Loan Trustee, or as otherwise provided in the Trust Indenture. Each such payment shall be made on the date such payment is due and without any presentment or surrender of this Equipment Note, except that in the case of any final payment with respect to this Equipment Note, the Equipment Note shall be surrendered promptly thereafter by the Loan Trustee to the Owner Trustee for cancellation.

The holder hereof, by its acceptance of this Equipment Note, agrees that, except as provided in the Trust Indenture, each payment received by it hereunder shall be applied, first, to the payment of accrued interest on this Equipment Note (as well as any interest on any overdue Original Amount, any overdue Make-Whole Amount, if any, or, to the extent permitted by Law, any overdue interest and other amounts hereunder) to the date of such payment, second, to the payment of the Original Amount of this Equipment Note then due, third, to the payment of Make-Whole Amount, if any, and any other amount due hereunder or under the Trust Indenture, and fourth, the balance, if any, remaining thereafter, to the payment of Original Amount of this Equipment Note remaining unpaid in the inverse order of their normal

maturity.

This Equipment Note is one of the Equipment Notes referred to in the Trust Indenture which have been or are to be issued by the Owner Trustee pursuant to the terms of the Trust Indenture. The Trust Indenture Estate is held by the Loan Trustee as security, in part, for the Equipment Notes. The provisions of this Equipment Note are subject to the Trust Indenture. Reference is hereby made to the Trust Indenture for a complete statement of the rights and obligations of the holder of, and the nature and extent of the security for, this Equipment Note and the rights and obligations of the holders of, and the nature and extent of the security for, any other Equipment Notes executed and delivered under the Trust Indenture, as well as for a statement of the terms and conditions of the Trust created by the Trust Indenture, to all of which terms and conditions in the Trust Indenture each holder hereof agrees by its acceptance of this Equipment Note. [The Trust Indenture permits the amendment of Schedule I hereto upon the terms and conditions set forth in Section 2.13 of the Trust Indenture.]\*\*

As provided in the Trust Indenture and subject to certain limitations therein set forth, this Equipment Note is exchangeable for a like aggregate Original Amount of Equipment Notes of different authorized denominations, as requested by the holder surrendering the same.

Prior to due presentment for registration of transfer of this Equipment Note, the Owner Trustee and the Loan Trustee shall treat the person in whose name this Equipment Note is registered as the owner hereof for all purposes, whether or not this Equipment Note be overdue, and neither of the Owner Trustee nor the Loan Trustee shall be affected by notice to the contrary.

This Equipment Note is subject to redemption as provided in Sections 2.10, 2.11 and 2.12 of the Trust Indenture but not otherwise. This Equipment Note is also subject to exchange and to purchase by the Owner Participant or the Owner Trustee as provided in Section 2.14 or 2.16 of the Trust Indenture but not otherwise.

[The indebtedness evidenced by this Equipment Note is, to the extent and in the manner provided in the Trust Indenture, subordinate and subject in right of payment to the prior payment in full of the Secured Obligations (as defined in the Trust Indenture) in respect of [Series A Equipment Notes]1[Series A and Series B Equipment Notes]2[Series A, Series B and Series C Equipment Notes]3, and this Equipment Note is issued subject to such provisions. The Note Holder of this Equipment Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Loan Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Trust Indenture and (c) appoints the Loan Trustee his attorney-in-fact for such purpose.]\*\*\*

Unless the certificate of authentication hereon has been executed by or on behalf of the Loan Trustee by manual signature, this Equipment Note shall not be entitled to any benefit under the Trust Indenture or be valid or obligatory for any purpose.

THIS EQUIPMENT NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.

- \* To be inserted only for the Refinancing Equipment Notes.
- \*\* To be inserted only for the Initial Equipment Notes.
- \*\*\* To be inserted for each Equipment Note other than any Series A Equipment Note.
- 1 To be inserted in the case of a Series B Equipment Note.
- 2 To be inserted in the case of a Series C Equipment Note.
- 3 To be inserted in the case of a Series D Equipment Note.

\* \* \*

IN WITNESS WHEREOF, the Owner Trustee has caused this Equipment Note to be executed in its corporate name by its officer thereunto duly authorized on the date hereof.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION, not in its individual capacity but solely as Owner Trustee

By \_\_\_\_\_

Name:  
Title:

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Trust Indenture.

WILMINGTON TRUST COMPANY,  
as Loan Trustee

By \_\_\_\_\_  
Name:  
Title:

SCHEDULE I

EQUIPMENT NOTE AMORTIZATION

Payment Date	Percentage of Original Amount to be Paid
-----	-----

[SEE SCHEDULE I TO TRUST INDENTURE  
WHICH IS INSERTED UPON ISSUANCE]

\* \* \*

SECTION 2.02. Issuance and Terms of Equipment Notes

The Equipment Notes shall be dated the date of issuance thereof, shall be issued in four separate series consisting of Series A, Series B, Series C and Series D and in the maturities and principal amounts and shall bear interest as specified in Schedule I hereto. Upon issuance of the Initial Equipment Notes on the date hereof, the Loan Certificates issued under the Original Indenture shall be redeemed. On the date of the consummation of the Refinancing Transaction, (i) each Refinancing Equipment Note shall be issued to the Pass Through Trustees (or their designee) under the Pass Through Agreements as shall be set forth in Schedule II to be attached hereto in connection therewith and (ii) the Initial Equipment Notes shall be concurrently redeemed. The Equipment Notes shall be issued in registered form only. The Equipment Notes shall be issued in denominations of \$1,000 and integral multiples thereof, except that one Equipment Note of each Series may be in an amount that is not an integral multiple of \$1,000.

Each Equipment Note shall bear interest at the Debt Rate (calculated on the basis of a year of 360 days comprised of twelve 30-day months) on the unpaid Original Amount thereof from time to time outstanding, payable in arrears on January 15, 1996, and on each April 15, July 15, October 15 and January 15 thereafter until maturity. The Original Amount of each Equipment Note shall be payable on the dates and in the installments equal to the corresponding percentage of the Original Amount as set forth in Schedule I hereto which shall be attached as Schedule I to the Equipment Notes. Notwithstanding the foregoing, the final payment made under each Equipment Note shall be in an amount sufficient to discharge in full the unpaid Original Amount and all accrued and unpaid interest on, and any other amounts due under, such Equipment Note. Each Equipment Note shall bear interest at the Payment Due Rate (calculated on the basis of a year of 360 days comprised of twelve 30-day months) on any part of the Original Amount, Make-Whole Amount, if any, and to the extent permitted by applicable Law, interest and any other amounts payable thereunder not paid when due for any period during which the same shall be overdue, in each case for the period the same is overdue. Amounts shall be overdue if not paid when due (whether at stated maturity, by acceleration or otherwise). Notwithstanding anything to the contrary contained herein, if any date on which a payment under any Equipment Note becomes due and payable is not a Business Day then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day and if such payment is made on such next succeeding Business Day, no interest shall accrue on the amount of such payment during such extension.

The Owner Trustee agrees to pay to the Loan Trustee for distribution in accordance with Section 3.04 hereof any and all indemnity amounts received by the Owner Trustee which are payable by the Lessee to the Note Holders pursuant to Section 10 of the Participation Agreement.

The Equipment Notes shall be executed on behalf of the Owner Trustee by its President or one of its Vice Presidents, Assistant Vice Presidents or Assistant Secretaries or other authorized officer. Equipment Notes bearing the signatures of individuals who were at any time the proper officers of the Owner Trustee shall bind the Owner Trustee, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Equipment Notes or did not hold such offices at the respective dates of such Equipment Notes. The Owner Trustee may from time to time execute and deliver Equipment Notes with respect to the Aircraft to the Loan Trustee for authentication upon original issue and such Equipment Notes shall thereupon be authenticated and delivered by the Loan Trustee upon the written request of the Owner Trustee signed by a Vice President or Assistant Vice President or other authorized officer of the Owner Trustee; provided, however, that each such request shall specify the aggregate Original Amount of all Equipment Notes to be authenticated hereunder on original issue with respect to the Aircraft. No Equipment Note shall be secured by or entitled to any benefit under this Trust Indenture or be valid or obligatory for any purposes, unless there appears on

such Equipment Note a certificate of authentication in the form provided for herein executed by the Loan Trustee by the manual signature of one of its authorized officers and such certificate upon any Equipment Notes shall be conclusive evidence, and the only evidence, that such Equipment Note has been duly authenticated and delivered hereunder.

The aggregate Original Amount of the Equipment Notes to be issued and outstanding hereunder shall be \$34,831,833.33 which is less than 80% of Subsequent Lessor's Cost as provided in Schedule 4 to the Participation Agreement.

SECTION 2.03. Payments from Trust Indenture Estate Only

(a) Without impairing any of the other rights, powers, remedies, privileges, liens or security interests of the Note Holders under this Trust Indenture, each Note Holder, by its acceptance of an Equipment Note, agrees that as between it and the Owner Trustee, except as expressly provided in this Trust Indenture, the Participation Agreement or any other Operative Agreement, (i) the obligation to make all payments of the Original Amount of, interest on, Make-Whole Amount, if any, and all other amounts due with respect to the Equipment Notes, and the performance by the Owner Trustee of every obligation or covenant contained in this Trust Indenture and in the Participation Agreement or any of the other Operative Agreements, shall be payable only from the income and proceeds from the Trust Estate to the extent included in the Trust Indenture Estate and only to the extent that the Owner Trustee shall have sufficient income or proceeds from the Trust Estate to the extent included in the Trust Indenture Estate to enable the Loan Trustee to make such payments in accordance with the terms of Article III hereof, and all of the statements, representations, covenants and agreements made by the Owner Trustee (when made in such capacity) contained in this Trust Indenture and any agreement referred to herein other than the Trust Agreement, unless expressly otherwise stated, are made and intended only for the purpose of binding the Trust Estate and establishing the existence of rights and remedies which can be exercised and enforced against the Trust Estate; therefore, anything contained in this Trust Indenture or such other agreements to the contrary notwithstanding (except for any express provisions or representations that the Owner Trustee is responsible for, or is making, in its individual capacity, for which there would be personal liability of the Owner Trustee), no recourse shall be had with respect to this Trust Indenture or such other agreements against the Owner Trustee in its individual capacity or against any institution or person which becomes a successor trustee or co-trustee or any officer, director, trustee, servant or direct or indirect parent or controlling Person or Persons of any of them, and (ii) none of the Owner Trustee, in its individual capacity, the Owner Participant, the Loan Trustee and any officer, director, trustee, servant, employee, agent or direct or indirect parent or controlling Person or Persons of any of them shall have any personal liability for any amounts payable hereunder, under the Participation Agreement or any of the other Operative Agreements or under the Equipment Notes except as expressly provided herein or in the Participation Agreement; provided, however, that nothing contained in this Section 2.03(a) shall be construed to limit the exercise and enforcement in accordance with the terms of this Trust Indenture or such other agreements of rights and remedies against the Trust Estate. These provisions are not intended as any release or discharge of the indebtedness represented by the Equipment Notes and the Trust Indenture, but are intended only as a covenant not to sue the Owner Participant, the Owner Trustee or the Loan Trustee in their individual capacities, except as expressly provided herein or in the Participation Agreement, for a deficiency with respect to such indebtedness, the indebtedness represented by this Trust Indenture and the Equipment Notes to remain in full force and effect as fully as though these provisions were not contained in this Trust Indenture. The Owner Trustee hereby acknowledges that the Note Holders have expressly reserved all their rights and remedies against the Trust Indenture Estate, including the right, in the event of a default in the payment of all or part of the Original Amount of, interest on, Make-Whole Amount, if any, or any other amount due with respect to any Equipment Note within the periods provided for in Section 4.02(b) hereof, or upon the occurrence and continuation of any other Event of Default under this Trust Indenture, to foreclose upon this Trust Indenture, and/or to receive the proceeds from the Trust Indenture Estate and otherwise to enforce any other right under this Trust Indenture. Nothing in this Section 2.03(a) shall (x) release the Owner Participant from personal liability, or constitute a covenant not to sue the Owner Participant, for any breach by it of any of its covenants, representations or warranties contained in the Participation Agreement or for any of the payments it has agreed to make pursuant to the Participation Agreement or (y) release the Owner Trustee or constitute a covenant not to sue the Owner Trustee for any breach by it of any representations, warranties or covenants of the Owner Trustee contained in the Operative Agreements or (z) release the Owner Trustee in its individual capacity from personal liability, or constitute a covenant not to sue the Owner Trustee in its individual capacity for any breach by it of any representations, warranties or covenants of the Owner Trustee made in its individual capacity in the Operative Agreements.

(b) If (i) all or any part of the Trust Estate becomes the property of, or the Owner Trustee or Owner Participant becomes, a debtor subject to the reorganization provisions of the Bankruptcy Code, (ii) pursuant to such reorganization provisions, including Section 1111(b) of the Bankruptcy Code, the Owner Trustee (in its individual capacity) or the Owner Participant is required, by reason of the Owner Trustee (in its individual capacity) or the Owner Participant being held to have recourse liability to any Note Holder or the Loan Trustee, directly or indirectly (other than the recourse liability of the Owner Trustee (in its individual capacity) or the Owner Participant under the Participation Agreement or this Trust Indenture or by separate agreement), to make payment on account of any amount payable as principal, Make-Whole Amount, if any, interest or other amounts on the Equipment Notes and (iii) any Note Holder or the Loan Trustee actually receives any Excess Amount (as hereinafter defined) which reflects any payment by the Owner Trustee (in its individual capacity) or the Owner Participant on account of clause (ii) above, then such Note Holder or the Loan Trustee, as the case may be, shall promptly refund to the Owner Trustee (in its individual capacity) or the Owner Participant (whichever shall have made such payment) such Excess Amount.

For purposes of this Section 2.03(b), "Excess Amount" means the amount by which such payment exceeds the amount that would have been received by a Note Holder or the Loan Trustee if the Owner Trustee (in its individual capacity) or the Owner Participant had not become subject to the recourse liability referred to in clause (ii) above. Nothing contained in this Section 2.03(b) shall prevent a Note Holder or the Loan Trustee from enforcing any personal recourse obligation (and retaining the proceeds thereof) of the Owner Trustee (in its individual capacity) or the Owner Participant under the Participation Agreement or this Trust Indenture (and any exhibits or annexes hereto or thereto) or by separate agreement or from retaining any amount paid by Owner Participant under Section 2.14 or 4.03 hereof.

#### SECTION 2.04. Method of Payment

(a) The Original Amount of, interest on, Make-Whole Amount, if any, and other amounts due under each Equipment Note or hereunder will be payable in Dollars by wire transfer of immediately available funds not later than 12:00 noon, New York City time, on the due date of payment to the Loan Trustee at the Corporate Trust Office for distribution among the Note Holders in the manner provided herein. The Owner Trustee shall not have any responsibility for the distribution of such payment to any Note Holder. Notwithstanding the foregoing or any provision in any Equipment Note to the contrary, the Loan Trustee will use reasonable efforts to pay or cause to be paid, if so directed in writing by any Note Holder (with a copy to the Owner Trustee), all amounts paid by the Owner Trustee hereunder and under such holder's Equipment Note or Equipment Notes to such holder or a nominee therefor (including all amounts distributed pursuant to Article III of this Trust Indenture) by transferring, or causing to be transferred, by wire transfer of immediately available funds in Dollars, prior to 2:00 p.m., New York City time, on the due date of payment, to an account maintained by such holder with a bank located in the continental United States the amount to be distributed to such holder, for credit to the account of such holder maintained at such bank. If the Loan Trustee shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and prior to the time specified above, the Loan Trustee, in its individual capacity and not as trustee, agrees to compensate such holders for loss of use of funds at the Debt Rate until such payment is made and the Loan Trustee shall be entitled to any interest earned on such funds until such payment is made. Any payment made hereunder shall be made without any presentment or surrender of any Equipment Note, except that, in the case of the final payment in respect of any Equipment Note, such Equipment Note shall be surrendered to the Loan Trustee for cancellation promptly after such payment. Notwithstanding any other provision of this Trust Indenture to the contrary, the Loan Trustee shall not be required to make, or cause to be made, wire transfers as aforesaid prior to the first Business Day on which it is practicable for the Loan Trustee to do so in view of the time of day when the funds to be so transferred were received by it if such funds were received after 12:00 noon, New York City time, at the place of payment. Prior to the due presentment for registration of transfer of any Equipment Note, the Owner Trustee and the Loan Trustee shall deem and treat the Person in whose name any Equipment Note is registered on the Equipment Note Register as the absolute owner and holder of such Equipment Note for the purpose of receiving payment of all amounts payable with respect to such Equipment Note and for all other purposes, and none of the Owner Trustee or the Loan Trustee shall be affected by any notice to the contrary. So long as any signatory to the Participation Agreement or nominee thereof shall be a registered Note Holder, all payments to it shall be made to the account of such Note Holder specified in Schedule I thereto and otherwise in the manner provided in or pursuant to the Participation Agreement (or, upon consummation of the Refinancing Transaction, the Refunding Agreement) unless it shall have specified some other account or manner of payment by notice to the Loan Trustee consistent with this Section 2.04.

(b) The Loan Trustee, as agent for the Owner Trustee, shall exclude and withhold at the appropriate rate from each payment of Original Amount of, interest on, Make-Whole Amount, if any, and other amounts due hereunder or under each Equipment Note (and such exclusion and withholding shall constitute payment in respect of such Equipment Note) any and all United States withholding taxes applicable thereto as required by Law. The Loan Trustee agrees to act as such withholding agent and, in connection therewith, whenever any present or future United States taxes or similar charges are required to be withheld with respect to any amounts payable hereunder or in respect of the Equipment Notes, to withhold such amounts and timely pay the same to the appropriate authority in the name of and on behalf of the Note Holders, that it will file any necessary United States withholding tax returns or statements when due, and that as promptly as possible after the payment thereof it will deliver to each Note Holder (with a copy to the Owner Trustee and the Lessee) appropriate receipts showing the payment thereof, together with such additional documentary evidence as any such Note Holder may reasonably request from time to time.

If a Note Holder which is a Non-U.S. Person has furnished to the Loan Trustee a properly completed and currently effective U.S. Internal Revenue Service Form 1001 or W-8 (or such successor form or forms as may be required by the United States Treasury Department) during the calendar year in which the payment hereunder or under the Equipment Note(s) held by such holder is made (but prior to the making of such payment), or in either of the two preceding calendar years, and has not notified the Loan Trustee of the withdrawal or inaccuracy of such form prior to the date of such payment (and the Loan Trustee has no reason to know that any information set forth in such form is inaccurate), the Loan Trustee shall withhold only the amount, if any, required by Law (after taking into account any applicable exemptions claimed by the Note Holder) to be withheld from payments hereunder or under the Equipment Notes held by such holder in respect of United States federal income tax. If a Note Holder (x) which is a Non-U.S. Person has furnished to the Loan Trustee a properly completed and currently effective U.S. Internal Revenue Service Form 4224 in duplicate (or such successor certificate, form or forms as may be required by the United States Treasury Department as necessary in order to avoid withholding of United States federal income tax), during the calendar year in which the payment is made (but prior to the making of such payment), and has not notified the Loan Trustee of the withdrawal or inaccuracy of such certificate or form prior to the date of such payment (and the Loan Trustee has no reason to know that any information set forth in such form is inaccurate) or (y) which is a U.S. Person has furnished to the Loan Trustee a properly completed and currently effective U.S. Internal Revenue Service Form W-9, if applicable, prior to a payment hereunder or under the Equipment Notes held by such holder, no amount shall be withheld from payments in respect of United States federal income tax. If any Note Holder has notified the Loan Trustee that any of the foregoing forms or certificates is withdrawn or inaccurate, or if such holder has not filed a form claiming an exemption from United States withholding tax or if the Code or the regulations thereunder or the administrative interpretation thereof are at any time after the date hereof amended to require such withholding of United States federal income taxes from payments under the Equipment Notes held by such holder, the Loan Trustee agrees to withhold from each payment due to the relevant Note Holder withholding taxes at the appropriate rate under Law and will, on a timely basis as more fully provided above, deposit such amounts with an authorized depository and make such returns, statements, receipts and other documentary evidence in connection therewith as required by Law.

#### SECTION 2.05. Application of Payments

In the case of each Equipment Note, each payment of Original Amount, Make-Whole Amount, if any, and interest or other amounts due thereon shall be applied:

First: to the payment of accrued interest on such Equipment Note (as well as any interest on any overdue Original Amount, any overdue Make-Whole Amount, if any, and to the extent permitted by Law, any overdue interest and any other overdue amounts thereunder) to the date of such payment;

Second: to the payment of the Original Amount of such Equipment Note (or a portion thereof) then due thereunder;

Third: to the payment of Make-Whole Amount, if any, and any other amount due hereunder or under such Equipment Note; and

Fourth: the balance, if any, remaining thereafter, to the payment of the Original Amount of such Equipment Note remaining unpaid (provided that such Equipment Note shall not be subject to redemption except as provided in Sections 2.10, 2.11 and 2.12 hereof).

The amounts paid pursuant to clause "Fourth" above shall be applied to the installments of Original Amount of such Equipment Note in the inverse order of their normal maturity.

SECTION 2.06. Termination of Interest in Trust  
Indenture Estate

A Note Holder shall not, as such, have any further interest in, or other right with respect to, the Trust Indenture Estate when and if the Original Amount of, Make-Whole Amount, if any, and interest on and other amounts due under all Equipment Notes held by such Note Holder and all other sums then payable to such Note Holder hereunder and under the other Operative Agreements by the Owner Trustee (collectively, the "Secured Obligations") shall have been paid in full.

SECTION 2.07. Registration, Transfer and Exchange of  
Equipment Notes

The Loan Trustee shall keep a register (the "Equipment Note Register") in which the Loan Trustee shall provide for the registration of Equipment Notes and the registration of transfers of Equipment Notes. No such transfer shall be given effect unless and until registration hereunder shall have occurred. The Equipment Note Register shall be kept at the Corporate Trust Office of the Loan Trustee. The Loan Trustee is hereby appointed "Equipment Note Registrar" for the purpose of registering Equipment Notes and transfers of Equipment Notes as herein provided. A holder of any Equipment Note intending to exchange such Equipment Note shall surrender such Equipment Note to the Loan Trustee at the Corporate Trust Office, together with a written request from the registered holder thereof for the issuance of a new Equipment Note, specifying, in the case of a surrender for transfer, the name and address of the new holder or holders. Upon surrender for registration of transfer of any Equipment Note, the Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Equipment Notes of a like aggregate Original Amount and of the same series. At the option of the Note Holder, Equipment Notes may be exchanged for other Equipment Notes of any authorized denominations of a like aggregate Original Amount, upon surrender of the Equipment Notes to be exchanged to the Loan Trustee at the Corporate Trust Office. Whenever any Equipment Notes are so surrendered for exchange, the Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver, the Equipment Notes which the Note Holder making the exchange is entitled to receive. All Equipment Notes issued upon any registration of transfer or exchange of Equipment Notes (whether under this Section 2.07 or under Section 2.08 hereof or otherwise under this Trust Indenture) shall be the valid obligations of the Owner Trustee evidencing the same respective obligations, and entitled to the same security and benefits under this Trust Indenture, as the Equipment Notes surrendered upon such registration of transfer or exchange. Every Equipment Note presented or surrendered for registration of transfer, shall (if so required by the Loan Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Loan Trustee duly executed by the Note Holder or such holder's attorney duly authorized in writing, and the Loan Trustee shall require evidence satisfactory to it as to the compliance of any such transfer with the Securities Act, and the securities Laws of any applicable state. The Loan Trustee shall make a notation on each new Equipment Note of the amount of all payments of Original Amount previously made on the old Equipment Note or Equipment Notes with respect to which such new Equipment Note is issued and the date to which interest on such old Equipment Note or Equipment Notes has been paid. Interest shall be deemed to have been paid on such new Equipment Note to the date on which interest shall have been paid on such old Equipment Note, and all payments of the Original Amount marked on such new Equipment Note, as provided above, shall be deemed to have been made thereon. The Owner Trustee shall not be required to exchange any surrendered Equipment Notes as provided above during the ten-day period preceding the due date of any payment on such Equipment Note. The Owner Trustee shall in all cases deem the Person in whose name any Equipment Note shall have been issued and registered as the absolute owner and holder of such Equipment Note for the purpose of receiving payment of all amounts payable by the Owner Trustee with respect to such Equipment Note and for all purposes until a notice stating otherwise is received from the Loan Trustee and such change is reflected on the Equipment Note Register. The Loan Trustee will promptly notify the Owner Trustee and the Lessee of each registration of a transfer of an Equipment Note. Any such transferee of an Equipment Note, by its acceptance of an Equipment Note, agrees to the provisions of the Participation Agreement applicable to Note Holders, including Sections 7.4 (other than Sections 7.4.3 and 7.4.4, in the case of the Refinancing Equipment Notes), 8.5 (other than Section 8.5.3, in the case of the Refinancing Equipment Notes), 8.7.5, 8.7.12, 8.7.14, 9 and 12.1.3 thereof and only with respect to the Initial Equipment Notes, Schedule 5 thereto, and shall be deemed to have represented and warranted (except as provided above), and covenanted, to the parties to the Participation Agreement as to the matters represented, warranted and covenanted by the original Loan Participant in the Participation Agreement. Subject to compliance by the Note Holder and its transferee (if any) of the requirements set forth in this Section 2.07, Loan Trustee and Owner Trustee shall use all reasonable efforts to issue new Equipment Notes upon transfer or exchange within 10 Business Days of the date an Equipment Note is surrendered for transfer or

exchange.

#### SECTION 2.08. Mutilated, Destroyed, Lost or Stolen Equipment Notes

If any Equipment Note shall become mutilated, destroyed, lost or stolen, the Owner Trustee shall, upon the written request of the holder of such Equipment Note, execute and the Loan Trustee shall authenticate and deliver in replacement thereof a new Equipment Note, payable in the same Original Amount dated the same date and captioned as issued in connection with the Aircraft. If the Equipment Note being replaced has become mutilated, such Equipment Note shall be surrendered to the Loan Trustee and a photocopy thereof shall be furnished to the Owner Trustee. If the Equipment Note being replaced has been destroyed, lost or stolen, the holder of such Equipment Note shall furnish to the Owner Trustee and the Loan Trustee such security or indemnity as may be required by them to save the Owner Trustee and the Loan Trustee harmless and evidence satisfactory to the Owner Trustee and the Loan Trustee of the destruction, loss or theft of such Equipment Note and of the ownership thereof. If a "qualified institutional buyer" of the type referred to in paragraph (a)(1)(i)(A), (B), (D) or (E) of Rule 144A under the Securities Act (a "QIB") is the holder of any such destroyed, lost or stolen Equipment Note, then the written indemnity of such QIB, signed by an authorized officer thereof, in favor of, delivered to and in form reasonably satisfactory to Lessee, Owner Trustee and Loan Trustee shall be accepted as satisfactory indemnity and security and no further indemnity or security shall be required as a condition to the execution and delivery of such new Equipment Note. Subject to compliance by the Note Holder of the requirements set forth in this Section 2.08, Loan Trustee and Owner Trustee shall use all reasonable efforts to issue new Equipment Notes within 10 Business Days of the date of the written request therefor from the Note Holder.

#### SECTION 2.09. Payment of Expenses on Transfer; Cancellation

(a) No service charge shall be made to a Note Holder for any registration of transfer or exchange of Equipment Notes, but the Loan Trustee, as Equipment Note Registrar, may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Equipment Notes; provided, however, that neither the Owner Trustee nor the Owner Participant shall bear costs of registration, transfer or exchange in connection with the consummation of the Refinancing Transaction.

(b) The Loan Trustee shall cancel all Equipment Notes surrendered for replacement, redemption, transfer, exchange, payment or cancellation and shall destroy the canceled Equipment Notes.

#### SECTION 2.10. Mandatory Redemptions of Equipment Notes

(a) On the date on which Lessee is required pursuant to Section 10.1.2 of the Lease to make payment for an Event of Loss with respect to the Aircraft, all of the Equipment Notes shall be redeemed in whole at a redemption price equal to 100% of the unpaid Original Amount thereof, together with all accrued interest thereon to the date of redemption and all other amounts payable hereunder or under the Participation Agreement to the Note Holders but without Make-Whole Amount.

(b) If the Lease is terminated with respect to the Aircraft by Lessee pursuant to Section 9 thereof, on the date the Lease is so terminated, all the Equipment Notes shall be redeemed in whole at a redemption price equal to 100% of the unpaid Original Amount thereof, together with accrued interest thereon to the date of redemption and all other amounts payable hereunder or under the Participation Agreement to the Note Holders plus Make-Whole Amount, if any.

#### SECTION 2.11. Voluntary Redemptions of Equipment Notes

Any or all of the Equipment Notes may be redeemed by the Owner Trustee in connection with a transaction described in, and subject to the terms and conditions of, Section 13 of the Participation Agreement upon at least 30 days' revocable prior written notice to the Loan Trustee and the Note Holders, and the Equipment Notes shall, as provided in Section 13 of the Participation Agreement, be redeemed in whole at a redemption price equal to 100% of the unpaid Original Amount thereof, together with accrued interest thereon to the date of redemption and all other amounts payable hereunder or under the Participation Agreement to the Note Holders plus (except as provided in Section 13 of the Participation Agreement) Make-Whole Amount, if any.

#### SECTION 2.12. Redemptions; Notice of Redemption

(a) Neither any redemption of any Equipment Note nor any purchase by the Owner Trustee of any Equipment Note may be made except to the extent and in the manner expressly permitted by this Trust Indenture. No purchase of any Equipment Note may be made by the Loan Trustee.

(b) Notice of redemption or purchase with respect to the Equipment Notes shall be given by the Loan Trustee by first-class mail, postage prepaid, mailed not less than 25 nor more than 60 days prior to the applicable redemption date, to each Note Holder of such Equipment Notes to be redeemed or purchased, at such Note Holder's address appearing in the Equipment Note Register; provided that, in the case of a redemption to be made pursuant to Section 2.10(b) or Section 2.11, such notice shall be revocable and shall be deemed revoked in the event that the Lease does not in fact terminate on the specified termination date or if notice of such redemption shall have been given in connection with a refinancing of Equipment Notes and the Loan Trustee receives written notice of such revocation from the Lessee or the Owner Trustee not later than three days prior to the redemption date. All notices of redemption shall state: (1) the redemption date, (2) the applicable basis for determining the redemption price, (3) that on the redemption date, the redemption price will become due and payable upon each such Equipment Note, and that, if any such Equipment Notes are then outstanding, interest on such Equipment Notes shall cease to accrue on and after such redemption date, and (4) the place or places where such Equipment Notes are to be surrendered for payment of the redemption price.

(c) On or before the redemption date, the Owner Trustee (or any person on behalf of the Owner Trustee) shall, to the extent an amount equal to the redemption price for the Equipment Notes to be redeemed or purchased on the redemption date shall not then be held in the Trust Indenture Estate, deposit or cause to be deposited with the Loan Trustee by 12:00 noon on the redemption date in immediately available funds the redemption price of the Equipment Notes to be redeemed or purchased.

(d) Notice of redemption or purchase having been given as aforesaid (and not deemed revoked as contemplated in the proviso to Section 2.12(b)), the Equipment Notes to be redeemed or purchased shall, on the redemption date, become due and payable at the Corporate Trust Office of the Loan Trustee or at any office or agency maintained for such purposes pursuant to Section 2.07, and from and after such redemption date (unless there shall be a default in the payment of the redemption price) any such Equipment Notes then outstanding shall cease to bear interest. Upon surrender of any such Equipment Note for redemption or purchase in accordance with said notice, such Equipment Note shall be redeemed at the redemption price. If any Equipment Note called for redemption or purchase shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable redemption date at the interest rate in effect for such Equipment Note as of such redemption date.

#### SECTION 2.13. Revisions to Amortization Schedule

If pursuant to Schedule 5 of the Participation Agreement, the Amortization Schedule is revised to reflect a resetting of the rate of interest on the Initial Equipment Notes of Series A, Series B and Series C as provided in such Schedule 5, then the terms and conditions of such revised Amortization Schedule shall be set forth in a Trust Indenture Supplement executed by the Owner Trustee and the Loan Trustee. Each Note Holder shall promptly destroy the Amortization Schedules attached to the Initial Equipment Notes of Series A, Series B or Series C held by it immediately prior to such resetting upon receipt of new Amortization Schedules, provided that the failure of any Note Holder to replace and destroy such old Amortization Schedules shall not affect or prevent such resetting and any Amortization Schedule not so replaced and destroyed shall be deemed to have been modified in accordance with such Trust Indenture Supplement.

#### SECTION 2.14. Option to Purchase Equipment Notes

The Owner Trustee and the Owner Participant may, upon the events and subject to the terms and conditions and for the price set forth in this Section 2.14, purchase all but not less than all of the Equipment Notes outstanding hereunder, and each Note Holder agrees that it will, upon such events and subject to such terms and conditions and upon receipt of such price, sell, assign, transfer and convey to such purchaser or its nominee (without recourse or warranty of any kind except against liens on such Equipment Notes arising by, through or under such holder), all of the right, title and interest of such Note Holder in and to the Equipment Notes held by it, and such purchaser or its nominee shall assume all of such holder's obligations under the Participation Agreement and hereunder; provided, however, that, prior to consummation of such purchase, the Note Holders and the Loan Trustee shall be presented with an opinion of counsel, which counsel shall be reasonably acceptable to the Loan Trustee, that such sale and purchase does not violate the Securities Act or any applicable state securities laws.

Such option to purchase the Equipment Notes may be exercised by the Owner Trustee or the Owner Participant upon any of the following events, and in any such event the purchase price thereof shall equal for each Equipment Note, the aggregate unpaid Original Amount thereof, plus accrued and unpaid interest thereon to the date of purchase and all other amounts then payable

hereunder or under the Participation Agreement to the holder thereof. Such option to purchase the Equipment Notes may be exercised: (i) in the case of the Initial Equipment Notes, (x) upon a Loan Trustee Event or (y) in the event there shall have occurred and be continuing a material Lease Event of Default (including, without limitation, any Lease Event of Default under Section 14.1 of the Lease but excluding any Lease Event of Default under Section 14.7 or 14.8 of the Lease), provided, that if such option is exercised pursuant to this clause (i)(y) at a time when there shall have occurred and be continuing for less than 180 days any such Lease Event of Default, the purchase price thereof shall equal the price provided in the preceding sentence plus (subject to Section 4.04(b) hereof) the Make-Whole Amount, if any; and (ii) in the case of Refinancing Equipment Notes, (x) upon a Loan Trustee Event or (y) in the event there shall have occurred and be continuing a Lease Event of Default, provided that if such option is exercised pursuant to this clause (ii)(y) at a time when there shall have occurred and be continuing for less than 120 days a Lease Event of Default, the purchase price thereof shall equal the price provided in the preceding sentence plus (subject to Section 4.04(b) hereof) the Make-Whole Amount, if any, provided further that if such option is exercised pursuant to this clause (ii)(y) at any time when there shall have occurred and be continuing a Lease Event of Default only under Section 14.8 of the Lease (in which event the option to purchase the Equipment Notes pursuant to this Section 2.14 may not be exercised for 60 days after the date of notice by the Loan Trustee of such Lease Event of Default to the Note Holders), the purchase price thereof shall equal the price provided in the preceding sentence plus (subject to Section 4.04(b) hereof) the Make-Whole Amount, if any.

Such option to purchase the Equipment Notes may be exercised by the Owner Trustee or the Owner Participant giving written notice of its election of such option to the Loan Trustee, which notice shall specify a date for such purchase within 30 days of the date of such notice. The Loan Trustee shall not exercise any of the remedies hereunder and, without the consent of the Owner Trustee or the Owner Participant, under the Lease, during the period from the time that an exercise by the Owner Participant of such option to purchase becomes irrevocable until the date on which such purchase is required to occur pursuant to the terms of the preceding sentence. Such election to purchase the Equipment Notes shall become irrevocable upon the sixteenth day following the giving of written notice as provided above.

If the Owner Trustee or the Owner Participant on or before the date of such purchase shall so request, the Note Holders will comply with all the provisions of Section 2.07 to enable new Equipment Notes to be issued to the Owner Trustee or the Owner Participant or its nominee in such denominations as the Owner Trustee or the Owner Participant shall request. All taxes, charges and expenses required pursuant to Section 2.09 in connection with the issuance of such new Equipment Note shall be borne by the Owner Participant.

#### SECTION 2.15. Subordination

(a) The Owner Trustee and, by acceptance of its Equipment Notes of any Series, each Note Holder of such Series, hereby agree that no payment or distribution shall be made on or in respect of the Secured Obligations owed to such Note Holder of such Series, including any payment or distribution of cash, property or securities after the commencement of a proceeding of the type referred to in Section 4.02(g) hereof, except as expressly provided in Article III hereof.

(b) By the acceptance of its Equipment Notes of any Series (other than Series A), each Note Holder of such Series agrees that in the event that such Note Holder, in its capacity as a Note Holder, shall receive any payment or distribution on any Secured Obligations in respect of such Series which it is not entitled to receive under this Section 2.15 or Article III hereof, it will hold any amount so received in trust for the Senior Holder (as defined in Section 2.15(c) hereof) and will forthwith turn over such payment to the Loan Trustee in the form received to be applied as provided in Article III hereof.

(c) As used in this Section 2.15, the term "Senior Holder" shall mean, (i) the Note Holders of Series A until the Secured Obligations in respect of Series A Equipment Notes have been paid in full, (ii) after the Secured Obligations in respect of Series A Equipment Notes have been paid in full, the Note Holders of Series B until the Secured Obligations in respect of Series B Equipment Notes have been paid in full and (iii) after the Secured Obligations in respect of Series B Equipment Notes have been paid in full, the Note Holders of Series C until the Secured Obligations in respect of Series C Equipment Notes have been paid in full.

#### SECTION 2.16. Purchase Upon Acceleration

(a) At any time after the Initial Equipment Notes have been declared to be immediately due and payable pursuant to Section 4.04(b) hereof, which declaration has not been rescinded or withdrawn, each Note Holder of Series D shall have the right to purchase all, but not less than all, of the Initial Equipment

Notes of Series A, Series B and Series C upon thirty days written notice to the Loan Trustee and each other Note Holder of Series D, provided that (A) if prior to the end of such thirty-day period any other Note Holder of Series D notifies such purchasing Note Holder that such other Note Holder wants to participate in such purchase, then such other Note Holder may join with the purchasing Note Holder to purchase all, but not less than all, of the Initial Equipment Notes of Series A, Series B and Series C, pro rata based on the outstanding principal amount of the Initial Equipment Notes of Series D held by each such Note Holder of Series D and (B) if prior to the end of such thirty-day period any other Note Holder of Series D fails to notify the purchasing Note Holder of such other Note Holder's desire to participate in such a purchase, then such other Note Holder shall lose its right to purchase the Initial Equipment Notes of Series A, Series B and Series C pursuant to this Section 2.16(a). By acceptance of its Initial Equipment Note, each Note Holder of Initial Equipment Notes agrees to the provisions of this Section 2.16.

(b) The purchase price with respect to each Initial Equipment Note of Series A, Series B and Series C shall be equal to the aggregate unpaid Original Amount thereof together with accrued and unpaid interest thereon to the date of payment without any Make-Whole Amount and all other sums then due and payable to the Note Holders thereof under this Trust Indenture and the other Operative Agreements or on or in respect of such Note Holders' Initial Equipment Notes. Each Note Holder of Series A, Series B and Series C agrees by its acceptance of its Initial Equipment Note that it will, subject to Section 2.07 hereof, upon payment from the purchaser of the purchase price set forth in the first sentence of this paragraph, forthwith sell, assign, transfer and convey to such purchaser (without recourse, representation or warranty of any kind except for Liens on such Initial Equipment Notes arising by, through or under such Note Holder), all of the right, title and interest of such Note Holder in and to all Initial Equipment Notes held by such Note Holder (excluding all right, title and interest under any of the foregoing to the extent such right, title or interest is with respect to an obligation (including payment of insurance proceeds or indemnity payments) not then due and payable as respects any action or inaction or state of affairs occurring prior to such sale) and the purchaser shall assume all of such Note Holder's obligations under this Trust Indenture and the other Operative Agreements. The Initial Equipment Notes of Series A, Series B and Series C will be deemed to be purchased on the date of payment of the purchase price against the delivery by the Note Holders of such Initial Equipment Notes and, upon such a purchase (i) the only rights of the Note Holders of Series A, Series B or Series C will be to deliver their Initial Equipment Notes to the purchaser and receive the purchase price for such Initial Equipment Notes and (ii) if the purchaser shall so request, such Note Holder will comply with all the provisions of Section 2.07 hereof to enable new Equipment Notes to be issued to the purchaser in such denominations as it shall request. All charges and expenses in connection with the issuance of any such new Initial Equipment Notes shall be borne by the purchaser thereof.

(c) Notwithstanding anything herein to the contrary, the provisions of the foregoing Subsections (a) and (b) of this Section 2.16 shall not apply to any Refinancing Equipment Note.

### ARTICLE III

#### RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME FROM THE TRUST INDENTURE ESTATE

##### SECTION 3.01. Basic Rent Distribution

Except as otherwise provided in Section 3.03 hereof, each installment of Basic Rent, any payment of interest on overdue installments of Basic Rent and any payment received by the Loan Trustee pursuant to Section 4.03 hereof shall be promptly distributed in the following order of priority:

First, (i) so much of such installment or payments as shall be required to pay in full the aggregate amount of the payment or payments of Original Amount and interest and other amounts (as well as any interest on any overdue Original Amount and, to the extent permitted by Law, on any overdue interest and any other overdue amounts) then due under all Series A Equipment Notes shall be distributed to the Note Holders of Series A ratably, without priority of one over the other, in the proportion that the amount of such payment or payments then due under each Series A Equipment Note bears to the aggregate amount of the payments then due under all Series A Equipment Notes;

(ii) after giving effect to paragraph (i) above, so much of such installment or payment remaining as shall be required to pay in full the aggregate amount of the payment or payments of Original Amount and interest and other amounts (as well as any interest on any overdue Original Amount and, to the extent permitted by Law, on interest

and any other overdue amounts) then due under all Series B Equipment Notes shall be distributed to the Note Holders of Series B ratably, without priority of one over the other, in the proportion that the amount of such payment or payments then due under each Series B Equipment Note bears to the aggregate amount of the payments then due under all Series B Equipment Notes;

- (iii) after giving effect to paragraph (ii) above, so much of such installment or payment remaining as shall be required to pay in full the aggregate amount of the payment or payments of Original Amount and interest and any other overdue amounts (as well as any interest on any overdue Original Amount and, to the extent permitted by Law, on any overdue interest and any other overdue amounts) then due under all Series C Equipment Notes shall be distributed to the Note Holders of Series C ratably, without priority of one over the other, in the proportion that the amount of such payment or payments then due under each Series C Equipment Note bears to the aggregate amount of the payments then due under all Series C Equipment Notes; and
- (iv) after giving effect to paragraph (iii) above, so much of such installment or payment remaining as shall be required to pay in full the aggregate amount of the payment or payments of Original Amount and interest and other amounts (as well as any interest on any overdue Original Amount and, to the extent permitted by Law, on any overdue interest and any other overdue amounts) then due under all Series D Equipment Notes shall be distributed to the Note Holders of Series D ratably, without priority of one over the other, in the proportion that the amount of such payment or payments then due under each Series D Equipment Note bears to the aggregate amount of the payments then due under all Series D Equipment Notes; and

Second, the balance, if any, of such installment remaining thereafter shall be distributed to the Owner Trustee; provided, however, that if an Event of Default shall have occurred and be continuing, then such balance shall not be distributed as provided in this clause "Second" but shall be held by the Loan Trustee as part of the Trust Indenture Estate and invested in accordance with Section 5.09 hereof until whichever of the following shall first occur: (i) all Events of Default shall have been cured or waived, in which event such balance shall be distributed as provided in this clause "Second", (ii) Section 3.03 hereof shall be applicable, in which event such balance shall be distributed in accordance with the provisions of such Section 3.03, or (iii) the 180th day after the receipt of such payment in which case such payment shall be distributed as provided in this clause "Second".

#### SECTION 3.02. Event of Loss; Replacement; Voluntary Termination; Optional Redemption

Except as otherwise provided in Section 3.03 hereof, any payments received by the Loan Trustee (i) with respect to the Airframe or the Airframe and one or more Engines as the result of an Event of Loss, (ii) pursuant to a voluntary termination of the Lease pursuant to Section 9 thereof, or (iii) pursuant to an optional redemption of the Equipment Notes pursuant to Section 13 of the Participation Agreement shall be applied to redemption of the Equipment Notes and to all other amounts payable hereunder or to the Loan Trustee or any Note Holder under the Participation Agreement by applying such funds in the following order of priority:

- First, (a) to reimburse the Loan Trustee and the Note Holders for any reasonable costs or expenses incurred in connection with such redemption for which they are entitled to reimbursement, or indemnity by Lessee, under the Operative Agreements and then (b) to pay any other amounts then due to the Loan Trustee and the Note Holders under this Trust Indenture, the Participation Agreement or the Equipment Notes;
- Second, (i) to pay the amounts specified in paragraph (i) of clause "Third" of Section 3.03 hereof plus Make-Whole Amount, if any, then due and payable in respect of the Series A Equipment Notes;
  - (ii) after giving effect to paragraph (i) above, to pay the amounts specified in paragraph (ii) of clause "Third" of Section 3.03 hereof plus Make-Whole Amount, if any, then due and payable in respect of the Series B Equipment Notes;
  - (iii) after giving effect to paragraph (ii) above, to

pay the amounts specified in paragraph (iii) of clause "Third" of Section 3.03 hereof plus Make-Whole Amount, if any, then due and payable in respect of the Series C Equipment Notes; and

- (iv) after giving effect to paragraph (iii) above, to pay the amounts specified in paragraph (iv) of clause "Third" of Section 3.03 hereof plus Make-Whole Amount, if any, then due and payable in respect of the Series D Equipment Notes; and

Third, as provided in clause "Fourth" of Section 3.03 hereof;

provided, however, that if a Replacement Airframe or Replacement Engine shall be substituted for the Airframe or Engine subject to such Event of Loss as provided in Section 10 of the Lease and in accordance with Section 5.06 hereof, any insurance, condemnation or similar proceeds which result from such Event of Loss and are paid over to the Loan Trustee shall be held by the Loan Trustee as permitted by Section 6.04 hereof (provided that such moneys shall be invested as provided in Section 5.09 hereof) as additional security for the obligations of Lessee under the Lessee Operative Agreements and, unless otherwise applied pursuant to the Lease, such proceeds (and such investment earnings) shall be released to the Lessee at the Lessee's written request upon the release of such damaged Airframe or Engine and the replacement thereof as provided in the Lease.

#### SECTION 3.03. Payments After Event of Default

Except as otherwise provided in Section 3.04 hereof, all payments received and amounts held or realized by the Loan Trustee (including any amounts realized by the Loan Trustee from the exercise of any remedies pursuant to Section 15 of the Lease or Article IV hereof) after an Event of Default shall have occurred and be continuing and after the occurrence of a Loan Trustee Event, as well as all payments or amounts then held by the Loan Trustee as part of the Trust Indenture Estate, shall be promptly distributed by the Loan Trustee in the following order of priority:

First, so much of such payments or amounts as shall be required to reimburse the Loan Trustee or WTC for any tax, expense or other loss (including, without limitation, all amounts to be expended at the expense of, or charged upon the tolls, rents, revenues, issues, products and profits of, the property included in the Trust Indenture Estate (all such property being herein called the "Mortgaged Property") pursuant to Section 4.05(b) hereof) incurred by the Loan Trustee or WTC (to the extent not previously reimbursed), the expenses of any sale, taking or other proceeding, reasonable attorneys' fees and expenses, court costs, and any other expenditures incurred or expenditures or advances made by the Loan Trustee, WTC or the Note Holders in the protection, exercise or enforcement of any right, power or remedy or any damages sustained by the Loan Trustee, WTC or any Note Holder, liquidated or otherwise, upon such Event of Default shall be applied by the Loan Trustee as between itself, WTC and the Note Holders in reimbursement of such expenses and any other expenses for which the Loan Trustee, WTC or the Note Holders are entitled to reimbursement under any Operative Agreement and in the case the aggregate amount to be so distributed is insufficient to pay as aforesaid, then ratably, without priority of one over the other, in proportion to the amounts owed each hereunder;

Second, so much of such payments or amounts remaining as shall be required to reimburse the then existing or prior Note Holders for payments made pursuant to Section 5.03 hereof (to the extent not previously reimbursed) shall be distributed to such then existing or prior Note Holders ratably, without priority of one over the other, in accordance with the amount of the payment or payments made by each such then existing or prior Note Holder pursuant to said Section 5.03 hereof;

Third, (i) so much of such payments or amounts remaining as shall be required to pay in full the aggregate unpaid Original Amount of all Series A Equipment Notes, and the accrued but unpaid interest and other amounts due thereon (other than Make-Whole Amount which shall not be due and payable) and all other Secured Obligations in respect of the Series A Equipment Notes (other than Make-Whole Amount) to the date of distribution, shall be distributed to the Note Holders of Series A, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that the aggregate unpaid Original Amount of all Series A Equipment Notes held by each holder plus the accrued but unpaid interest and other amounts due hereunder or thereunder (other than Make-Whole Amount, if any) to the date of

distribution, bears to the aggregate unpaid Original Amount of all Series A Equipment Notes held by all such holders plus the accrued but unpaid interest and other amounts due thereon (other than Make-Whole Amount) to the date of distribution;

- (ii) after giving effect to paragraph (i) above, so much of such payments or amounts remaining as shall be required to pay in full the aggregate unpaid Original Amount of all Series B Equipment Notes, and the accrued but unpaid interest and other amounts due thereon (other than Make-Whole Amount which shall not be due and payable) and all other Secured Obligations in respect of the Series B Equipment Notes (other than Make-Whole Amount) to the date of distribution, shall be distributed to the Note Holders of Series B, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that the aggregate unpaid Original Amount of all Series B Equipment Notes held by each holder plus the accrued but unpaid interest and other amounts due hereunder or thereunder (other than the Make-Whole Amount, if any) to the date of distribution, bears to the aggregate unpaid Original Amount of all Series B Equipment Notes held by all such holders plus the accrued but unpaid interest and other amounts due thereon (other than the Make-Whole Amount) to the date of distribution;
- (iii) after giving effect to paragraph (ii) above, so much of such payments or amounts remaining as shall be required to pay in full the aggregate unpaid Original Amount of all Series C Equipment Notes, and the accrued but unpaid interest and other amounts due thereon (other than Make-Whole Amount which shall not be due and payable) and all other Secured Obligations in respect of the Series C Equipment Notes (other than Make-Whole Amount) to the date of distribution, shall be distributed to the Note Holders of Series C, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that the aggregate unpaid Original Amount of all Series C Equipment Notes held by each holder plus the accrued but unpaid interest and other amounts due hereunder or thereunder (other than the Make-Whole Amount, if any) to the date of distribution, bears to the aggregate unpaid Original Amount of all Series C Equipment Notes held by all such holders plus the accrued but unpaid interest and other amounts due thereon (other than the Make-Whole Amount) to the date of distribution; and
- (iv) after giving effect to paragraph (iii) above, so much of such payments or amounts remaining as shall be required to pay in full the aggregate unpaid Original Amount of all Series D Equipment Notes, and the accrued but unpaid interest and other amounts due thereon (other than Make-Whole Amount which shall not be due and payable) and all other Secured Obligations in respect of the Series D Equipment Notes (other than Make-Whole Amount) to the date of distribution, shall be distributed to the Note Holders of Series D, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that the aggregate unpaid Original Amount of all Series D Equipment Notes held by each holder plus the accrued but unpaid interest and other amounts due hereunder or thereunder (other than the Make-Whole Amount, if any) to the date of distribution, bears to the aggregate unpaid Original Amount of all Series D Equipment Notes held by all such holders plus the accrued but unpaid interest and other amounts due thereon (other than the Make-Whole Amount) to the date of distribution; and

Fourth, the balance, if any, of such payments or amounts remaining thereafter shall be distributed to the Owner Trustee.

No Make-Whole Amount shall be due and payable on the Equipment Notes as a consequence of the acceleration of the Equipment Notes as a result of an Event of Default.

(a) Any payments received by the Loan Trustee for which no provision as to the application thereof is made in this Trust Indenture and for which such provision is made in the Lease, the Participation Agreement or any other Operative Agreement shall be applied forthwith to the purpose for which such payment was made in accordance with the terms of the Lease, the Participation Agreement or such other Operative Agreement, as the case may be.

(b) The Loan Trustee will distribute promptly upon receipt any indemnity payment received by it from the Owner Trustee or Lessee in respect of the Loan Trustee in its individual capacity, or any Note Holder either pursuant to Section 10 of the Participation Agreement or as Supplemental Rent, directly to the Person entitled thereto.

(c) [Intentionally Omitted]

(d) Notwithstanding anything to the contrary contained in this Article III, any payments received by the Loan Trustee which constitute Excluded Payments shall be distributed promptly upon receipt by the Loan Trustee directly to the Person or Persons entitled thereto.

(e) Notwithstanding any provision of this Trust Indenture to the contrary, any amounts held by Loan Trustee pursuant to the terms of the Lease shall be held by the Loan Trustee as security for the obligations of Lessee under the Lessee Operative Agreements and, if and when required by the Lease, paid and/or applied in accordance with the applicable provisions of the Lease.

#### SECTION 3.05. Other Payments

Any payments received by the Loan Trustee for which no provision as to the application thereof is made in the Lease, the Participation Agreement, elsewhere in this Trust Indenture or in any other Operative Agreement shall be distributed by the Loan Trustee to the extent received or realized at any time (i) prior to the payment in full of all Secured Obligations due the Note Holders, in the order of priority specified in Section 3.01 hereof subject to the proviso thereto, and (ii) after payment in full of all Secured Obligations due the Note Holders, in the following order of priority:

First, to the extent payments or amounts described in clause "First" of Section 3.03 hereof are otherwise obligations of Lessee under the Operative Agreements or for which the Lessee is obligated to indemnify against thereunder, in the manner provided in clause "First" of Section 3.03 hereof, and

Second, in the manner provided in clause "Fourth" of Section 3.03 hereof. Further, and except as otherwise provided in Sections 3.02, 3.03 and 3.04 hereof, all payments received and amounts realized by the Loan Trustee under the Lease or otherwise with respect to the Aircraft (including without limitation, all amounts realized upon the sale or release of the Aircraft after the termination of the Lease with respect thereto), to the extent received or realized at any time after payment in full of all Secured Obligations due the Note Holders, shall be distributed by the Loan Trustee in the order of priority specified in clause (ii) of the immediately preceding sentence of this Section 3.05.

#### SECTION 3.06. Payments to Owner Trustee

Any amounts distributed hereunder by the Loan Trustee to the Owner Trustee shall be paid to the Owner Trustee (within the time limits contemplated by Section 2.04(a)) by wire transfer of funds of the type received by the Loan Trustee at such office and to such account or accounts of such entity or entities as shall be designated by notice from the Owner Trustee to the Loan Trustee from time to time. The Owner Trustee hereby notifies the Loan Trustee that unless and until the Loan Trustee receives notice to the contrary from the Owner Trustee, all amounts to be distributed to the Owner Trustee pursuant to clause "Second" of Section 3.01 hereof shall be distributed by wire transfer of funds of the type received by the Loan Trustee to the Owner Participant's account (within the time limits contemplated by Section 2.04(a)) specified in Schedule 1 to the Participation Agreement.

### ARTICLE IV

#### COVENANTS OF OWNER TRUSTEE; EVENTS OF DEFAULT; REMEDIES OF LOAN TRUSTEE

##### SECTION 4.01. Covenants of Owner Trustee

The Owner Trustee hereby covenants and agrees (the covenants and agreements only in clause (b) below being made by the Owner Trustee in its individual capacity) as follows:

(a) the Owner Trustee will duly and punctually pay the Original Amount of, Make-Whole Amount, if any, and interest

on and other amounts due under the Equipment Notes and hereunder in accordance with the terms of the Equipment Notes and this Trust Indenture and all amounts, if any, payable by it to the Note Holders under the Participation Agreement;

(b) the Owner Trustee in its individual capacity covenants and agrees that it shall not, directly or indirectly, cause or permit to exist a Lessor Lien attributable to it in its individual capacity with respect to the Aircraft or any other portion of the Trust Estate; that it will promptly, at its own expense, take such action as may be necessary to duly discharge such Lessor Lien attributable to it in its individual capacity; and that it will make restitution to the Trust Estate for any actual diminution of the assets of the Trust Estate resulting from such Lessor Liens attributable to it in its individual capacity;

(c) in the event the Owner Trustee shall have Actual Knowledge of an Event of Default, a Default or an Event of Loss, the Owner Trustee will give prompt written notice of such Event of Default, Default or Event of Loss to the Loan Trustee, each Note Holder, Lessee and the Owner Participant;

(d) the Owner Trustee will furnish to the Note Holders and the Loan Trustee, promptly upon receipt thereof, duplicates or copies of all reports, notices, requests, demands, certificates and other instruments furnished to the Owner Trustee under the Lease, including, without limitation, a copy of any Termination Notice and a copy of each report or notice received pursuant to Section 9 or 8.2 or Annex D, Paragraph E of the Lease to the extent that the same shall not have been furnished to the Note Holders or the Loan Trustee pursuant to the Lease;

(e) except with the consent of the Loan Trustee (acting pursuant to instructions given in accordance with Section 9.01 hereof) or as provided in Sections 2, 13 and 15 of the Participation Agreement, the Owner Trustee will not contract for, create, incur, assume or suffer to exist any Debt, and will not guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing, or otherwise), endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the Debt of any other person; and

(f) the Owner Trustee will not enter into any business or other activity other than the business of owning the Aircraft, the leasing thereof to Lessee and the carrying out of the transactions contemplated hereby and by the Lease, the Participation Agreement and the Trust Agreement and the other Operative Agreements.

#### SECTION 4.02. Event of Default

"Event of Default" means any of the following events (whatever the reason for such Event of Default and whether such event shall be voluntary or involuntary or come about or be effected by operation of Law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) any Lease Event of Default (provided that any such Lease Event of Default caused solely by a failure of Lessee to pay to the Owner Trustee or the Owner Participant when due any amount that is included in the definition of Excluded Payments shall not constitute an Event of Default unless notice is given by the Owner Trustee to the Loan Trustee that such failure shall constitute an Event of Default); or

(b) the failure of the Owner Trustee to pay when due any payment of Original Amount of, interest on, Make-Whole Amount, if any, or other amount due and payable under any Equipment Note or hereunder (other than as a result of a Lease Event of Default or a Lease Default) and such failure shall have continued unremedied for ten Business Days in the case of any payment of Original Amount or interest or Make-Whole Amount, if any, thereon and, in the case of any other amount, for ten Business Days after the Owner Trustee or the Owner Participant receives written demand from the Loan Trustee or any Note Holder; or

(c) any Lien required to be discharged by the Owner Trustee, in its individual capacity pursuant to Section 4.01(b) hereof or in its individual or trust capacity pursuant to Section 8.3.1 of the Participation Agreement, or by the Owner Participant pursuant to Section 8.2.1 of the Participation Agreement shall remain undischarged for a period of 30 days after the Owner Trustee or the Owner Participant, as the case may be, shall have received written notice from the Loan Trustee or any Note Holder of such Lien; or

(d) any representation or warranty made by the Owner Participant or the Owner Trustee herein, in the

Participation Agreement (or, upon consummation of the Refinancing Transaction, the Refunding Agreement) or in any certificate furnished by the Owner Participant or the Owner Trustee to the Loan Trustee or any Note Holder in connection with the transactions contemplated by the Operative Agreements shall prove to have been false or incorrect when made in any material respect and continues to be material; and if such misrepresentation is capable of being corrected and if such correction is being sought diligently, such misrepresentation shall not have been corrected within 60 days (or, without affecting Section 4.02(f) hereof, in the case of the representation made in Section 7.3.6 or 7.2.6 of the Participation Agreement as to citizenship of the Owner Trustee in its individual capacity or of the Owner Participant, respectively, as soon as is reasonably practicable but in any event within 60 days) following notice thereof from the Loan Trustee or any Note Holder to the Owner Trustee or the Owner Participant, as the case may be; or

(e) other than as provided in (c) above or (f) below, any failure by the Owner Trustee or Owner Participant to observe or perform any other covenant or obligation of the Owner Trustee or Owner Participant, as the case may be, for the benefit of the Loan Trustee or the Note Holders contained in the Participation Agreement, Section 4.01(a) of the Trust Agreement, the Equipment Notes or this Trust Indenture which is not remedied within a period of 60 days after notice thereof has been given to the Owner Trustee and the Owner Participant; or

(f) if at any time when the Aircraft is registered under the Laws of the United States, the Owner Participant shall not be a "citizen of the United States" within the meaning of Section 40102(a)(15) of Part A of Subtitle VII of Title 49, United States Code, and as the result thereof the registration of the Aircraft under the Federal Aviation Act, and regulations then applicable thereunder, shall cease to be effective; provided that no Event of Default shall be deemed to have occurred under this paragraph (f) unless such circumstances continue unremedied for more than 60 days after the Owner Participant has Actual Knowledge of the state of facts that resulted in such ineffectiveness and of such loss of citizenship; or

(g) at any time either (i) the commencement of an involuntary case or other proceeding in respect of the Owner Participant, the Owner Trustee, the Trust or the Trust Estate under the federal bankruptcy Laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar Law in the United States or seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Owner Participant, the Owner Trustee, the Trust or the Trust Estate or for all or substantially all of its property, or seeking the winding-up or liquidation of its affairs and the continuation of any such case or other proceeding undismissed and unstayed for a period of 60 consecutive days; or (ii) the commencement by the Owner Participant, the Owner Trustee, the Trust or the Trust Estate of a voluntary case or proceeding under the federal bankruptcy Laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar Law in the United States, or the consent by the Owner Participant, the Owner Trustee, the Trust or the Trust Estate to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Owner Participant, the Owner Trustee, the Trust or the Trust Estate or for all or substantially all of its property, or the making by the Owner Participant, the Owner Trustee, the Trust or the Trust Estate of any assignment for the benefit of creditors or the Owner Participant or the Owner Trustee shall take any action to authorize any of the foregoing; provided, however, that an event referred to in this Section 4.02(g) with respect to the Owner Participant shall not constitute an Event of Default if within 30 days of the commencement of the case or proceeding a final non-appealable order, judgment or decree shall be entered in such case or proceeding by a court or a trustee, custodian, receiver or liquidator, to the effect that, no part of the Trust Estate (except for the Owner Participant's beneficial interest therein) and no right, title or interest under the Trust Indenture shall be included in, or be subject to, any declaration or adjudication of, or proceedings with respect to, the bankruptcy, insolvency or liquidation of the Owner Participant referred to in this Section 4.02(g).

#### SECTION 4.03. Certain Rights

The Loan Trustee shall give the Note Holders, the Owner Trustee and the Owner Participant prompt written notice of any Event of Default of which the Loan Trustee has Actual Knowledge and, if any such Event of Default results from a Lease Event of Default that can be cured by the payment of money, shall give the Note Holders, the Owner Trustee and the Owner Participant not less than ten Business Days' prior written notice of the date (the "Enforcement Date") on or after which the Loan Trustee may

commence and consummate the exercise of any remedy or remedies described in Section 4.04, 4.05 or 4.06 hereof, or the exercise of any remedy or remedies pursuant to the provisions of Section 15 of the Lease; provided, however, that in the event the Loan Trustee shall have validly terminated the Lease, the Loan Trustee shall not sell or lease, or otherwise afford the use of, the Aircraft or any portion thereof to the Lessee or any Affiliate thereof. Without limiting the generality of the foregoing, the Loan Trustee shall give the Owner Trustee and the Owner Participant at least ten Business Days' prior written notice of any termination of the Lease or of the exercise of any remedy or remedies pursuant to Section 15 of the Lease. If an Event of Default shall have occurred and be continuing, the Owner Trustee shall have the following rights hereunder, any of which may be exercised directly by the Owner Participant.

If as a result of the occurrence of an Event of Default in respect of the nonpayment by Lessee of Basic Rent due under the Lease, the Loan Trustee shall have insufficient funds to make any payment of Original Amount and interest on any Equipment Note on the day it becomes due and payable, the Owner Trustee may, but shall not be obligated to, pay the Loan Trustee prior to the Enforcement Date, in the manner provided in Section 2.04 hereof, for application in accordance with Section 3.01 hereof, an amount equal to the portion of the Original Amount and interest (including interest, if any, on any overdue payments of such portion of Original Amount and interest) then due and payable on the Equipment Notes, and, unless the Owner Trustee has cured Events of Default in respect of payments of Basic Rent on each of the six immediately preceding Basic Rent payment dates, or the Owner Trustee has cured twelve previous Events of Default in respect of payments of Basic Rent, such payment by the Owner Trustee shall, solely for purposes of this Trust Indenture be deemed to cure any Event of Default which would otherwise have arisen on account of the nonpayment by Lessee of such installment of Basic Rent (but not any other Default or Event of Default which shall have occurred and be continuing).

If any Event of Default (other than in respect of the nonpayment of Basic Rent by the Lessee) which can be cured by the payment of money has occurred, the Owner Trustee may, but shall not be obligated to, cure such Event of Default by making such payment prior to the Enforcement Date as is necessary to accomplish the observance or performance of the defaulted covenant, condition or agreement to the party entitled to the same.

Except as hereinafter in this Section 4.03 provided, the Owner Trustee shall not, as a result of exercising the right to cure any such Event of Default, obtain any Lien on any of the Mortgaged Property or any Rent payable under the Lease for or on account of costs or expenses incurred in connection with the exercise of such right, nor shall any claim of the Owner Trustee against Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Loan Trustee in and to the Mortgaged Property. Upon any payment by the Owner Trustee pursuant to the first or second preceding paragraphs of this Section 4.03, the Owner Trustee shall be subrogated to the rights of the Loan Trustee and the Note Holders in respect of the Basic Rent which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue and any Supplemental Rent in respect of the reimbursement of amounts paid by Owner Trustee pursuant to the immediately preceding paragraph (but in either case shall have no rights as a secured party hereunder), and thereafter, the Owner Trustee shall be entitled to receive such overdue Basic Rent or Supplemental Rent, as the case may be, and interest thereon upon receipt thereof by the Loan Trustee; provided, however, that (i) if the Original Amount and interest on the Equipment Notes shall have become due and payable pursuant to Section 4.04(b) hereof, such subrogation shall, until the Original Amount of, interest on, Make-Whole Amount, if any, and all other amounts due with respect to all Equipment Notes shall have been paid in full, be subordinate to the rights of the Loan Trustee and the Note Holders in respect of such payment of overdue Basic Rent, Supplemental Rent and such interest and (ii) the Owner Trustee shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

Neither the Owner Trustee nor the Owner Participant shall have the right to cure any Lease Event of Default or Lease Default except as specified in this Section 4.03.

#### SECTION 4.04. Remedies

(a) If an Event of Default shall have occurred and be continuing and so long as the same shall continue unremedied, then and in every such case the Loan Trustee may, subject to the second and third paragraphs of this Section 4.04(a), exercise any or all of the rights and powers and pursue any and all of the remedies pursuant to this Article IV and shall have and may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code and, in the event such Event of Default is also a Lease Event of Default, any and all of the remedies pursuant to Section 15 of the Lease and may take possession of all or any part of the properties covered or intended to be covered by the Lien created hereby or pursuant

hereto and may exclude the Owner Participant, the Owner Trustee and Lessee and all persons claiming under any of them wholly or partly therefrom, provided, that the Loan Trustee shall give the Owner Trustee and the Owner Participant twenty days' prior written notice of its intention to sell the Aircraft; provided, however, that in the event the Loan Trustee shall have validly terminated the Lease, the Loan Trustee shall not sell or lease, or otherwise afford the use of, the Aircraft or any portion thereof to the Lessee or any Affiliate thereof. Unless an Event of Default not resulting from or relating to a Lease Event of Default has occurred and is continuing, the Owner Participant may bid at the sale and become the purchaser. Without limiting any of the foregoing, it is understood and agreed that the Loan Trustee may exercise any right of sale of the Aircraft available to it, even though it shall not have taken possession of the Aircraft and shall not have possession thereof at the time of such sale.

At any time prior to the date of the consummation of the Refinancing Transaction, if the only Events of Default hereunder result solely from Lease Events of Default, it is further understood and agreed that (i) the Loan Trustee shall not be entitled to proceed to foreclose the Lien hereof or otherwise exercise remedies under Section 4.04(a), 4.05 or 4.06 hereof, unless it shall, to the extent that it is then entitled to do so hereunder and under the Lease, and is not then stayed or otherwise prevented from doing so by operation of Law, concurrently exercise one or more of the dispossessory remedies referred to in Section 15 of the Lease as it shall in its sole good faith discretion determine and (ii) if so stayed or prevented by operation of Law as a result of a Lessee's bankruptcy, the Loan Trustee will not foreclose the Lien hereof until the earlier of: (A) the expiration of the Section 1110 Period (as hereinafter defined) or (B) actual repossession of the Aircraft. For purposes of the immediately preceding sentence, the term "Section 1110 Period" means the longer of (1) the 60-day period from the date of the order for relief under Chapter 11 of the Bankruptcy Code in respect of Lessee's bankruptcy as provided in Section 1110(a) of the Bankruptcy Code, as such period may be extended by agreement of the Loan Trustee (as assignee of the Owner Trustee under the Lease) and the bankruptcy trustee of Lessee pursuant to Section 1110(b) of the Bankruptcy Code and (2) the period (not to exceed 180 days) during which the applicability of such Section 1110 to the Aircraft is being contested in good faith by Lessee in appropriate judicial proceedings.

At any time after the date of the consummation of the Refinancing Transaction, anything in this Trust Indenture to the contrary notwithstanding, the Loan Trustee shall not be entitled to exercise any remedy hereunder as a result of an Event of Default which arises solely by reason of one or more events or circumstances which constitute a Lease Event of Default unless the Loan Trustee as security assignee of the Owner Trustee shall have exercised or concurrently be exercising one or more of the dispossessory remedies provided for in Section 15 of the Lease with respect to the Aircraft; provided, however, that such requirement to exercise one or more of such remedies under the Lease shall not apply in circumstances where the Loan Trustee is, and has been, for a continuous period in excess of 60 days or such other period as may be specified in Section 1110(a)(1)(A) of the Bankruptcy Code (such 60-day or other period being the "New Section 1110 Period"), involuntarily stayed or prohibited by applicable law or court order from exercising such remedies under the Lease (a "Continuous Stay Period"); provided further, however, that the requirement to exercise one or more of such remedies under the Lease shall nonetheless be applicable during a Continuous Stay Period subsequent to the expiration of the New Section 1110 Period to the extent that the continuation of such Continuous Stay Period subsequent to the expiration of the New Section 1110 Period (A) results from an agreement by the trustee or the debtor-in-possession in such proceeding during the New Section 1110 Period with the approval of the relevant court to perform the Lease in accordance with Section 1110(a)(1)(A) of the Bankruptcy Code and continues to perform as required by Section 1110(a)(1)(A-B) of the Bankruptcy Code or (B) is an extension of the New Section 1110 Period with the consent of the Loan Trustee pursuant to Section 1110(b) of the Bankruptcy Code or (C) results from the Lessee's assumption during the New Section 1110 Period with the approval of the relevant court of the Lease pursuant to Section 365 of the Bankruptcy Code or (D) is the consequence of the Loan Trustee's own failure to give any requisite notice to any person. In the event that the applicability of Section 1110 of the Bankruptcy Code to the Aircraft is being contested by Lessee in judicial proceedings, so long as the Loan Trustee fails to participate in such proceedings, the Owner Trustee shall have the right (without affecting in any way any rights or remedy of the Loan Trustee hereunder) to participate in such proceedings.

It is expressly understood and agreed that, subject only to the two preceding paragraphs, the inability, described in such paragraphs, of the Loan Trustee to exercise any right or remedy under the Lease shall in no event and under no circumstances prevent the Loan Trustee from exercising any or all of its rights, powers and remedies under this Trust Indenture, including, without limitation, this Article IV.

(b) If an Event of Default shall have occurred and be

continuing, then and in every such case the Loan Trustee may (and shall, upon receipt of a written demand therefor from a Majority in Interest of Note Holders), subject to Section 4.03 hereof, at any time, by delivery of written notice or notices to the Owner Trustee and the Owner Participant, declare all the Equipment Notes to be due and payable, whereupon the unpaid Original Amount of all Equipment Notes then outstanding, together with accrued but unpaid interest thereon (without Make-Whole Amount) and other amounts due thereunder, shall immediately become due and payable without presentment, demand, protest or notice, all of which are hereby waived.

This Section 4.04(b), however, is subject to the condition that, if at any time after the Original Amount of the Equipment Notes shall have become so due and payable, and before any judgment or decree for the payment of the money so due, or any thereof, shall be entered, all overdue payments of interest upon the Equipment Notes and all other amounts payable under the Equipment Notes (except the Original Amount of the Equipment Notes which by such declaration shall have become payable) shall have been duly paid, and every other Default and Event of Default with respect to any covenant or provision of this Trust Indenture shall have been cured, then and in every such case a Majority in Interest of Note Holders may (but shall not be obligated to), by written instrument filed with the Loan Trustee, rescind and annul the Loan Trustee's declaration (or such automatic acceleration) and its consequences; but no such rescission or annulment shall extend to or affect any subsequent Default or Event of Default or impair any right consequent thereon.

(c) The Note Holders shall be entitled, at any sale pursuant to Section 15 of the Lease or this Section 4.04, to credit against any purchase price bid at such sale by such holder all or any part of the unpaid obligations owing to such Note Holder and secured by the Lien of this Trust Indenture (only to the extent that such purchase price would have been paid to such Note Holder pursuant to Article III hereof if such purchase price were paid in cash and the foregoing provisions of this subsection (c) were not given effect).

(d) In the event of any sale of the Trust Indenture Estate, or any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Trust Indenture, the unpaid Original Amount of all Equipment Notes then outstanding, together with accrued interest thereon (without Make-Whole Amount), and other amounts due thereunder, shall immediately become due and payable without presentment, demand, protest or notice, all of which are hereby waived.

(e) Upon consummation of the Refinancing Transaction, notwithstanding anything contained herein, so long as the Pass Through Trustee under any Pass Through Trust Agreement (or its designee) is a Note Holder, the Loan Trustee will not be authorized or empowered to acquire title to any Mortgaged Property or take any action with respect to any Mortgaged Property so acquired by it if such acquisition or action would cause any Trust to fail to qualify as a "grantor trust" for federal income tax purposes.

#### SECTION 4.05. Return of Aircraft, Etc.

(a) If an Event of Default shall have occurred and be continuing, subject to Section 4.03 hereof, at the request of the Loan Trustee, the Owner Trustee shall promptly execute and deliver to the Loan Trustee such instruments of title and other documents as the Loan Trustee may deem necessary or advisable to enable the Loan Trustee or an agent or representative designated by the Loan Trustee, at such time or times and place or places as the Loan Trustee may specify, to obtain possession of all or any part of the Mortgaged Property included in the Trust Indenture Estate to which the Loan Trustee shall at the time be entitled hereunder. If the Owner Trustee shall for any reason fail to execute and deliver such instruments and documents after such request by the Loan Trustee, the Loan Trustee may (i) obtain a judgment conferring on the Loan Trustee the right to immediate possession and requiring the Owner Trustee to execute and deliver such instruments and documents to the Loan Trustee, to the entry of which judgment the Owner Trustee hereby specifically consents to the fullest extent permitted by Law, and (ii) pursue all or part of such Mortgaged Property wherever it may be found and, in the event that a Lease Event of Default has occurred and is continuing, may enter any of the premises of Lessee wherever such Mortgaged Property may be or be supposed to be and search for such Mortgaged Property and take possession of and remove such Mortgaged Property. All expenses of obtaining such judgment or of pursuing, searching for and taking such property shall, until paid, be secured by the Lien of this Trust Indenture.

(b) Upon every such taking of possession, the Loan Trustee may, from time to time, at the expense of the Mortgaged Property, make all such expenditures for maintenance, use, operation, storage, insurance, leasing, control, management, disposition, modifications or alterations to and of the Mortgaged Property, as it may deem proper. In each such case, the Loan Trustee shall have the right to maintain, use, operate, store, insure, lease, control, manage, dispose of, modify or alter the Mortgaged Property and to carry on the business and to exercise

all rights and powers of the Owner Participant and the Owner Trustee relating to the Mortgaged Property, as the Loan Trustee shall deem best, including the right to enter into any and all such agreements with respect to the maintenance, use, operation, storage, insurance, leasing, control, management, disposition, modification or alteration of the Mortgaged Property or any part thereof as the Loan Trustee may determine, and the Loan Trustee shall be entitled to collect and receive directly all tolls, rents (including Rent), revenues, issues, income, products and profits of the Mortgaged Property and every part thereof, except Excluded Payments, without prejudice, however, to the right of the Loan Trustee under any provision of this Trust Indenture to collect and receive all cash held by, or required to be deposited with, the Loan Trustee hereunder. Such tolls, rents (including Rent), revenues, issues, income, products and profits shall be applied to pay the expenses of the maintenance, use, operation, storage, insurance, leasing, control, management, disposition, improvement, modification or alteration of the Mortgaged Property and of conducting the business thereof, and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Mortgaged Property or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Owner Trustee), and all other payments which the Loan Trustee may be required or authorized to make under any provision of this Trust Indenture, as well as just and reasonable compensation for the services of the Loan Trustee, and of all persons properly engaged and employed by the Loan Trustee with respect hereto.

#### SECTION 4.06. Remedies Cumulative

Each and every right, power and remedy given to the Loan Trustee specifically or otherwise in this Trust Indenture shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at Law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Loan Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Loan Trustee in the exercise of any right, remedy or power or in the pursuance of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Owner Trustee or Lessee or to be an acquiescence therein.

#### SECTION 4.07. Discontinuance of Proceedings

In case the Loan Trustee shall have instituted any proceeding to enforce any right, power or remedy under this Trust Indenture by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Loan Trustee, then and in every such case the Owner Trustee, the Loan Trustee and Lessee shall, subject to any determination in such proceedings, be restored to their former positions and rights hereunder with respect to the Mortgaged Property, and all rights, remedies and powers of the Owner Trustee, the Loan Trustee or Lessee shall continue as if no such proceedings had been instituted.

#### SECTION 4.08. Waiver of Past Defaults

Upon written instruction from a Majority in Interest of Note Holders, the Loan Trustee shall waive any past Default hereunder and its consequences and upon any such waiver such Default shall cease to exist and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Trust Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon; provided, that in the absence of written instructions from all the Note Holders, the Loan Trustee shall not waive any Default (i) in the payment of the Original Amount, Make-Whole Amount, if any, and interest and other amounts due under any Equipment Note then outstanding, or (ii) in respect of a covenant or provision hereof which, under Article IX hereof, cannot be modified or amended without the consent of each Note Holder.

#### SECTION 4.09. Appointment of Receiver

The Loan Trustee shall, as a matter of right, be entitled to the appointment of a receiver (who may be the Loan Trustee or any successor or nominee thereof) for all or any part of the Mortgaged Property, whether such receivership be incidental to a proposed sale of the Mortgaged Property or the taking of possession thereof or otherwise, and the Owner Trustee hereby consents to the appointment of such a receiver and will not oppose any such appointment. Any receiver appointed for all or any part of the Mortgaged Property shall be entitled to exercise all the rights and powers of the Loan Trustee with respect to the Mortgaged Property.

SECTION 4.10. Loan Trustee Authorized to Execute Bills of Sale, Etc.

The Owner Trustee irrevocably appoints the Loan Trustee the true and lawful attorney-in-fact of the Owner Trustee in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or delivery for the enforcement of the Lien of this Trust Indenture, whether pursuant to foreclosure or power of sale, assignments and other instruments as may be necessary or appropriate, with full power of substitution, the Owner Trustee hereby ratifying and confirming all that such attorney or any substitute shall do by virtue hereof in accordance with applicable law. Nevertheless, if so requested by the Loan Trustee or any purchaser, the Owner Trustee shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Loan Trustee or such purchaser all bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

#### SECTION 4.11. Rights of Note Holders to Receive Payment

Notwithstanding any other provision of this Trust Indenture, the right of any Note Holder to receive payment of principal of, and premium, if any, and interest on an Equipment Note on or after the respective due dates expressed in such Equipment Note, or to bring suit for the enforcement of any such payment on or after such respective dates in accordance with the terms hereof, shall not be impaired or affected without the consent of such Note Holder.

### ARTICLE V

#### DUTIES OF THE LOAN TRUSTEE

##### SECTION 5.01. Notice of Event of Default

If the Loan Trustee shall have Actual Knowledge of an Event of Default or of a Default arising from a failure to pay Rent, the Loan Trustee shall give prompt written notice thereof to the Owner Trustee, the Owner Participant, Lessee, and each Note Holder. Subject to the terms of Sections 4.08, 5.02 and 5.03 hereof, the Loan Trustee shall take such action, or refrain from taking such action, with respect to such Event of Default or Default (including with respect to the exercise of any rights or remedies hereunder) as the Loan Trustee shall be instructed in writing by a Majority in Interest of Note Holders. Subject to the provisions of Section 5.03, if the Loan Trustee shall not have received instructions as above provided within 20 days after mailing notice of such Event of Default to the Note Holders, the Loan Trustee may, subject to instructions thereafter received pursuant to the preceding provisions of this Section 5.01, take such action, or refrain from taking such action, but shall be under no duty to take or refrain from taking any action, with respect to such Event of Default or Default as it shall determine advisable in the best interests of the Note Holders; provided, however, that the Loan Trustee may not sell the Aircraft or any Engine without the consent of a Majority in Interest of Note Holders. If the Loan Trustee shall at any time declare the Lease to be in default pursuant to Section 15 thereof or shall elect to foreclose or otherwise enforce this Trust Indenture, the Loan Trustee shall forthwith notify the Owner Participant, the Note Holders, the Owner Trustee and Lessee. For all purposes of this Trust Indenture, in the absence of Actual Knowledge on the part of the Loan Trustee, the Owner Trustee or the Owner Participant, the Loan Trustee, the Owner Trustee or the Owner Participant, as the case may be, shall not be deemed to have knowledge of a Default or an Event of Default (except, in the case of the Loan Trustee, the failure of Lessee to pay any installment of Basic Rent within one Business Day after the same shall become due, if any portion of such installment was then required to be paid to the Loan Trustee, which failure shall constitute knowledge of a Default) unless notified in writing by Lessee, the Owner Trustee, the Owner Participant or one or more Note Holders.

##### SECTION 5.02. Action upon Instructions; Certain Rights and Limitations

(a) Subject to the terms of Sections 2.14, 4.03, 4.04(a), 4.08, 5.01 and 5.03 hereof, upon the written instructions at any time and from time to time of a Majority in Interest of Note Holders, the Loan Trustee shall, subject to the terms of this Section 5.02, take such of the following actions as may be specified in such instructions: (i) give such notice or direction or exercise such right, remedy or power hereunder as shall be specified in such instructions; (ii) give such notice or direction or exercise such right, remedy or power under the Lease, the Participation Agreement, the Purchase Agreement, or any other part of the Trust Indenture Estate as shall be specified in such instructions; and (iii) approve as satisfactory to the Loan Trustee all matters required by the terms of the Lease to be satisfactory to the Owner Trustee, it being understood that without the written instructions of a Majority in Interest of Note Holders, the Loan Trustee shall not approve any such matter as satisfactory to the Loan Trustee; provided, that anything contained in this Trust Indenture, the Lease or the other Operative Agreements to the contrary notwithstanding:

(1) the Owner Trustee or the Owner Participant may,

without the consent of the Loan Trustee, demand, collect, sue for or otherwise obtain all amounts included in Excluded Payments from Lessee and seek legal or equitable remedies to require Lessee to maintain the insurance coverage referred to in Section 11 of the Lease; provided, that the rights referred to in this clause (1) shall not be deemed to include the exercise of any remedies provided for in Section 15 of the Lease other than the right to proceed by appropriate court action, either at Law or in equity, to enforce payment by Lessee of such amounts included in Excluded Payments or performance by Lessee of such insurance covenant or to recover damages for the breach thereof;

(2) unless an Event of Default shall have occurred and be continuing, the Loan Trustee shall not, without the consent of the Owner Trustee, which consent shall not be withheld if no right or interest of the Owner Trustee or the Owner Participant shall be diminished or impaired thereby, (i) enter into, execute and deliver amendments, modifications, waivers or consents in respect of any of the provisions of the Lease, or (ii) approve any accountants, engineers, appraisers or counsel as satisfactory to render services for or issue opinions to the Owner Trustee pursuant to the Operative Agreements, provided that so long as no Loan Trustee Event has occurred and is continuing, the Owner Trustee's consent shall be required with respect to the matters set forth in clauses (i) and (ii) above;

(3) whether or not a Default or Event of Default under the Trust Indenture has occurred and is continuing, the Owner Trustee and the Owner Participant shall have the right, together with the Loan Trustee, (i) to receive from Lessee certificates and other documents and information which Lessee is required to give or furnish to the Owner Trustee or the Lessor pursuant to any Operative Agreement and (ii) to inspect in accordance with the Lease the Airframe and Engines and all Aircraft Documents;

(4) whether or not a Default or Event of Default under the Trust Indenture has occurred and is continuing, the Owner Trustee shall have the right to adjust upwards Rent, Stipulated Loss Values and Termination Values as provided in Section 3.2.1 of the Lease;

(5) so long as no Event of Default has occurred and is continuing, the Owner Trustee shall have the right, to the exclusion of the Loan Trustee, to adjust Basic Rent, Stipulated Loss Values and Termination Values as provided in Section 3.2 of the Lease;

(6) whether or not a Default or Event of Default under the Trust Indenture has occurred and is continuing, the Owner Trustee may, without the consent of the Loan Trustee, (i) solicit and make bids with respect to the Aircraft under Section 9 of the Lease in respect of a termination of the Lease by Lessee pursuant to Section 9 thereof, (ii) determine Fair Market Sales Value and Fair Market Rental Value under Section 17 of the Lease for all purposes except following an Event of Default pursuant to Section 15 of the Lease, and (iii) make an election pursuant to and in accordance with the provisions of Sections 9.1(b), 9.2 and 9.3 of the Lease; and

(7) so long as no Event of Default shall have occurred and be continuing, all other rights of the "Lessor" under the Lease shall be exercised by the Owner Trustee to the exclusion of the Loan Trustee including, without limitation, the right to (i) exercise all rights with respect to Lessee's use and operation, modification or maintenance of the Aircraft and any Engine which the Lease specifically confers on the Lessor, and (ii) consent to and approve any assignment pursuant to Section 13 of the Lease; provided that the foregoing shall not limit (A) any rights separately granted to the Loan Trustee under the Operative Agreements or (B) the right of the Loan Trustee to receive any funds to be delivered to the "Lessor" under the Lease (except with respect to Excluded Payments) and under the Purchase Agreement.

Notwithstanding anything to the contrary contained herein (including this Section 5.02), the Loan Trustee shall have the right, to the exclusion of the Owner Trustee and the Owner Participant, to (A) declare the Lease to be in default under Section 15 thereof (other than with respect to a Lease Event of Default described in the proviso to Section 14.1 thereof) and (B) subject only to the provisions of Sections 4.03, 4.04(a) and 2.14 hereof, exercise the remedies set forth in such Section 15 (other than in connection with Excluded Payments and provided that each of the Owner Trustee, Owner Participant and Loan Trustee shall independently retain the rights set forth in clause (ii) of Section 15.1.5 of the Lease) at any time that a Lease Event of Default shall have occurred and be continuing.

The Loan Trustee will execute and the Owner Trustee will file or cause to be filed such continuation statements with respect to financing statements relating to the security interest created hereunder in the Trust Indenture Estate as may be specified from time to time in written instructions of a Majority

in Interest of Note Holders (which instructions shall be accompanied by the form of such continuation statement so to be filed). The Loan Trustee will furnish to each Note Holder (and, during the continuation of a Loan Trustee Event, to the Owner Trustee and Owner Participant), promptly upon receipt thereof, duplicates or copies of all reports, notices, requests, demands, certificates and other instruments furnished to the Loan Trustee under the Lease or hereunder, including, without limitation, a copy of any Termination Notice (as defined in the Lease) and a copy of each report or notice received pursuant to Sections 9 and 11 and Paragraph E of Annex D of the Lease, respectively, to the extent that the same shall not have been furnished to such holder pursuant hereto or to the Lease.

(b) If any Lease Event of Default shall have occurred and be continuing and the Owner Trustee shall not have cured fully such Lease Event of Default under and in accordance with Section 4.03 hereof, on request of a Majority in Interest of Note Holders, the Loan Trustee shall declare the Lease to be in default pursuant to Section 15 thereof and exercise those remedies specified by such Note Holders. The Loan Trustee agrees to provide to the Note Holders, the Owner Trustee, the Owner Participant and Lessee concurrently with such declaration by the Loan Trustee, notice of such declaration by the Loan Trustee.

#### SECTION 5.03. Indemnification

The Loan Trustee shall not be required to take any action or refrain from taking any action under Section 5.01 (other than the first sentence thereof), 5.02 or Article IV hereof unless the Loan Trustee shall have been indemnified to its reasonable satisfaction against any liability, cost or expense (including counsel fees) which may be incurred in connection therewith pursuant to a written agreement with one or more Note Holders. The Loan Trustee agrees that it shall look solely to the Note Holders for the satisfaction of any indemnity (except expenses for foreclosure of the type referred to in clause "First" of Section 3.03 hereof) owed to it pursuant to this Section 5.03. The Loan Trustee shall not be under any obligation to take any action under this Trust Indenture or any other Operative Agreement and nothing herein or therein shall require the Loan Trustee to expend or risk its own funds or otherwise incur the risk of any financial liability in the performance of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it (the written indemnity of any Note Holder who is a QIB, signed by an authorized officer thereof, in favor of, delivered to and in form reasonably satisfactory to Loan Trustee shall be accepted as reasonable assurance of adequate indemnity). The Loan Trustee shall not be required to take any action under Section 5.01 (other than the first sentence thereof) or 5.02 or Article IV hereof, nor shall any other provision of this Trust Indenture or any other Operative Agreement be deemed to impose a duty on the Loan Trustee to take any action, if the Loan Trustee shall have been advised by counsel that such action is contrary to the terms hereof or of the Lease or is otherwise contrary to Law.

#### SECTION 5.04. No Duties Except as Specified in Trust Indenture or Instructions

The Loan Trustee shall not have any duty or obligation to use, operate, store, lease, control, manage, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Indenture Estate, or to otherwise take or refrain from taking any action under, or in connection with, this Trust Indenture or any part of the Trust Indenture Estate, except as expressly provided by the terms of this Trust Indenture or as expressly provided in written instructions from Note Holders as provided in this Trust Indenture; and no implied duties or obligations shall be read into this Trust Indenture against the Loan Trustee. The Loan Trustee agrees that it will in its individual capacity and at its own cost and expense (but without any right of indemnity in respect of any such cost or expense under Section 7.01 hereof), promptly take such action as may be necessary duly to discharge all liens and encumbrances on any part of the Trust Indenture Estate which result from claims against it in its individual capacity not related to the ownership of the Aircraft or the administration of the Trust Indenture Estate or any other transaction pursuant to this Trust Indenture or any document included in the Trust Indenture Estate.

#### SECTION 5.05. No Action Except Under Lease, Trust Indenture or Instructions

The Owner Trustee and the Loan Trustee agree that they will not use, operate, store, lease, control, manage, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Indenture Estate except (i) as required by the terms of the Lease or (ii) in accordance with the powers granted to, or the authority conferred upon, the Owner Trustee and the Loan Trustee pursuant to this Trust Indenture and in accordance with the express terms hereof.

#### SECTION 5.06. Replacement Airframes and Replacement Engines

At any time an Airframe or Engine is to be replaced

under or pursuant to Section 10 of the Lease by a Replacement Airframe or Replacement Engine, if no Lease Event of Default is continuing, the Owner Trustee shall direct the Loan Trustee to execute and deliver to the Owner Trustee an appropriate instrument releasing such Airframe and/or Engine as appropriate from the Lien of this Trust Indenture and the Loan Trustee shall execute and deliver such instrument as aforesaid, but only upon compliance by Lessee with the applicable provisions of Section 10 of the Lease.

#### SECTION 5.07. Indenture Supplements for Replacements

If a Replacement Airframe or Replacement Engine is being substituted as contemplated by Section 10 of the Lease, the Owner Trustee and the Loan Trustee agree for the benefit of the Note Holders and Lessee, subject to fulfillment of the conditions precedent and compliance by Lessee with its obligations set forth in Section 10 of the Lease and the requirements of Section 5.06 hereof with respect to such Replacement Airframe or Replacement Engine, to execute and deliver a Lease Supplement and a Trust Indenture Supplement, as applicable, as contemplated by Section 10 of the Lease.

#### SECTION 5.08. Effect of Replacement

In the event of the substitution of an Airframe or of a Replacement Engine pursuant to Section 10 of the Lease, all provisions of this Trust Indenture relating to the Airframe or Engine or Engines being replaced shall be applicable to such Replacement Airframe or Replacement Engine or Engines with the same force and effect as if such Replacement Airframe or Replacement Engine or Engines were the same airframe or engine or engines, as the case may be, as the Airframe or Engine or Engines being replaced but for the Event of Loss with respect to the Airframe or Engine or Engines being replaced.

#### SECTION 5.09. Investment of Amounts Held by Loan Trustee

Any amounts held by the Loan Trustee as assignee of the Owner Trustee's rights to hold monies for security pursuant to Section 4.5.1 of the Lease shall be held in accordance with the terms of such Section and the Loan Trustee agrees, for the benefit of Lessee, to perform the duties of the Owner Trustee under such Section. Any amounts held by the Loan Trustee pursuant to the proviso to the first sentence of Section 3.01, pursuant to Section 3.02, or pursuant to any provision of any other Operative Agreement providing for amounts to be held by the Loan Trustee which are not distributed pursuant to the other provisions of Article III hereof shall be invested by the Loan Trustee from time to time in Cash Equivalents as directed by the Owner Trustee so long as the Loan Trustee may acquire the same using its best efforts. Unless otherwise expressly provided in this Trust Indenture, any income realized as a result of any such investment, net of the Loan Trustee's reasonable fees and expenses in making such investment, shall be held and applied by the Loan Trustee in the same manner as the principal amount of such investment is to be applied and any losses, net of earnings and such reasonable fees and expenses, shall be charged against the principal amount invested. The Loan Trustee shall not be liable for any loss resulting from any investment required to be made by it under this Trust Indenture other than by reason of its willful misconduct or gross negligence, and any such investment may be sold (without regard to its maturity) by the Loan Trustee without instructions whenever such sale is necessary to make a distribution required by this Trust Indenture.

### ARTICLE VI

#### THE OWNER TRUSTEE AND THE LOAN TRUSTEE

#### SECTION 6.01. Acceptance of Trusts and Duties

The Loan Trustee accepts the duties hereby created and applicable to it and agrees to perform the same but only upon the terms of this Trust Indenture and agrees to receive and disburse all monies constituting part of the Trust Indenture Estate in accordance with the terms hereof. The Owner Trustee, in its individual capacity, and the Loan Trustee, in its individual capacity, shall not be answerable or accountable under any circumstances, except (i) for their own willful misconduct or gross negligence (other than for the handling of funds, for which the standard of accountability shall be willful misconduct or negligence), (ii) in the case of the Loan Trustee, as provided in the fourth sentence of Section 2.04(a) hereof and the last sentence of Section 5.04 hereof, and (iii) for liabilities that may result, in the case of the Owner Trustee, from the inaccuracy of any representation or warranty of the Owner Trustee expressly made in its individual capacity in the Participation Agreement (or, upon consummation of the Refinancing Transaction, the Refunding Agreement) or in Section 4.01(b) or 6.03 hereof (or in any certificate furnished to the Loan Trustee or any Note Holder in connection with the transactions contemplated by the Operative Agreements) or, in the case of the Loan Trustee (in its individual capacity), from the inaccuracy of any representation or warranty of the Loan Trustee (in its individual capacity) in the Participation Agreement (or, upon consummation of the

Refinancing Transaction, the Refunding Agreement) or expressly made hereunder. Neither the Owner Trustee nor the Loan Trustee shall be liable for any action or inaction of the other or of the Owner Participant.

#### SECTION 6.02. Absence of Duties

In the case of the Loan Trustee, except in accordance with written instructions furnished pursuant to Section 5.01 or 5.02 hereof, and except as provided in, and without limiting the generality of, Sections 5.03 and 5.04 hereof and, in the case of the Owner Trustee, except as provided in Section 4.01(b) hereof, the Owner Trustee and the Loan Trustee shall have no duty (i) to see to any registration of the Aircraft or any recording or filing of the Lease or of this Trust Indenture or any other document, or to see to the maintenance of any such registration, recording or filing, (ii) to see to any insurance on the Aircraft or to effect or maintain any such insurance, whether or not Lessee shall be in default with respect thereto, (iii) to see to the payment or discharge of any lien or encumbrance of any kind against any part of the Trust Estate or the Trust Indenture Estate, (iv) to confirm, verify or inquire into the failure to receive any financial statements from Lessee, or (v) to inspect the Aircraft at any time or ascertain or inquire as to the performance or observance of any of Lessee's covenants under the Lease with respect to the Aircraft. The Owner Participant shall not have any duty or responsibility hereunder, including, without limitation, any of the duties mentioned in clauses (i) through (v) above; provided, that nothing contained in this sentence shall limit any obligations of the Owner Participant under the Participation Agreement or relieve the Owner Participant from any restriction under Section 4.03 hereof.

#### SECTION 6.03. No Representations or Warranties as to Aircraft or Documents

NEITHER THE LOAN TRUSTEE IN ITS INDIVIDUAL OR TRUST CAPACITY NOR THE OWNER TRUSTEE IN ITS INDIVIDUAL CAPACITY OR AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT, MAKES OR SHALL BE DEEMED TO HAVE MADE AND EACH HEREBY EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, COMPLIANCE WITH SPECIFICATIONS, CONDITION, DESIGN, QUALITY, DURABILITY, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY ENGINE, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, except the Owner Trustee in its individual capacity warrants that (i) the Owner Trustee has received on the Delivery Date whatever title was conveyed to it by Lessee, and (ii) the Aircraft is free and clear of Lessor Liens (including for this purpose Liens that would be Lessor Liens but for the proviso to the definition of Lessor Liens) attributable to the Owner Trustee in its individual capacity. Neither the Owner Trustee, in its individual capacity or as Owner Trustee under the Trust Agreement, nor the Loan Trustee, in its individual or trust capacities, makes or shall be deemed to have made any representation or warranty as to the validity, legality or enforceability of this Trust Indenture, the Trust Agreement, the Participation Agreement (or, upon consummation of the Refinancing Transaction, the Refunding Agreement), the Equipment Notes, the Lease, the Purchase Agreement or the Purchase Agreement Assignment with the Consent and Agreement and the Engine Consent and Agreement attached thereto, or as to the correctness of any statement contained in any thereof, except for the representations and warranties of the Owner Trustee made in its individual capacity and the representations and warranties of the Loan Trustee in its individual capacity, in each case expressly made in this Trust Indenture or in the Participation Agreement (or, upon consummation of the Refinancing Transaction, the Refunding Agreement). The Loan Participants, the Note Holders and the Owner Participant make no representation or warranty hereunder whatsoever.

#### SECTION 6.04. No Segregation of Monies; No Interest

Any monies paid to or retained by the Loan Trustee pursuant to any provision hereof and not then required to be distributed to the Note Holders, Lessee or the Owner Trustee as provided in Article III hereof need not be segregated in any manner except to the extent required by Law or Section 4.5.1 of the Lease and Section 5.09 hereof, and may be deposited under such general conditions as may be prescribed by Law, and the Loan Trustee shall not be liable for any interest thereon (except that the Loan Trustee shall invest all monies held as directed by Lessee so long as no Lease Event of Default or Lease Default has occurred and is continuing (or in the absence of such direction, by the Majority In Interest of Note Holders) in Cash Equivalents; provided, however, that any payments received, or applied hereunder, by the Loan Trustee shall be accounted for by the Loan Trustee so that any portion thereof paid or applied pursuant hereto shall be identifiable as to the source thereof.

#### SECTION 6.05. Reliance; Agreements; Advice of Counsel

Neither the Owner Trustee nor the Loan Trustee shall incur any liability to anyone in acting upon any signature,

instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed by the proper party or parties. The Owner Trustee and the Loan Trustee may accept a copy of a resolution of the Board of Directors (or Executive Committee thereof) of any party to the Participation Agreement, certified by the Secretary or an Assistant Secretary thereof as duly adopted and in full force and effect, as conclusive evidence that such resolution has been duly adopted and that the same is in full force and effect. As to the aggregate unpaid Original Amount of Equipment Notes outstanding as of any date, the Owner Trustee may for all purposes hereof rely on a certificate signed by any Vice President or other authorized corporate trust officer of the Loan Trustee. As to any fact or matter relating to Lessee the manner of ascertainment of which is not specifically described herein, the Owner Trustee and the Loan Trustee may for all purposes hereof rely on a certificate, signed by a duly authorized officer of Lessee, as to such fact or matter, and such certificate shall constitute full protection to the Owner Trustee and the Loan Trustee for any action taken or omitted to be taken by them in good faith in reliance thereon. The Loan Trustee shall assume, and shall be fully protected in assuming, that the Owner Trustee is authorized by the Trust Agreement to enter into this Trust Indenture and to take all action to be taken by it pursuant to the provisions hereof, and shall not inquire into the authorization of the Owner Trustee with respect thereto. In the administration of the trusts hereunder, the Owner Trustee and the Loan Trustee each may execute any of the trusts or powers hereof and perform its powers and duties hereunder directly or through agents or attorneys and may, at the expense of the Trust Indenture Estate, advise with counsel, accountants and other skilled persons to be selected and retained by it, and the Owner Trustee and the Loan Trustee shall not be liable for anything done, suffered or omitted in good faith by them in accordance with the written advice or written opinion of any such counsel, accountants or other skilled persons.

#### SECTION 6.06. Capacity in Which Acting

The Owner Trustee acts hereunder solely as trustee as herein and in the Trust Agreement provided, and not in its individual capacity, except as otherwise expressly provided herein, in the Trust Agreement and in the Participation Agreement.

#### SECTION 6.07. Compensation

The Loan Trustee shall be entitled to reasonable compensation, including expenses and disbursements (including the reasonable fees and expenses of counsel), for all services rendered hereunder and shall, on and subsequent to an Event of Default hereunder, have a priority claim on the Trust Indenture Estate for the payment of such compensation, to the extent that such compensation shall not be paid by Lessee, and shall have the right, on and subsequent to an Event of Default hereunder, to use or apply any monies held by it hereunder in the Trust Indenture Estate toward such payments. The Loan Trustee agrees that it shall have no right against the Loan Participants, the Note Holders, the Owner Trustee or the Owner Participant for any fee as compensation for its services as trustee under this Trust Indenture.

#### SECTION 6.08. Instructions from Note Holders

In the administration of the trusts created hereunder, the Loan Trustee shall have the right to seek instructions from a Majority in Interest of Note Holders should any provision of this Trust Indenture appear to conflict with any other provision herein or should Loan Trustee's duties or obligations hereunder be unclear, and Loan Trustee shall incur no liability in refraining from acting until it receives such instructions. Loan Trustee shall be fully protected for acting in accordance with any instructions received under this Section 6.08.

### ARTICLE VII

#### INDEMNIFICATION OF LOAN TRUSTEE BY OWNER TRUSTEE

##### SECTION 7.01. Scope of Indemnification

The Owner Trustee, not in its individual capacity, but solely as Owner Trustee, hereby agrees, whether or not any of the transactions contemplated hereby or the Refinancing Transaction shall be consummated, except as to matters covered by any indemnity furnished as contemplated by Section 5.03 hereof and except as otherwise provided in Section 2.03 hereof, to assume liability for, and does hereby indemnify, protect, save and keep harmless the Loan Trustee (in its individual and trust capacities), and its successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, taxes (excluding any taxes payable by the Loan Trustee on or measured by any compensation received by the Loan Trustee for its services under this Trust Indenture), claims, actions, suits, costs, expenses or disbursements (including legal fees and expenses) of any kind and nature

whatsoever, which may be imposed on, incurred by or asserted against the Loan Trustee (whether or not also indemnified against by any other person under any other document) in any way relating to or arising out of this Trust Indenture (or, upon consummation of the Refinancing Transaction, the Refunding Agreement) or any other Operative Agreement to which it is a party or the enforcement of any of the terms of any thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, non-acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of the Aircraft or any Engine (including, without limitation, latent or other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement), or in any way relating to or arising out of the administration of the Trust Indenture Estate or the action or inaction of the Loan Trustee hereunder except only in the case of willful misconduct or gross negligence (or negligence in the case of handling funds) of the Loan Trustee in the performance of its duties hereunder or resulting from the inaccuracy of any representation or warranty of the Loan Trustee (in its individual capacity) referred to in Section 6.03 hereof, or as provided in Section 6.01 hereof or in the last sentence of Section 5.04 hereof, or as otherwise excluded by the terms of Section 10.1 or 10.3 of the Participation Agreement from Lessee's indemnities under such Sections. In addition, if necessary, the Loan Trustee shall be entitled to indemnification from the Trust Indenture Estate for any liability, obligation, loss, damage, penalty, claim, action, suit, cost, expense or disbursement indemnified against pursuant to this Section 7.01 to the extent not reimbursed by Lessee or others, but without releasing any of them from their respective agreements of reimbursement; and to secure the same the Loan Trustee shall have a prior Lien on the Trust Indenture Estate. Without limiting the foregoing, the Loan Trustee agrees that, prior to seeking indemnification from the Trust Indenture Estate, it will demand, and diligently pursue in good faith (but with no duty to exhaust all legal remedies therefor), indemnification available to the Loan Trustee from Lessee under the Lease or the Participation Agreement.

## ARTICLE VIII

### SUCCESSOR AND SEPARATE TRUSTEES

#### SECTION 8.01. Notice of Successor Owner Trustee

In the case of any appointment of a successor to the Owner Trustee pursuant to the Trust Agreement including upon any merger, conversion, consolidation or sale of substantially all of the corporate trust business of the Owner Trustee pursuant to the Trust Agreement, the successor Owner Trustee shall give prompt written notice thereof to the Loan Trustee, Lessee and the Note Holders.

#### SECTION 8.02. Resignation of Loan Trustee; Appointment of Successor

(a) The Loan Trustee or any successor thereto may resign at any time without cause by giving at least 30 days' prior written notice to Lessee, the Owner Trustee, the Owner Participant and each Note Holder, such resignation to be effective upon the acceptance of the trusteeship by a successor Loan Trustee. In addition, a Majority in Interest of Note Holders may at any time (but only with the consent of the Lessee, which consent shall not be unreasonably withheld, except that such consent shall not be necessary if a Lease Event of Default is continuing) remove the Loan Trustee without cause by an instrument in writing delivered to the Owner Trustee, Lessee, the Owner Participant and the Loan Trustee, and the Loan Trustee shall promptly notify each Note Holder thereof in writing, such removal to be effective upon the acceptance of the trusteeship by a successor Loan Trustee. In the case of the resignation or removal of the Loan Trustee, a Majority in Interest of Note Holders may appoint a successor Loan Trustee by an instrument signed by such holders, which successor, so long as no Lease Event of Default shall have occurred and be continuing, shall be subject to Lessee's reasonable approval. If a successor Loan Trustee shall not have been appointed within 30 days after such notice of resignation or removal, the Loan Trustee, the Owner Trustee, the Owner Participant or any Note Holder may apply to any court of competent jurisdiction to appoint a successor Loan Trustee to act until such time, if any, as a successor shall have been appointed as above provided. The successor Loan Trustee so appointed by such court shall immediately and without further act be superseded by any successor Loan Trustee appointed as above provided.

(b) Any successor Loan Trustee, however appointed, shall execute and deliver to the Owner Trustee, the predecessor Loan Trustee and the Lessee an instrument accepting such appointment and assuming the obligations of the Loan Trustee under the Participation Agreement arising from and after the time of such appointment, and thereupon such successor Loan Trustee, without further act, shall become vested with all the estates, properties, rights, powers and duties of the predecessor Loan Trustee hereunder in the trust hereunder applicable to it with like effect as if originally named the Loan Trustee herein; but nevertheless upon the written request of such successor Loan

Trustee, such predecessor Loan Trustee shall execute and deliver an instrument transferring to such successor Loan Trustee, upon the trusts herein expressed applicable to it, all the estates, properties, rights and powers of such predecessor Loan Trustee, and such predecessor Loan Trustee shall duly assign, transfer, deliver and pay over to such successor Loan Trustee all monies or other property then held by such predecessor Loan Trustee hereunder.

(c) Any successor Loan Trustee, however appointed, shall be a bank or trust company having its principal place of business in the Borough of Manhattan, City and State of New York; Chicago, Illinois; Hartford, Connecticut; Wilmington, Delaware; or Boston, Massachusetts and having (or whose obligations under the Operative Agreements are guaranteed by an affiliated entity having) a combined capital and surplus of at least \$100,000,000, if there be such an institution willing, able and legally qualified to perform the duties of the Loan Trustee hereunder upon reasonable or customary terms.

(d) Any corporation into which the Loan Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Loan Trustee shall be a party, or any corporation to which substantially all the corporate trust business of the Loan Trustee may be transferred, shall, subject to the terms of paragraph (c) of this Section 8.02, be a successor Loan Trustee and the Loan Trustee under this Trust Indenture without further act.

#### SECTION 8.03. Appointment of Additional and Separate Trustees

(a) Whenever (i) the Loan Trustee shall deem it necessary or desirable in order to conform to any Law of any jurisdiction in which all or any part of the Trust Indenture Estate shall be situated or to make any claim or bring any suit with respect to or in connection with the Trust Indenture Estate, this Trust Indenture, any other Indenture Agreement, the Equipment Notes or any of the transactions contemplated by the Participation Agreement, (ii) the Loan Trustee shall be advised by counsel satisfactory to it that it is so necessary or prudent in the interests of the Note Holders (and the Loan Trustee shall so advise the Owner Trustee and Lessee), or (iii) the Loan Trustee shall have been requested to do so by a Majority in Interest of Note Holders, then in any such case, the Loan Trustee and, upon the written request of the Loan Trustee, the Owner Trustee, shall execute and deliver an indenture supplemental hereto and such other instruments as may from time to time be necessary or advisable either (1) to constitute one or more bank or trust companies or one or more persons approved by the Loan Trustee, either to act jointly with the Loan Trustee as additional trustee or trustees of all or any part of the Trust Indenture Estate, or to act as separate trustee or trustees of all or any part of the Trust Indenture Estate, in each case with such rights, powers, duties and obligations consistent with this Trust Indenture as may be provided in such supplemental indenture or other instruments as the Loan Trustee or a Majority in Interest of Note Holders may deem necessary or advisable, or (2) to clarify, add to or subtract from the rights, powers, duties and obligations theretofore granted any such additional or separate trustee, subject in each case to the remaining provisions of this Section 8.03. If the Owner Trustee shall not have taken any action requested of it under this Section 8.03(a) that is permitted or required by its terms within 15 days after the receipt of a written request from the Loan Trustee so to do, or if an Event of Default shall have occurred and be continuing, the Loan Trustee may act under the foregoing provisions of this Section 8.03(a) without the concurrence of the Owner Trustee; and the Owner Trustee hereby irrevocably appoints (which appointment is coupled with an interest) the Loan Trustee, its agent and attorney-in-fact to act for it under the foregoing provisions of this Section 8.03(a) in either of such contingencies. The Loan Trustee may, in such capacity, execute, deliver and perform any such supplemental indenture, or any such instrument, as may be required for the appointment of any such additional or separate trustee or for the clarification of, addition to or subtraction from the rights, powers, duties or obligations theretofore granted to any such additional or separate trustee. In case any additional or separate trustee appointed under this Section 8.03(a) shall die, become incapable of acting, resign or be moved, all the assets, property, rights, powers, trusts, duties and obligations of such additional or separate trustee shall revert to the Loan Trustee until a successor additional or separate trustee is appointed as provided in this Section 8.03(a).

(b) No additional or separate trustee shall be entitled to exercise any of the rights, powers, duties and obligations conferred upon the Loan Trustee in respect of the custody, investment and payment of monies and all monies received by any such additional or separate trustee from or constituting part of the Trust Indenture Estate or otherwise payable under any Operative Agreement to the Loan Trustee shall be promptly paid over by it to the Loan Trustee. All other rights, powers, duties and obligations conferred or imposed upon any additional or separate trustee shall be exercised or performed by the Loan Trustee and such additional or separate trustee jointly except to

the extent that applicable Law of any jurisdiction in which any particular act is to be performed renders the Loan Trustee incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations (including the holding of title to all or part of the Trust Indenture Estate in any such jurisdiction) shall be exercised and performed by such additional or separate trustee. No additional or separate trustee shall take any discretionary action except on the instructions of the Loan Trustee or a Majority in Interest of Note Holders. No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, except that the Loan Trustee shall be liable for the consequences of its lack of reasonable care in selecting, and Loan Trustee's own actions in acting with, any additional or separate trustee. Each additional or separate trustee appointed pursuant to this Section 8.03 shall be subject to, and shall have the benefit of Articles IV through VIII and Article X hereof insofar as they apply to the Loan Trustee. The powers of any additional or separate trustee appointed pursuant to this Section 8.03 shall not in any case exceed those of the Loan Trustee hereunder.

(c) If at any time the Loan Trustee shall deem it no longer necessary or desirable in order to conform to any such Law or take any such action or shall be advised by such counsel that it is no longer so necessary or desirable in the interest of the Note Holders, or in the event that the Loan Trustee shall have been requested to do so in writing by a Majority in Interest of Note Holders, the Loan Trustee and, upon the written request of the Loan Trustee, the Owner Trustee, shall execute and deliver an indenture supplemental hereto and all other instruments and agreements necessary or proper to remove any additional or separate trustee. The Loan Trustee may act on behalf of the Owner Trustee under this Section 8.03(c) when and to the extent it could so act under Section 8.03(a) hereof.

#### ARTICLE IX

##### SUPPLEMENTS AND AMENDMENTS TO THIS TRUST INDENTURE AND OTHER DOCUMENTS

###### SECTION 9.01. Instructions of Majority; Limitations

(a) Except as provided in Section 5.02 hereof, the Owner Trustee agrees it shall not enter into any amendment of or supplement to the Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Consent and Agreement or the Engine Consent and Agreement, or execute and deliver any written waiver or modification of, or consent under, the terms of the Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Consent and Agreement or the Engine Consent and Agreement, unless such supplement, amendment, waiver, modification or consent is consented to in writing by the Loan Trustee and a Majority in Interest of Note Holders. Anything to the contrary contained herein notwithstanding, without the necessity of the consent of any of the Note Holders or the Loan Trustee, (i) any Excluded Payments payable to the Owner Participant may be modified, amended, changed or waived in such manner as shall be agreed to by the Owner Participant and Lessee and (ii) the Owner Trustee and Lessee may enter into amendments of or additions to the Lease to modify Section 5 (except to the extent that such amendment would affect the rights or exercise of remedies under Section 15 of the Lease) or Section 17 of the Lease so long as such amendments, modifications and changes do not and would not affect the time of, or reduce the amount of, Rent payments until after the payment in full of all Secured Obligations or otherwise adversely affect the Note Holders.

(b) Without limiting the provisions of Section 9.01 hereof, the Loan Trustee agrees with the Note Holders that it shall not enter into any amendment, waiver or modification of, supplement or consent to this Trust Indenture, the Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement or the Participation Agreement, or any other agreement included in the Trust Indenture Estate, unless such supplement, amendment, waiver, modification or consent is consented to in writing by a Majority in Interest of Note Holders, but upon the written request of a Majority in Interest of Note Holders, the Loan Trustee shall from time to time enter into any such supplement or amendment, or execute and deliver any such waiver, modification or consent, as may be specified in such request and as may be (in the case of any such amendment, supplement or modification), to the extent such agreement is required, agreed to by the Owner Trustee and Lessee or, as may be appropriate, the Airframe Manufacturer or the Engine Manufacturer; provided, however, that, without the consent of each holder of an affected Equipment Note then outstanding, no such amendment of or supplement to this Trust Indenture, the Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Consent and Agreement, the Engine Consent and Agreement or the Participation Agreement or waiver or modification of the terms of, or consent under, any thereof, shall (i) modify any of the provisions of this Section 9.01, or of Article II or III or Section 4.02, 4.04(c), 4.04(d), 5.02 or 5.06 hereof, Sections 13.3, 14 (except to add an Event of Default) or 16 of the Lease, Section 19 of the Participation Agreement, the definitions of "Event of Default," "Default,"

"Lease Event of Default," "Lease Default," "Majority in Interest of Note Holders," "Make-Whole Amount" or "Note Holder," or the percentage of Note Holders required to take or approve any action hereunder, (ii) reduce the amount, or change the time of payment or method of calculation of any amount, of Original Amount, Make-Whole Amount, if any, or interest with respect to any Equipment Note, or alter or modify the provisions of Article III hereof with respect to the order of priorities in which distribution thereunder shall be made as among the Note Holders, the Owner Trustee and Lessee, except as contemplated by Section 2.13 hereof, (iii) reduce, modify or amend any indemnities in favor of the Owner Trustee, the Loan Trustee or the Note Holders (except that the Owner Trustee (in its individual capacity) or the Loan Trustee, as the case may be, may consent to any waiver or reduction of an indemnity payable to it), (iv) consent to any change in the Trust Indenture or the Lease which would permit redemption of Equipment Notes earlier than permitted under Section 2.10 or 2.11 hereof or the purchase or exchange of the Equipment Notes other than as permitted by Section 2.14 hereof, (v) except as contemplated by the Lease or the Participation Agreement, reduce the amount or extend the time of payment of Basic Rent, Stipulated Loss Value, or Termination Value for the Aircraft in each case as set forth in the Lease, or modify, amend or supplement the Lease or consent to any assignment of the Lease, in either case releasing Lessee from its obligations in respect of the payment of Basic Rent, Stipulated Loss Value or Termination Value for the Aircraft or altering the absolute and unconditional character of the obligations of Lessee to pay Rent as set forth in Sections 3 and 16 of the Lease or (vi) permit the creation of any Lien on the Trust Indenture Estate or any part thereof other than Permitted Liens or deprive any Note Holder of the benefit of the Lien of this Trust Indenture on the Trust Indenture Estate, except as provided in connection with the exercise of remedies under Article IV hereof.

(c) At any time after the date of the consummation of the Refinancing Transaction, the Owner Trustee and the Loan Trustee may enter into one or more agreements supplemental hereto without the consent of any Note Holder for any of the following purposes: (i) (a) to cure any defect or inconsistency herein or in the Equipment Notes, or to make any change not inconsistent with the provisions hereof (provided that such change does not adversely affect the interests of any Note Holder in its capacity solely as Note Holder) or (b) to cure any ambiguity or correct any mistake; (ii) to evidence the succession of another party as the Owner Trustee in accordance with the terms of the Trust Agreement or to evidence the succession of a new trustee hereunder pursuant hereto, the removal of the trustee hereunder or the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees; (iii) to convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect the interests of the Note Holders in its capacity solely as Note Holder; (iv) to correct or amplify the description of any property at any time subject to the Lien of this Trust Indenture or better to assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the Lien of this Trust Indenture, the Airframe or Engines or any Replacement Airframe or Replacement Engine; (v) to add to the covenants of the Owner Trustee for the benefit of the Note Holders, or to surrender any rights or power herein conferred upon the Owner Trustee, the Owner Participant or the Lessee; (vi) to add to the rights of the Note Holders; and (vii) to include on the Equipment Notes any legend as may be required by Law.

#### SECTION 9.02. Trustees Protected

If, in the opinion of the institution acting as Owner Trustee under the Trust Agreement or the institution acting as Loan Trustee hereunder, any document required to be executed by it pursuant to the terms of Section 9.01 hereof affects any right, duty, immunity or indemnity with respect to such institution under this Trust Indenture or the Lease, such institution may in its discretion decline to execute such document.

#### SECTION 9.03. Documents Mailed to Note Holders

Promptly after the execution by the Owner Trustee or the Loan Trustee of any document entered into pursuant to Section 9.01 hereof, the Loan Trustee shall mail, by first class mail, postage prepaid, a copy thereof to Lessee and to each Note Holder at its address last set forth in the Equipment Note Register, but the failure of the Loan Trustee to mail such copies shall not impair or affect the validity of such document.

#### SECTION 9.04. No Request Necessary for Lease Supplement or Trust Indenture Supplement

No written request or consent of the Loan Trustee, the Note Holders or the Owner Participant pursuant to Section 9.01 hereof shall be required to enable the Owner Trustee to enter into any Lease Supplement specifically required by the terms of the Lease or to execute and deliver a Trust Indenture Supplement specifically required by the terms hereof.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Termination of Trust Indenture

Upon (or at any time after) payment in full of the Original Amount of, Make-Whole Amount, if any, and interest on and all other amounts due under all Equipment Notes and provided that there shall then be no other Secured Obligations due to the Loan Participants, the Note Holders and the Loan Trustee hereunder or under the Participation Agreement, the Owner Trustee shall direct the Loan Trustee to execute and deliver to or as directed in writing by the Owner Trustee an appropriate instrument releasing the Aircraft and the Engines from the Lien of this Trust Indenture and releasing the Lease, the Purchase Agreement, the Purchase Agreement Assignment with the Consent and Agreement and the Engine Consent and Agreement attached thereto from the assignment and pledge thereof hereunder and the Loan Trustee shall execute and deliver such instrument as aforesaid and give written notice thereof to Lessee; provided, however, that this Trust Indenture and the trusts created hereby shall earlier terminate and this Trust Indenture shall be of no further force or effect upon any sale or other final disposition by the Loan Trustee of all property constituting part of the Trust Indenture Estate and the final distribution by the Loan Trustee of all monies or other property or proceeds constituting part of the Trust Indenture Estate in accordance with the terms hereof. Except as aforesaid otherwise provided, this Trust Indenture and the trusts created hereby shall continue in full force and effect in accordance with the terms hereof.

SECTION 10.02. No Legal Title to Trust Indenture Estate in Note Holders

No holder of an Equipment Note shall have legal title to any part of the Trust Indenture Estate. No transfer, by operation of law or otherwise, of any Equipment Note or other right, title and interest of any Note Holder in and to the Trust Indenture Estate or hereunder shall operate to terminate this Trust Indenture or entitle such holder or any successor or transferee of such holder to an accounting or to the transfer to it of any legal title to any part of the Trust Indenture Estate.

SECTION 10.03. Sale of Aircraft by Loan Trustee Is Binding

Any sale or other conveyance of the Trust Indenture Estate, or any part thereof (including any part thereof or interest therein), by the Loan Trustee made pursuant to the terms of this Trust Indenture shall bind the Note Holders and shall be effective to transfer or convey all right, title and interest of the Loan Trustee, the Owner Trustee, the Owner Participant and such holders in and to such Trust Indenture Estate or part thereof. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such sale or conveyance or as to the application of any sale or other proceeds with respect thereto by the Loan Trustee.

SECTION 10.04. Trust Indenture for Benefit of Owner Trustee, Loan Trustee, Owner Participant and Note Holders

Except as provided in Section 8.7.8 of the Participation Agreement, nothing in this Trust Indenture, whether express or implied, shall be construed to give any person other than the Owner Trustee, the Loan Trustee, the Owner Participant and the Note Holders, any legal or equitable right, remedy or claim under or in respect of this Trust Indenture.

SECTION 10.05. Notices

Unless otherwise expressly specified or permitted by the terms hereof, all notices, requests, demands, authorizations, directions, consents, waivers or documents provided or permitted by this Trust Indenture to be made, given, furnished or filed shall be in writing, personally delivered or mailed by certified mail, postage prepaid, or by facsimile or confirmed telex, and (i) if to the Owner Trustee, addressed to it at 79 South Main Street, Salt Lake City, Utah 84111 with a copy to the Owner Participant addressed as provided in clause (iii) below, (ii) if to Loan Trustee, addressed to it at its office at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, facsimile number (302) 651-8882, (iii) if to any Participant, Lessee or any Note Holder, addressed to such party at such address as such party shall have furnished by notice to the Owner Trustee and the Loan Trustee, or, until an address is so furnished, addressed to the address of such party (if any) set forth on Schedule 1 to the Participation Agreement or in the Equipment Note Register. Whenever any notice in writing is required to be given by the Owner Trustee, any Participant or the Loan Trustee or any Note Holder to any of the other of them, such notice shall be deemed given and such requirement satisfied when such notice is received, or if such notice is mailed by certified mail, postage prepaid, three Business Days after being mailed, addressed as provided above. Any party hereto may change the address to which notices to such

party will be sent by giving notice of such change to the other parties to this Trust Indenture.

#### SECTION 10.06. Severability

Any provision of this Trust Indenture which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

#### SECTION 10.07. No Oral Modification or Continuing Waivers

No term or provision of this Trust Indenture or the Equipment Notes may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Owner Trustee and the Loan Trustee, in compliance with Section 9.01 hereof. Any waiver of the terms hereof or of any Equipment Note shall be effective only in the specific instance and for the specific purpose given.

#### SECTION 10.08. Successors and Assigns

All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, each of the parties hereto and the permitted successors and assigns of each, all as herein provided. Any request, notice, direction, consent, waiver or other instrument or action by any Note Holder shall bind the successors and assigns of such holder. This Trust Indenture and the Trust Indenture Estate shall not be affected by any amendment or supplement to the Trust Agreement or by any other action taken under or in respect of the Trust Agreement, except that each reference in this Trust Indenture to the Trust Agreement shall mean the Trust Agreement as amended and supplemented from time to time to the extent permitted hereby, thereby and by the Participation Agreement. Each Note Holder by its acceptance of an Equipment Note agrees to be bound by this Trust Indenture and all provisions of the Participation Agreement applicable to a Loan Participant or a Note Holder.

#### SECTION 10.09. Headings

The headings of the various Articles and sections herein and in the table of contents hereto are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

#### SECTION 10.10. Normal Commercial Relations

Anything contained in this Trust Indenture to the contrary notwithstanding, Owner Trustee, Loan Trustee, any Participant or any bank or other Affiliate of such Participant may conduct any banking or other financial transactions, and have banking or other commercial relationships, with Lessee, fully to the same extent as if this Trust Indenture were not in effect, including without limitation the making of loans or other extensions of credit to Lessee for any purpose whatsoever, whether related to any of the transactions contemplated hereby or otherwise.

#### SECTION 10.11. Governing Law; Counterpart Form

THIS TRUST INDENTURE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. THIS TRUST INDENTURE IS BEING DELIVERED IN THE STATE OF NEW YORK. This Trust Indenture may be executed by the parties hereto in separate counterparts (or upon separate signature pages bound together into one or more counterparts), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

#### SECTION 10.12. Voting By Note Holders

All votes of the Note Holders shall be governed by a vote of a Majority in Interest of Note Holders, except as otherwise provided herein.

#### SECTION 10.13. Bankruptcy

It is the intention of the parties that the Owner Trustee, as lessor under the Lease (and the Loan Trustee as assignee of the Owner Trustee hereunder), shall be entitled to the benefits of Section 1110 with respect to the right to take possession of the Aircraft, Airframe, Engines and Parts as provided in the Lease in the event of a case under Chapter 11 of the Bankruptcy Code in which Lessee is a debtor, and in any instance where more than one construction is possible of the terms and conditions hereof or any other pertinent Operative Agreement, each such party agrees that a construction which would preserve such benefits shall control over any construction which would not preserve such benefits.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Indenture and Mortgage to be duly executed by their respective officers thereof duly authorized as of the day and year first above written.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION, not in its  
individual capacity, except as  
expressly provided herein, but  
solely as Owner Trustee, as Owner  
Trustee

By /s/ Greg A. Hawley

-----  
Name: Greg A. Hawley  
Title: Assistant Vice President

WILMINGTON TRUST COMPANY, not in  
its individual capacity, except as  
expressly provided herein, but  
solely as Loan Trustee

By /s/ Thomas P. Laskaris

-----  
Name: Thomas P. Laskaris  
Title: Vice President

EXHIBIT A  
TO  
TRUST INDENTURE AND MORTGAGE

TRUST INDENTURE AND MORTGAGE 104 SUPPLEMENT NO. 1

This TRUST INDENTURE AND MORTGAGE 104 SUPPLEMENT NO. 1, dated \_\_\_\_\_, \_\_\_\_\_ (herein called this "Trust Indenture Supplement") of FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Owner Trustee (herein called the "Owner Trustee") under that certain Trust Agreement 104 dated as of July 15, 1994 (the "Trust Agreement"), between the Owner Trustee and the Owner Participant named therein.

W I T N E S S E T H:

WHEREAS, the Amended and Restated Trust Indenture and Mortgage 104, dated as of December \_\_, 1995 (as amended and supplemented to the date hereof, the "Trust Indenture") between the Owner Trustee and Wilmington Trust Company, as Loan Trustee (the "Loan Trustee"), provides for the execution and delivery of a supplement thereto substantially in the form hereof, which shall particularly describe the Aircraft, and shall specifically mortgage such Aircraft to the Loan Trustee; and

WHEREAS, each of the Trust Agreement and Trust Indenture relates to the Airframe and Engines described below, and a counterpart of the Trust Indenture is attached hereto and made a part hereof and this Trust Indenture Supplement, together with such counterpart of the Trust Indenture, is being filed for recordation on the date hereof with the FAA as one document;

NOW, THEREFORE, this Trust Indenture Supplement witnesseth that the Owner Trustee hereby confirms that the Lien of the Trust Indenture on the Trust Indenture Estate covers all of Owner Trustee's right, title and interest in and to the following described property:

AIRFRAME

One airframe identified as follows:

Manufacturer	Model	FAA Registration Number	Manufacturer's Serial Number
The Boeing Company	757-224	N17104	27294

together with all of the Owner Trustee's right, title and interest in and to all Parts of whatever nature, whether now owned or hereinafter acquired and which are from time to time incorporated or installed in or attached to said airframe.

AIRCRAFT ENGINES

Two aircraft engines, each such engine having 750 or more rated take-off horsepower or the equivalent thereof, identified as follows:

Manufacturer	Manufacturer's Model	Serial Number
Rolls-Royce plc	RB211-535E4-B-37	31268
Rolls-Royce plc	RB211-535E4-B-37	31269

together with all of Owner Trustee's right, title and interest in and to all Parts of whatever nature, whether now owned or hereafter acquired and which are from time to time incorporated or installed in or attached to either of such engines.

Together with all of Owner Trustee's right, title and interest in and to (a) all Parts of whatever nature, which from time to time are included within the definition of "Airframe" or "Engine", whether now owned or hereafter acquired, including all substitutions, renewals and replacements of and additions, improvements, accessions and accumulations to the Airframe and Engines (other than additions, improvements, accessions and accumulations which constitute appliances, parts, instruments, appurtenances, accessories, furnishings or other equipment excluded from the definition of Parts) and (b) all Aircraft Documents.

As further security for the obligations referred to above and secured by the Trust Indenture and hereby, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Loan Trustee, its successors and assigns, for the security and benefit of the Loan Participants and of the

Note Holders, in the trust created by the Trust Indenture, all of the right, title and interest of the Owner Trustee in, to and under the Lease Supplement of even date herewith covering the property described above.

Notwithstanding any provision hereof, no Excluded Payment shall constitute security for any of the aforementioned obligations.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, its successors and assigns, in trust for the equal and proportionate benefit and security of the Note Holders, except as provided in Section 2.15 and Article III of the Trust Indenture without any preference, distinction or priority of any one Equipment Note over any other by reason of priority of time of issue, sale, negotiation, date of maturity thereof or otherwise for any reason whatsoever, and for the uses and purposes and subject to the terms and provisions set forth in the Trust Indenture.

This Trust Indenture Supplement shall be construed as supplemental to the Trust Indenture and shall form a part thereof. The Trust Indenture is each hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

AND, FURTHER, the Owner Trustee hereby acknowledges that the Aircraft referred to in this Trust Indenture Supplement and the aforesaid Lease Supplement has been delivered to the Owner Trustee and is included in the property of the Owner Trustee covered by all the terms and conditions of the Trust Agreement, subject to the pledge and mortgage thereof under the Trust Indenture.

\* \* \*

IN WITNESS WHEREOF, the Owner Trustee has caused this Trust Indenture Supplement to be duly executed by one of its officers, thereunto duly authorized, on the day and year first above written.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION, not in its  
individual capacity, but solely as  
Owner Trustee, Owner Trustee

By \_\_\_\_\_  
Name:  
Title:

SCHEDULE I

	Original Amount	Interest Rate
	-----	-----

Series A . . .		
Series B . . .		
Series C . . .		
Series D . . .		

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

Equipment Note Amortization

SERIES A

Payment Date	Percentage of Original Amount to be Paid
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[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

SERIES B

Payment Date	Percentage of Original Amount to be Paid
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[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

SERIES C

Payment Date	Percentage of Original Amount to be Paid
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[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

SERIES D

Payment Date	Percentage of Original Amount to be Paid
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[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information.]

AMENDED AND RESTATED TRUST INDENTURE AND MORTGAGE 104  
AMENDMENT NO. 1

THIS AMENDED AND RESTATED TRUST INDENTURE AND MORTGAGE 104 AMENDMENT NO. 1 ("Amendment"), dated as of January 31, 1996, is between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee (together with its successors and assigns under the Trust Agreement, the "Owner Trustee"), and WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except as expressly stated herein, but solely as Loan Trustee hereunder (together with its successors and assigns hereunder, the "Loan Trustee").

RECITALS

(A) The Owner Trustee and the Loan Trustee entered into the Trust Indenture and Mortgage 104 dated as of July 15, 1994 between the Owner Trustee and the Loan Trustee (the "Original Indenture"), (ii) the Owner Trustee and the Loan Trustee entered into the Trust Indenture and Mortgage 104 Supplement No. 1 (the "Supplement") dated July 29, 1994 to the Original Indenture, (iii) the Original Indenture and the Supplement were recorded by the Federal Aviation Administration on August 25, 1994 and were assigned Conveyance No. Q56550 and (iv) the Owner Trustee and the Loan Trustee entered into the Amended and Restated Trust Indenture and Mortgage 104 dated as of December 22, 1995 (the "Trust Indenture") and (v) the Trust Indenture was filed with the Federal Aviation Administration on December 29, 1995.

(B) Owner Trustee and Loan Trustee wish to amend the Trust Indenture as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner Trustee and Loan Trustee hereby agree as follows:

AGREEMENT

A. DEFINITIONS. Capitalized terms used but not defined herein shall have the respective meanings set forth or referred to in Article I of the Trust Indenture.

B. INDENTURE AMENDMENTS. Lessor and Lessee agree that, effective as of the date hereof, the Trust Indenture is hereby amended as follows:

(1) Amendment to Provisions Pertaining to the Issuance and Terms of the Notes.

Section 2.02 of the Trust Indenture is hereby amended by deleting the third paragraph thereof in its entirety and substituting the following new paragraph in lieu thereof:

The Owner Trustee agrees to pay to the Loan Trustee for distribution in accordance with Section 3.04 hereof (a) any and all indemnity amounts received by the Owner Trustee which are payable by the Lessee to (i) the Loan Trustee in its individual capacity, (ii) the Note Holders, (iii) the Subordination Agent, (iv) the Liquidity Provider and (v) the Pass Through Trustees, in each case pursuant to Section 10 of the Participation Agreement, (b) the Owner Trustee's pro rata share of the excess of (i) any amounts owed to the Liquidity Provider by the Subordination Agent as borrower under each Liquidity Facility (other than amounts due as repayment of advances thereunder) and the related fee letter between the Subordination Agent as borrower and the Liquidity Provider and any amounts owed to the Liquidity Provider under each "Refunding Agreement" (as such term is defined in each of the Operative Leases), over (ii) any "Investment Earnings" on amounts on deposit in any "Cash Collateral Account" (as such terms are defined in the Intercreditor Agreement), and (c) any and all amounts received by the Owner Trustee which are payable by Lessee under clause (c), (e) or (f) of the definition of Supplemental Rent. As used herein, "Owner Trustee's pro rata share" means as of any time a fraction, the numerator of which is the principal balance then outstanding of Equipment Notes and the denominator of which is the aggregate principal balance then outstanding of all "Equipment Notes" (as such term is defined in each of the Operative Leases).

(2) Amendments to Certain Payments Provision.

(a) Section 3.04(b) of the Trust Indenture is hereby amended by deleting it in its entirety and substituting the following new Section 3.04(b) in lieu thereof:

The Loan Trustee will distribute promptly upon receipt any indemnity payment received by it from the

Owner Trustee or Lessee in respect of (i) the Loan Trustee in its individual capacity, (ii) any Note Holder, (iii) the Subordination Agent, (iv) the Liquidity Provider and (v) the Pass Through Trustees, in each case whether pursuant to Section 10 of the Participation Agreement or as Supplemental Rent, directly to the Person entitled thereto. Any payment received by the Loan Trustee under clause (b) of the third paragraph of Section 2.02 shall be distributed to the Subordination Agent to be distributed in accordance with the terms of the Intercreditor Agreement, and any payment received by the Loan Trustee under clause (c) of the third paragraph of Section 2.02 shall be distributed directly to the Persons entitled thereto.

(3) Amendment to Schedule I.

Schedule I to the Trust Indenture is hereby replaced in its entirety by the revised Schedule I attached to this Amendment as Amended Schedule I.

C. ENTIRE AGREEMENT. This Amendment is intended to be a complete and exclusive statement of the terms of the agreement of the parties hereto and supersedes any prior or contemporaneous agreements, whether oral or in writing with respect to the subject matter hereof.

D. STATUS OF TRUST INDENTURE. This Amendment shall be construed in connection with, and as a part of, the Trust Indenture. The terms, conditions, covenants, representations, agreements, rights, remedies, powers and privileges set forth in the Trust Indenture, as modified hereby, are hereby confirmed in all respects by the parties hereto and shall continue in full force and effect.

E. COUNTERPARTS. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Amendment has been executed on behalf of each of the parties as of the date first written above.

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as expressly provided  
herein, but solely as Owner  
Trustee, as Owner Trustee

By: \_\_\_\_\_  
Name: Greg A. Hawley  
Title: Assistant Vice-  
President

WILMINGTON TRUST COMPANY.,  
as Loan Trustee

By: \_\_\_\_\_  
Name: Bruce Bisson  
Title: Vice President

AMENDED SCHEDULE I

Original Amount                      Interest Rate  
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Series A . . .  
Series B . . .  
Series C . . .  
Series D . . .

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information]

Equipment Note Amortization

SERIES A

Payment Date	Percentage of Original Amount to be Paid
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[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information]

Equipment Note Amortization

SERIES B

Payment Date	Percentage of Original Amount to be Paid
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[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information]

Equipment Note Amortization

SERIES C

Payment Date	Percentage of Original Amount to be Paid
-----	-----

[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information]

Equipment Note Amortization

SERIES D

Payment Date	Percentage of Original Amount to be Paid
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[Intentionally omitted from the version of  
this document filed with the FAA as  
containing confidential financial information]

TRUST AGREEMENT 104

Dated as of July 15, 1994

Between

GAUCHO-2 INC.

and

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION

One Boeing Model 757-224 Aircraft  
Bearing Manufacturer's Serial No. 27294

CONTENTS

SECTION 1. DEFINITIONS. . . . .	1
SECTION 2. DECLARATION OF TRUST . . . . .	1
SECTION 3. AUTHORIZATION; CONDITIONS PRECEDENT. . . . .	1
3.1 Authorization. . . . .	1
3.2 Conditions Precedent . . . . .	3
SECTION 4. RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME FROM THE TRUST ESTATE . . . . .	3
4.1 Payments from Trust Estate Only. . . . .	3
4.2 Distribution of Payments . . . . .	4
4.3 Method of Payments . . . . .	5
SECTION 5. DUTIES OF OWNER TRUSTEE. . . . .	6
5.1 Notice of Event of Default . . . . .	6
5.2 Action upon Instructions . . . . .	6
5.3 Limitations on Duties. . . . .	7
5.4 No Duties except as Specified; No Action except as Specified. . . . .	7
5.5 Satisfaction of Conditions Precedent . . . . .	8
5.6 Fixed Investment Trust . . . . .	8
SECTION 6. OWNER TRUSTEE. . . . .	8
6.1 Acceptance of Trusts and Duties. . . . .	8
6.2 Absence of Certain Duties. . . . .	9
6.3 No Representations or Warranties as to Certain Matters. . . . .	10
6.4 No Segregation of Monies; Interest . . . . .	11
6.5 Reliance upon Certificates, Counsel and Agents . . . . .	11
6.6 Not Acting in Individual Capacity. . . . .	12
6.7 Fees; Compensation . . . . .	12
6.8 Tax Returns. . . . .	13
SECTION 7. INDEMNIFICATION OF FIRST SECURITY BY OWNER PARTICIPANT . . . . .	13
SECTION 8. TRANSFER OF OWNER PARTICIPANT'S INTEREST . . . . .	15
8.1 Transfer of Interest . . . . .	15
8.2 Actions of Owner Participants. . . . .	15
SECTION 9. SUCCESSOR OWNER TRUSTEES; CO-TRUSTEES. . . . .	16
9.1 Resignation of Owner Trustee; Appointment of Successor. . . . .	16
9.2 Co-Trustees and Separate Trustees. . . . .	18
SECTION 10. SUPPLEMENTS AND AMENDMENTS TO TRUST AGREEMENT AND OTHER DOCUMENTS. . . . .	19
10.1 Supplements and Amendments and Delivery Thereof. . . . .	19

10.2	Discretion as to Execution of Documents. . . . .	20
10.3	Absence of Requirements as to Form . . . . .	21
10.4	Distribution of Documents. . . . .	21
10.5	No Request Needed as to Lease Supplement and Trust Indenture Supplement . . . . .	21
SECTION 11.	MISCELLANEOUS. . . . .	21
11.1	Termination of Trust Agreement . . . . .	21
11.2	Owner Participant Has No Legal Title in Trust Estate . . . . .	22
11.3	Assignment, Sale, etc. of Aircraft . . . . .	22
11.4	Trust Agreement for Benefit of Certain Parties Only . . . . .	22
11.5	Citizenship of Owner Participant . . . . .	23
11.6	Notices. . . . .	23
11.7	Severability . . . . .	23
11.8	Waivers, Etc. . . . .	24
11.9	Counterparts . . . . .	24
11.10	Binding Effect, Etc. . . . .	24
11.11	Headings; References . . . . .	24
11.12	Governing Law. . . . .	24

TRUST AGREEMENT 104

This TRUST AGREEMENT 104, dated as of July 15, 1994, between GAUCHO-2 INC., a Delaware corporation ("Owner Participant"), and FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association (in its individual capacity, "First Security" and otherwise not in its individual capacity but solely as trustee hereunder, "Owner Trustee").

WITNESSETH:

SECTION 1. DEFINITIONS

Capitalized terms used but not defined herein shall have the respective meanings set forth or incorporated by reference, and shall be construed and interpreted in the manner described, in Annex A to the Lease.

SECTION 2. DECLARATION OF TRUST

First Security hereby declares that it will hold the Trust Estate as Owner Trustee upon the trusts hereinafter set forth for the use and benefit of Owner Participant, subject, however, to the provisions of and the Lien created by the Trust Indenture and to the provisions of the Lease and the Participation Agreement.

SECTION 3. AUTHORIZATION; CONDITIONS PRECEDENT

3.1 Authorization

In respect of the Aircraft, Owner Participant hereby authorizes and directs Owner Trustee to, and Owner Trustee agrees for the benefit of Owner Participant that it will, on and after the Delivery Date, subject (except with respect to Section 3.1(a)) to due compliance with the terms of Section 3.2:

(a) execute and deliver the Participation Agreement, the Trust Indenture, the Lease and the other Owner Trustee Agreements (in the respective forms in which they are delivered from time to time by Owner Participant to Owner Trustee);

(b) subject to the terms of this Trust Agreement, exercise (i) its rights and perform its duties under the Participation Agreement, (ii) the rights and perform the duties of Lessor under the Lease and (iii) its rights and perform its duties under the Trust Indenture and the other Owner Trustee Agreements;

(c) execute, issue and deliver to Mortgagee for authentication and further delivery to Loan Participant the Loan Certificates in the amount and as provided in Section 2 of the Participation Agreement;

(d) purchase the Aircraft pursuant to the Purchase Agreement as assigned to Owner Trustee pursuant to the Purchase Agreement Assignment;

(e) accept from Airframe Manufacturer the delivery of the Aircraft Bill of Sale, the FAA Bill of Sale and the invoice with respect to such Aircraft and from Lessee the delivery of the BFE Bill of Sale and the invoice with respect to such BFE;

(f) effect the registration of the Aircraft with the FAA in the name of Owner Trustee by filing or causing to be filed with the FAA: (i) the FAA Bill of Sale; (ii) an Aircraft Registration Application in the name of Owner Trustee (including, without limitation, an affidavit from Owner Trustee in compliance with the provisions of Section 47.7(c)(2) of the FAA Regulations); and (iii) this Trust Agreement;

(g) execute and deliver the Financing Statements referred to in Section 6.1.2(xxvi) of the Participation Agreement, together with all other agreements, documents and instruments referred to in Section 6 of the Participation Agreement to which Owner Trustee is to be a party;

(h) make payment of Lessor's Cost for the Aircraft from the aggregate amount of the Commitments for the Aircraft of Owner Participant and Loan Participant, to the extent received by Owner Trustee, in the manner provided in the Participation Agreement;

(i) execute and deliver Lease Supplement No. 1 covering the Aircraft;

(j) execute and deliver a Trust Indenture Supplement covering the Aircraft; and

(k) execute and deliver all such other instruments, documents or certificates and take all such other actions in

accordance with the direction of Owner Participant, as Owner Participant may deem necessary or advisable in connection with the transactions contemplated by this Trust Agreement and the other Operative Agreements.

### 3.2 Conditions Precedent

The rights and obligations of Owner Trustee to take the actions required by Section 3.1 shall be subject to the following conditions precedent:

(a) Owner Trustee shall have received the notice described in Section 5.1(a) of the Participation Agreement, when and as required thereby, or shall have been deemed to have waived such notice in accordance with Section 5.1(b) of the Participation Agreement;

(b) Each Participant shall have made the full amount of its Commitment specified in Section 2.1 of the Participation Agreement available to Owner Trustee, in immediately available funds, in accordance with Sections 2 and 5 of the Participation Agreement; and

(c) Owner Participant shall have notified Owner Trustee that the terms and conditions of Section 6 of the Participation Agreement, insofar as they relate to conditions precedent to performance by Owner Participant of its obligations thereunder, have been either fulfilled to the satisfaction of, or waived by, Owner Participant. Owner Participant shall, by instructing Owner Trustee to release the full amount of its Commitment then held by Owner Trustee as provided in Section 2 of the Participation Agreement, be deemed to have found satisfactory to it, or waived, all such conditions precedent.

## SECTION 4. RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME FROM THE TRUST ESTATE

### 4.1 Payments from Trust Estate Only

Except as provided in Section 7, all payments to be made by Owner Trustee under this Trust Agreement shall be made only from (a) in the case of funds made available in accordance with Section 5 of the Participation Agreement, the Commitments (except as otherwise provided in Section 17 of the Participation Agreement) and (b) in the case of all other payments, the income from and proceeds of the Trust Estate to the extent that Owner Trustee shall have received sufficient income or proceeds from the Trust Estate to make such payments. Owner Participant agrees that it will look solely (y) in the case of funds made available in accordance with Section 5 of the Participation Agreement, to the Commitments and any income therefrom (except as otherwise provided in Section 17 of the Participation Agreement) and (z) in the case of all other payments, to the income from and proceeds of the Trust Estate to the extent available for distribution to Owner Participant as provided in this Trust Agreement. Except as provided in Section 7, Owner Participant agrees that First Security is neither personally liable to Owner Participant for any amounts payable nor subject to any other liability under this Trust Agreement.

### 4.2 Distribution of Payments

#### 4.2.1 Payments to Mortgagee

Until the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, all Rent, insurance proceeds and requisition or other payments of any kind included in the Trust Estate (other than Excluded Payments) payable to Owner Trustee shall be payable directly to Mortgagee (and, if any of the same are received by Owner Trustee, shall upon receipt be paid over to Mortgagee without deduction, set-off or adjustment of any kind) for distribution in accordance with the provisions of Article III of the Trust Indenture; provided, that any payments received by Owner Trustee from (a) Lessee with respect to Owner Trustee's fees and disbursements or (b) Owner Participant pursuant to Section 7 shall not be paid over to Mortgagee but shall be retained by Owner Trustee and applied toward the purpose for which such payments were made.

#### 4.2.2 Payments to Owner Trustee, Other Parties

After the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, any payment of the type referred to in Section 4.2.1 (other than Excluded Payments) received by Owner Trustee, any payment received from Mortgagee (other than Excluded Payments) and any other amount received as part of the Trust Estate and for the application or distribution of which no provision is made in this Trust Agreement shall be distributed forthwith upon receipt by Owner Trustee in the following order of priority: first, so much of such payment as shall be required to reimburse Owner Trustee for any expenses not otherwise reimbursed as to which Owner Trustee is entitled to be so reimbursed pursuant to the provisions hereof shall be retained by Owner Trustee; second, so much of the remainder for which provision is made to the

application thereof is contained in the Lease or any of the other Operative Agreements shall be applied and distributed in accordance with the terms of the Lease or such other Operative Agreement; and third, the balance, if any, shall be paid to Owner Participant.

#### 4.2.3 Certain Distributions to Owner Participant

All amounts from time to time distributable by Mortgagee to Owner Participant pursuant to the Trust Indenture shall, if paid to Owner Trustee, be distributed by Owner Trustee to Owner Participant in accordance with the provisions of Article III of the Trust Indenture; provided, that any payments received by Owner Trustee from (a) Lessee with respect to Owner Trustee's fees and disbursements or (b) Owner Participant pursuant to Section 7 shall not be paid over to Owner Participant but shall be retained by Owner Trustee and applied toward the purpose for which such payments were made.

#### 4.2.4 Excluded Payments

Any Excluded Payments received by Owner Trustee shall be paid by Owner Trustee to the Person to whom such Excluded Payments are payable under the provisions of the Participation Agreement, the Tax Indemnity Agreement or the Lease.

#### 4.2.5 Multiple Owner Participants

If, as a result of a transfer by Owner Participant under Section 8.1, there is more than one Owner Participant under this Trust Agreement, each such Owner Participant shall hold in proportion to its respective beneficial interest in the Trust Estate an undivided beneficial interest in the entire Trust Estate and is entitled to receive ratably with any other Owner Participant payments distributable by Owner Trustee under this Trust Agreement. No Owner Participant shall have legal title to the Aircraft or any other portion of the Trust Estate.

#### 4.3 Method of Payments

Owner Trustee shall make distributions or cause distributions to be made to Owner Participant pursuant to this Section 4 by transferring the amount to be distributed by wire transfer in immediately available funds on the day received (or on the next succeeding Business Day if the funds to be so distributed shall not have been received by Owner Trustee by 12:00 noon, New York City time, and which funds Owner Trustee shall not have been reasonably able to distribute to Owner Participant on the day received) to Owner Participant's account set forth in Schedule 1 to the Participation Agreement or to such other account or accounts of Owner Participant as Owner Participant may designate from time to time in writing to Owner Trustee; provided, that Owner Trustee shall use reasonable efforts to invest overnight, in investments that would be permitted under Section 4.5 of the Lease, all funds received by it at or later than 12:00 noon, New York City time, and which funds Owner Trustee shall not have been reasonably able to distribute to Owner Participant on the day received).

### SECTION 5. DUTIES OF OWNER TRUSTEE

#### 5.1 Notice of Event of Default

(a) If Owner Trustee shall have knowledge of a Lease Default or a Lease Event of Default or an Indenture Default or an Indenture Event of Default, Owner Trustee shall give to Owner Participant, Mortgagee and Lessee prompt telephonic or telex notice thereof followed by prompt confirmation thereof by certified mail, postage prepaid, provided, that (i) in the case of an event which with the passage of time would constitute an Indenture Event of Default of the type referred to in paragraph (c) or (e) of Section 4.02 of the Trust Indenture, such notice shall in no event be furnished later than ten days after Owner Trustee shall first have knowledge of such event and (ii) in the case of a misrepresentation by Owner Trustee which with the passage of time would constitute an Indenture Event of Default of the type referred to in paragraph (d) of Section 4.02 of the Trust Indenture, such notice shall in no event be furnished later than ten days after Owner Trustee shall first have knowledge of such event.

(b) Subject to the terms of Section 5.3, Owner Trustee shall take such action or shall refrain from taking such action, not inconsistent with the provisions of the Trust Indenture, with respect to such Lease Default, Lease Event of Default, Indenture Default or Indenture Event of Default or other event as Owner Trustee shall be directed in writing by Owner Participant. For all purposes of this Trust Agreement, the Lease and the other Operative Agreements, in the absence of Actual Knowledge of Owner Trustee, Owner Trustee shall not be deemed to have knowledge of a Lease Default, Lease Event of Default, Indenture Default or Indenture Event of Default unless notified in writing by Mortgagee, Owner Participant or Lessee.

#### 5.2 Action upon Instructions

Subject to the terms of Sections 5.1 and 5.3, upon the written instructions at any time and from time to time of Owner Participant, Owner Trustee will take such of the following actions, not inconsistent with the provisions of the Lease and the Trust Indenture, as may be specified in such instructions: (a) give such notice or direction or exercise such right, remedy or power under this Trust Agreement or any of the other Owner Trustee Agreements or in respect of all or any part of the Trust Estate, or take such other action, as shall be specified in such instructions (including entering into such agreements and instruments as shall be necessary under Section 10); (b) take such action to preserve or protect the Trust Estate (including the discharge of Liens) as may be specified in such instructions; (c) approve as satisfactory to it all matters required by the terms of the Lease or the other Operative Agreements to be satisfactory to Owner Trustee, it being understood that without written instructions of Owner Participant, Owner Trustee shall not approve any such matter as satisfactory to it; (d) subject to the rights of Lessee under the Operative Agreements, after the expiration or earlier termination of the Lease, convey all of Owner Trustee's right, title and interest in and to the Aircraft for such amount, on such terms and to such purchaser or purchasers as shall be designated in such instructions, or retain, lease or otherwise dispose of, or from time to time take such other action with respect to, the Aircraft on such terms as shall be designated in such instructions; and (e) take or refrain from taking such other action or actions as may be specified in such instructions.

### 5.3 Limitations on Duties

Owner Trustee shall not be required to take any action under Section 5.1 (other than the giving of the notices referred to therein) or 5.2 if Owner Trustee shall reasonably believe such action is not adequately indemnified by Owner Participant under Section 7, unless Lessee or Owner Participant agrees to furnish such additional indemnity as shall reasonably be required, in manner and form satisfactory to Owner Trustee, and, in addition to the extent not otherwise paid pursuant to the provisions of the Lease or of the Participation Agreement, to pay the reasonable compensation of Owner Trustee for the services performed or to be performed by it pursuant to such direction and any reasonable fees and disbursements of counsel or agents employed by Owner Trustee in connection therewith. Owner Trustee shall not be required to take any action under Section 5.1 or 5.2 (other than the giving of the notices referred to therein) if Owner Trustee shall have been advised by counsel that such action is contrary to the terms of any of the Owner Trustee Agreements or is otherwise contrary to Law and Owner Trustee has delivered to Owner Participant written notice of the basis for its refusal to act.

### 5.4 No Duties except as Specified; No Action except as Specified

#### 5.4.1 No Duties except as Specified

Owner Trustee shall not have any duty or obligation to manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate or to otherwise take or refrain from taking any action under, or in connection with, any of the Owner Trustee Agreements, except as expressly required by the terms of any of the Owner Trustee Agreements, or (to the extent not inconsistent with the provisions of the Trust Indenture) as expressly provided by the terms hereof or in a written instruction from Owner Participant received pursuant to the terms of Section 5.1 or 5.2, and no implied duties or obligations shall be read into this Trust Agreement against Owner Trustee. First Security agrees that it will, in its individual capacity and at its own cost or expense (but without any right of indemnity in respect of any such cost or expense hereunder or under the Participation Agreement), promptly take such action as may be necessary to duly discharge and satisfy in full all Lessor Liens attributable to it in its individual capacity which it is required to discharge pursuant to Section 8.3.1 of the Participation Agreement and otherwise comply with the terms of said Section binding upon it.

#### 5.4.2 No Action except as Specified

Owner Trustee shall have no power, right or authority to, and agrees that it will not, manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate except (a) as expressly required by the terms of any of the Owner Trustee Agreements, (b) as expressly provided by the terms hereof or (c) as expressly provided in written instructions from Owner Participant pursuant to Section 5.1 or 5.2.

### 5.5 Satisfaction of Conditions Precedent

Anything in this Trust Agreement to the contrary notwithstanding, Owner Trustee shall, subject to the satisfaction of special counsel for Owner Trustee of the

occurrence of all the applicable conditions precedent specified in Section 3.2, comply with the provisions of Section 3.1.

## 5.6 Fixed Investment Trust

Notwithstanding anything in this Trust Agreement to the contrary, Owner Trustee shall not be authorized and shall have no power to "vary the investment" of Owner Participant within the meaning of Treasury Regulations Section 301.7701-4(c)(1), it being understood that Owner Trustee shall have the power and authority to fulfill its obligations under Section 4.3 hereof, Section 5.3.3 of the Participation Agreement and Section 4.5 of the Lease.

## SECTION 6. OWNER TRUSTEE

### 6.1 Acceptance of Trusts and Duties

First Security accepts the trusts hereby created and agrees to perform the same as Owner Trustee but only upon the terms hereof and the Trust Indenture applicable to it. Owner Trustee also agrees to receive and disburse all monies received by it constituting part of the Trust Estate pursuant to the terms hereof. First Security shall not be answerable or accountable under any circumstances, except for (a) its own willful misconduct or gross negligence (including, without limitation, in connection with any activities of Owner Trustee in violation of Section 5.4.2), (b) its failure (in its individual capacity) to perform its obligations under Section 5.4.1, (c) its or Owner Trustee's failure to use ordinary care to receive or disburse funds or to comply with the first sentence of Section 6.8, (d) liabilities that may result from the inaccuracy of any representation or breach of warranty of it in its individual capacity (or from the failure by it in its individual capacity to perform any covenant) in this Trust Agreement, the Trust Indenture, the Lease or the Participation Agreement or elsewhere in any of the other Operative Agreements, (e) taxes, fees or other charges on, based on or measured by any fees, commissions or compensation received by First Security in connection with the transactions contemplated by this Trust Agreement and the other Operative Agreements to which it (in its individual capacity or as Owner Trustee) is a party, (f) for its or Owner Trustee's failure to use ordinary care in receiving or disbursing funds or in connection with its obligation to invest funds pursuant to Section 5 of the Participation Agreement, Section 4.5 of the Lease or Section 4.3 hereof, (g) for any liability on the part of Owner Trustee arising out of its negligence or willful or negligent misconduct in connection with its obligations under Section 5.1 (other than the first sentence thereof), 6.8 or 9.2 hereof or Section 4.01 of the Trust Indenture. First Security shall have no obligation to advance its individual funds for any purpose, and Owner Trustee shall have no obligation to distribute to Owner Participant, Lessee or any third party any amounts to be paid to Owner Trustee until such amounts are collected by Owner Trustee.

### 6.2 Absence of Certain Duties

(a) Except in accordance with written instructions furnished pursuant to Section 5.1 or 5.2 and except as provided in, and without limiting the generality of, Sections 3.1 and 5.4.1 and the last sentence of Section 9.1.2, and subject to Section 4.01 of the Trust Indenture, neither Owner Trustee nor First Security shall have any duty (i) to see to any recording or filing of any Operative Agreement or of any supplement to any thereof or to see to the maintenance of any such recording or filing or any other filing of reports with the FAA or other governmental agencies, except that of First Security to comply with the FAA reporting requirements set forth in 14 C.F.R. Section 47.45 and 14 C.F.R. Section 47.51, and Owner Trustee shall, to the extent that information for that purpose is timely supplied by Lessee pursuant to any of the Operative Agreements, complete and timely submit (and furnish Owner Participant with a copy of) any and all reports relating to the Aircraft that may from time to time be required by the FAA or any government or governmental authority having jurisdiction, (ii) to see to any insurance on the Aircraft or to effect or maintain any such insurance, whether or not Lessee shall be in default with respect thereto, other than to forward to Owner Participant copies of all reports and other written information which Owner Trustee receives from Lessee pursuant to Section 11 of the Lease, (iii) except as provided in Section 8.3.1 or 8.3.2 of the Participation Agreement, Section 4.01 of the Trust Indenture or Section 5.4 or 6.1 hereof, to see to the payment or discharge of any tax, assessment or other governmental charge or any lien or encumbrance of any kind owing with respect to or assessed or levied against any part of the Trust Indenture Estate or the Trust Estate, except as provided in Section 7.3.9 of the Participation Agreement or (iv) to inspect Lessee's books and records with respect to the Aircraft at any time permitted pursuant to the Lease.

(b) Notwithstanding clause (a), Owner Trustee will furnish to Mortgagee and Owner Participant, promptly upon receipt thereof, duplicates or copies of all reports, notices,

requests, demands, certificates, financial statements and other instruments furnished to Owner Trustee under the Lease or any other Operative Agreement except to the extent to which a responsible officer of Owner Trustee reasonably believes (and confirms by telephone call with Owner Participant) that duplicates or copies thereof have already been furnished to Owner Participant by some other person.

### 6.3 No Representations or Warranties as to Certain Matters

NEITHER FIRST SECURITY NOR OWNER TRUSTEE MAKES OR SHALL BE DEEMED TO HAVE MADE (a) ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, THE ABSENCE OF ANY STRICT LIABILITY OBLIGATION OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF WHATSOEVER, except that First Security warrants to Owner Participant that on the Delivery Date Owner Trustee shall have received whatever title to the Aircraft that was conveyed to it and that the Aircraft shall, on the Delivery Date and during the Term, be free of Lessor Liens attributable to First Security or (b) any representation or warranty as to the validity, legality or enforceability of this Trust Agreement or any other Operative Agreement to which First Security, in its individual capacity or as Owner Trustee, is a party, or any other document or instrument, or as to the correctness of any statement contained in any thereof except to the extent that any such statement is expressly made herein or therein by such party as a representation by First Security, in its individual capacity or as Owner Trustee, as the case may be, and except that First Security hereby represents and warrants that it has all corporate power and authority to execute, deliver and perform this Trust Agreement and that this Trust Agreement has been, and (assuming due authorization, execution and delivery by Owner Participant of this Trust Agreement) the other Operative Agreements to which it or Owner Trustee is a party have been (or at the time of execution and delivery of any such instrument by it or Owner Trustee under this Trust Agreement or pursuant to the terms of the Participation Agreement that such an instrument will be) duly executed and delivered by one of its officers who is or will be, as the case may be, duly authorized to execute and deliver such instruments on behalf of itself or Owner Trustee, as the case may be, and that this Trust Agreement constitutes the legal, valid and binding obligation of First Security or Owner Trustee, as the case may be, enforceable against First Security or Owner Trustee, as the case may be, in accordance with its terms.

### 6.4 No Segregation of Monies; Interest

Monies received by Owner Trustee under this Trust Agreement need not be segregated in any manner except to the extent required by Law, or except as provided in written instructions from Owner Participant, and shall be invested as provided in Section 4.3 hereof or Section 4.5 of the Lease.

### 6.5 Reliance upon Certificates, Counsel and Agents

Owner Trustee shall incur no liability to anyone in acting in good faith in reliance upon and in accordance with any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper reasonably believed by it to be genuine and reasonably believed by it to be signed by the proper party or parties. Unless other evidence in respect thereof is specifically prescribed in this Trust Agreement, any request, direction, order or demand of Owner Participant or Lessee mentioned in this Trust Agreement or in any of the other Owner Trustee Agreements shall be sufficiently evidenced by written instruments signed by the Chairman of the Board, the President, any Vice President or any other officer and in the name of Owner Participant or Lessee, as the case may be. Owner Trustee may accept a copy of a resolution of the Board of Directors or Executive Committee of Lessee, certified by the Secretary or an Assistant Secretary of Lessee as duly adopted and in full force and effect, as conclusive evidence that such resolution has been duly adopted by said Board of Directors or Executive Committee and that the same is in full force and effect. As to any fact or matter the manner of ascertainment of which is not specifically described in this Trust Agreement, Owner Trustee may, absent Actual Knowledge to the contrary, for all purposes rely on a certificate signed by the Chairman of the Board, the President, any Vice President or any other officer of Lessee, and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of Lessee, as to such fact or matter, and such certificate shall constitute full protection to Owner Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon and in accordance therewith. In the administration of trusts under this Trust Agreement, Owner Trustee may execute any of the trusts or powers and perform its powers and duties under this Trust Agreement directly or

through agents or attorneys and may, at the expense of the Trust Estate, consult with counsel, accountants and other skilled persons to be selected and employed by it. Owner Trustee shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons.

#### 6.6 Not Acting in Individual Capacity

In acting under this Trust Agreement, First Security acts solely as Owner Trustee and not in its individual capacity except as otherwise expressly provided in this Trust Agreement or in the other Operative Agreements to which it is a party; and, except as may be otherwise expressly provided in this Trust Agreement, the Lease, the Participation Agreement and the Trust Indenture, all persons, other than the Owner Participant as provided in this Trust Agreement or the Trust Indenture, having any claim against Owner Trustee by reason of the transactions contemplated hereby shall look only to the Trust Estate for payment or satisfaction thereof except to the extent provided in Section 6.1 or otherwise as Owner Trustee shall expressly agree otherwise in writing.

#### 6.7 Fees; Compensation

Lessee shall pay the Transaction Expenses of Owner Trustee. Neither Owner Participant nor the Trust Estate shall have any liability for any such fees and expenses; provided, that the foregoing shall not limit the obligations of Owner Participant under Sections 5.3 and 7; provided, that Owner Trustee shall have a Lien upon the Trust Estate for any such fee not paid by Lessee as contemplated by Section 10.2 of the Participation Agreement and such Lien shall entitle Owner Trustee to priority as to payment thereof over payment to any other Person under this Trust Agreement; provided, that such Lien shall be subject and subordinate in all events to the Lien of the Trust Indenture; and provided, further, that Owner Trustee shall have no right to exercise, and shall not exercise, any rights or remedies Owner Trustee may have with respect to such Lien unless and until the Secured Obligations have been paid and performed in full.

#### 6.8 Tax Returns

Owner Trustee shall be responsible for the keeping of all appropriate books and records relating to the receipt and disbursement of all monies under this Trust Agreement or any agreement contemplated hereby. Owner Participant shall be responsible for causing to be prepared and filed all income tax returns required to be filed by Owner Participant. Owner Trustee shall be responsible for causing to be prepared, at the request of Owner Participant and at the expense of Lessee, all income tax returns required to be filed with respect to the trust created hereby and shall execute and file such returns; provided, that Owner Trustee shall send promptly a completed copy of such return to Owner Participant not more than sixty nor less than fifteen days prior to the due date of the return, provided, that Owner Trustee shall have timely received all necessary information to complete and deliver to Owner Participant such return. Owner Participant, upon request, will furnish Owner Trustee with all such information as may be reasonably required from Owner Participant in connection with the preparation of such income tax returns. Owner Trustee shall keep copies of all returns delivered to or filed by it.

### SECTION 7. INDEMNIFICATION OF FIRST SECURITY BY OWNER PARTICIPANT

Owner Participant hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and hereby indemnifies, protects, saves and keeps harmless, First Security and its successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, taxes (excluding any Taxes which are not required to be indemnified by Lessee pursuant to Section 10.1 or 10.3 of the Participation Agreement and excluding any taxes payable by First Security on or measured by any compensation received by First Security for its services under this Trust Agreement), claims, actions, suits, costs, expenses or disbursements (including, without limitation, reasonable legal fees and expenses, but excluding internal costs and expenses such as salaries and overhead, and including, without limitation, any liability of an owner, any strict liability and any liability without fault) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against First Security (whether or not also indemnified against by Lessee under the Lease or under the Participation Agreement or also indemnified against by any other Person; provided, that Owner Participant shall be subrogated to the rights of Owner Trustee against Lessee or any other indemnitor) in any way relating to or arising out of this Trust Agreement or any of the other Operative Agreements or the enforcement of any of the terms of any thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, nonacceptance, rejection, ownership, delivery, lease, possession, use, operation,

condition, sale, return or other disposition of the Aircraft (including, without limitation, latent and other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement), or in any way relating to or arising out of the administration of the Trust Estate or the action or inaction of Owner Trustee, under this Trust Agreement, except (a) in the case of gross negligence or willful misconduct on the part of First Security, in its individual capacity or as Owner Trustee, in the performance or nonperformance of its duties under this Trust Agreement or under any of the other Owner Trustee Agreements or (b) those Claims resulting from the inaccuracy of any representation or warranty of First Security (or from the failure of First Security to perform any of its covenants) in Section 6.3, in Section 6.03 of the Trust Indenture, in Section 4 of the Lease, in Section 7.3 of the Participation Agreement or elsewhere in any of the other Operative Agreements or (c) as may result from a breach by First Security of its covenant in the last sentence of Section 5.4.1 or (d) in the case of the failure to use ordinary care on the part of First Security, in its individual capacity or as Owner Trustee, in the receipt or disbursement of funds or in connection with its obligation to invest funds pursuant to Section 5 of the Participation Agreement, Section 4.5 of the Lease or Section 4.3 hereof or in compliance with the provisions of the first sentence of Section 6.8 or (e) any liability on the part of Owner Trustee arising out of its negligence or willful or negligent misconduct in connection with its obligations under Section 5.1, 6.8 or 9.2 hereof or Section 4.01 of the Trust Indenture, or (f) those claims arising under any circumstances or upon any terms where Lessee would not have been required to indemnify First Security pursuant to Section 10.1 or 10.3 of the Participation Agreement; provided, that before asserting its right to indemnification, if any, pursuant to this Section 7, First Security shall first demand its corresponding right to indemnification pursuant to Section 10 of the Participation Agreement (but need not exhaust any or all remedies available thereunder). The indemnities contained in this Section 7 extend to First Security only in its individual capacity and shall not be construed as indemnities of the Trust Indenture Estate or the Trust Estate (except to the extent, if any, that First Security has been reimbursed by the Trust Indenture Estate or the Trust Estate for amounts covered by the indemnities contained in this Section 7). The indemnities contained in this Section 7 shall survive the termination of this Trust Agreement. In addition, if necessary, First Security shall be entitled to indemnification from the Trust Estate, subject to the Lien of the Trust Indenture, for any liability, obligation, loss, damage, penalty, tax, claim, action, suit, cost, expense or disbursement indemnified against pursuant to this Section 7 to the extent not reimbursed by Lessee, Owner Participant or others, but without releasing any of them from their respective agreements of reimbursement; and, to secure the same First Security shall have a lien on the Trust Estate, subject to the lien of the Trust Indenture and subject further to the provisions of Section 6.7, which shall be prior to any interest therein of Owner Participant. The payor of any indemnity under this Section 7 shall be subrogated to any right of the person indemnified in respect of the matter as to which such indemnity was paid.

## SECTION 8. TRANSFER OF OWNER PARTICIPANT'S INTEREST

### 8.1 Transfer of Interest

All provisions of Section 12 of the Participation Agreement shall (with the same force and effect as if set forth in full in this Section 8.1) be applicable to any assignment, conveyance or other transfer by Owner Participant of any of its right, title or interest in and to the Participation Agreement, the Trust Estate or this Trust Agreement. If there is more than one Owner Participant, no assignment, conveyance or other transfer by an Owner Participant of any of its right, title or interest in and to this Trust Agreement or the Trust Estate shall be valid unless each other Owner Participant's prior written consent (which consent may be withheld in the sole discretion of such other Owner Participant) is given to such assignment, conveyance or other transfer.

### 8.2 Actions of Owner Participants

If at any time prior to the termination of this Trust Agreement there is more than one Owner Participant, then, subject to Section 11.5, during such time, if any action is required to be taken by all Owner Participants and whenever any direction, authorization, approval, consent, instruction or other action is permitted to be given or taken by Owner Participant, it shall be given or taken only upon unanimous agreement of all Owner Participants; provided, that the termination of this Trust Agreement pursuant to Section 11.1 may be effected upon the election of any Owner Participant.

## SECTION 9. SUCCESSOR OWNER TRUSTEES; CO-TRUSTEES

### 9.1 Resignation of Owner Trustee; Appointment of Successor

#### 9.1.1 Resignation or Removal

Owner Trustee or any successor Owner Trustee (a) shall resign if required to do so pursuant to Section 16.3 of the Participation Agreement or upon obtaining Actual Knowledge of any facts that would cast doubt upon its continuing status as a Citizen of the United States and (b) may resign at any time without cause by giving at least 60 days' prior written notice to Owner Participant, Mortgagee and Lessee, such resignation to be effective upon the assumption of the trusts hereunder by the successor Owner Trustee under Section 9.1.2. In addition, Owner Participant may at any time remove Owner Trustee, with or without cause by a notice in writing delivered to Owner Trustee, Mortgagee and Lessee, such removal to be effective upon the assumption of the trusts hereunder by the successor Owner Trustee under Section 9.1.2, provided, that, in the case of a removal without cause, unless a Lease Event of Default shall have occurred and be continuing, such removal shall be subject to the consent of Lessee (which consent shall not be unreasonably withheld). In the case of the resignation or removal of Owner Trustee, Owner Participant may appoint a successor Owner Trustee by an instrument signed by Owner Participant, with, unless a Lease Event of Default shall have occurred and be continuing, the consent of Lessee (which consent shall not be unreasonably withheld). If a successor Owner Trustee shall not have been appointed within 30 days after such notice of resignation or removal, Owner Trustee, any Owner Participant, Lessee or Mortgagee may apply to any court of competent jurisdiction to appoint a successor Owner Trustee to act until such time, if any, as a successor shall have been appointed as above provided. Any successor Owner Trustee so appointed by such court shall immediately and without further act be superseded by any successor Owner Trustee appointed as above provided within one year from the date of the appointment by such court.

#### 9.1.2 Execution and Delivery of Documents, Etc.

Any successor Owner Trustee, however appointed, shall execute and deliver to the predecessor Owner Trustee, with a copy to Owner Participant, Lessee and Mortgagee, an instrument accepting such appointment and assuming the obligations of Owner Trustee, in its individual capacity and as Owner Trustee, under the Owner Trustee Agreements, and thereupon such successor Owner Trustee, without further act, shall become vested with all the estates, properties, rights, powers, duties and trusts of the predecessor Owner Trustee in the trusts under this Trust Agreement with like effect as if originally named Owner Trustee in this Trust Agreement; but nevertheless, upon the written request of such successor Owner Trustee, such predecessor Owner Trustee shall execute and deliver an instrument transferring to such successor Owner Trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of such predecessor Owner Trustee, and such predecessor Owner Trustee shall duly assign, transfer, deliver and pay over to such successor Owner Trustee all monies or other property then held by such predecessor Owner Trustee upon the trusts herein expressed. Upon the appointment of any successor Owner Trustee under this Section 9.1, the predecessor Owner Trustee will execute such documents as are provided to it by such successor Owner Trustee and will take such further actions as are requested of it by such successor Owner Trustee as are required to cause registration of the Aircraft included in the Trust Estate to be transferred upon the records of the FAA, or other governmental authority having jurisdiction, into the name of the successor Owner Trustee.

#### 9.1.3 Qualifications

Any successor Owner Trustee, however appointed, shall be a Citizen of the United States and shall also be a bank or trust company organized under the Laws of the United States or any state thereof having a combined capital and surplus of at least \$100,000,000, if there be such an institution willing, able and legally qualified to perform the duties of Owner Trustee under this Trust Agreement upon reasonable or customary terms. No such successor Owner Trustee shall be located in a jurisdiction which creates material adverse consequences for Lessee (unless such material adverse consequences would be created by substantially all jurisdictions where major banking or trust institutions are located).

#### 9.1.4 Merger, Etc.

Any corporation into which First Security may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which First Security shall be a party, or any corporation to which substantially all the corporate trust business of First Security may be transferred, shall, subject to the terms of Section 9.1.3, be Owner Trustee under this Trust Agreement without further act, provided, that such corporation shall not also be the Mortgagee.

## 9.2 Co-Trustees and Separate Trustees

(a) If at any time it shall be necessary or prudent in order to conform to any Law of any jurisdiction in which all or any part of the Trust Estate is located, or Owner Trustee being advised by counsel shall determine that it is so necessary or prudent in the interest of Owner Participant or Owner Trustee, or Owner Trustee shall have been directed to do so by Owner Participant, Owner Trustee and Owner Participant shall execute and deliver an agreement supplemental hereto and all other instruments and agreements necessary or proper to constitute another bank or trust company or one or more persons (any or all of which shall be a Citizen of the United States) approved by Owner Trustee and Owner Participant, either to act as co-trustee, jointly with Owner Trustee, or to act as separate trustee under this Trust Agreement (any such co-trustee or separate trustee being herein sometimes referred to as an "additional trustee"). In the event Owner Participant shall not have joined in the execution of such agreements' supplemental hereto within ten days after the receipt of a written request from Owner Trustee so to do, or in case a Lease Event of Default or Indenture Event of Default shall occur and be continuing, Owner Trustee may act under the foregoing provisions of this Section 9.2 without the concurrence of Owner Participant; and Owner Participant hereby appoints Owner Trustee its agent and attorney-in-fact to act for it under the foregoing provisions of this Section 9.2 in either of such contingencies.

(b) Every additional trustee under this Trust Agreement shall, to the extent permitted by Law, be appointed and act, and Owner Trustee and its successors shall act, subject to the following provisions and conditions:

(i) All powers, duties, obligations and rights conferred upon Owner Trustee in respect of the custody, control and management of monies, the Aircraft or documents authorized to be delivered under this Trust Agreement or under the Participation Agreement shall be exercised solely by Owner Trustee;

(ii) All other rights, powers, duties and obligations conferred or imposed upon Owner Trustee shall be conferred or imposed upon and exercised or performed by Owner Trustee and such additional trustee jointly, except to the extent that under any Law of any jurisdiction in which any particular act or acts are to be performed (including the holding of title to the Trust Estate) Owner Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such additional trustee;

(iii) No power given to, or which it is provided hereby may be exercised by, any such additional trustee shall be exercised under this Trust Agreement by such additional trustee, except jointly with, or with the consent in writing of, Owner Trustee;

(iv) No trustee under this Trust Agreement shall be personally liable by reason of any action or omission of any other trustee under this Trust Agreement;

(v) Owner Participant, at any time, by an instrument in writing may remove any such additional trustee. In the event that Owner Participant shall not have joined in the execution of any such instrument within ten days after the receipt of a written request from Owner Trustee so to do, Owner Trustee shall have the power to remove any such additional trustee without the concurrence of Owner Participant; and Owner Participant hereby appoints Owner Trustee its agent and attorney-in-fact to act for it in such connection in such contingency; and

(vi) No appointment of, or action by, any additional trustee will relieve Owner Trustee of any of its obligations under, or otherwise affect any of the terms of, the Trust Indenture or affect the interests of Mortgagee or the Certificate Holders in the Trust Indenture Estate.

(c) In case any separate trustee under this Section 9.2 shall die, become incapable of acting, resign or be removed, the title to the Trust Estate and all rights and duties of such separate trustee shall, so far as permitted by Law, vest in and be exercised by Owner Trustee, without the appointment of a successor to such separate trustee.

## SECTION 10. SUPPLEMENTS AND AMENDMENTS TO TRUST AGREEMENT AND OTHER DOCUMENTS

### 10.1 Supplements and Amendments and Delivery Thereof

Subject to Section 8.2.2 of the Participation Agreement, this Trust Agreement may not be amended, supplemented or otherwise modified except by an instrument in writing signed by Owner Trustee and Owner Participant. Subject to

Section 10.2, Section 9.01 of the Trust Indenture and Section 8.7.8 of the Participation Agreement, Owner Trustee will execute any amendment, supplement or other modification of this Trust Agreement or of any other Owner Trustee Agreement which it is requested in writing to execute by Owner Participant, except that Owner Trustee shall not execute any such amendment, supplement or other modification which, by the express provisions of any of the above documents, requires the consent of any other party unless such consent shall have been obtained; and provided, that, without the prior written consent of Owner Participant, (a) no such supplement, amendment or modification shall (i) modify any of the provisions of Section 4 or this Section 10.1, (ii) reduce, modify or amend any indemnities in favor of Owner Participant as set forth in Section 10 of the Participation Agreement or in the Tax Indemnity Agreement, (iii) reduce the amount or extend the time of payment of Basic Rent, Supplemental Rent, Stipulated Loss Value or Termination Value as set forth in the Lease (except in accordance with Section 3 of the Lease) or (iv) modify any of the rights of Owner Participant under the Trust Indenture and (b) no such supplement, amendment or modification shall require Owner Participant to invest or advance funds or shall entail any additional personal liability or the surrender of any indemnification, claim or individual right on the part of Owner Participant with respect to any agreement or obligation.

#### 10.1.2 Delivery of Amendments and Supplements to Certain Parties

A signed copy of each amendment or supplement referred to in Section 10.1.1 to which Lessee is not a party shall be delivered promptly by Owner Trustee to Lessee, and a signed copy of each amendment or supplement referred to in Section 10.1.1 shall be delivered promptly by Owner Trustee to Mortgagee.

#### 10.2 Discretion as to Execution of Documents

Prior to executing any document required to be executed by it pursuant to the terms of Section 10.1, Owner Trustee shall be entitled to receive an opinion of its counsel to the effect that the execution of such document is authorized under this Trust Agreement. If in the opinion of Owner Trustee any such document adversely affects any right, duty, immunity or indemnity in favor of Owner Trustee under this Trust Agreement or under any other Owner Trustee Agreement, Owner Trustee may in its discretion decline to execute such document unless Owner Trustee is furnished with indemnification from Lessee or any other party upon terms and in amounts reasonably satisfactory to Owner Trustee to protect the Trust Estate and the Owner Trustee against any and all liabilities, costs and expenses arising out of the execution of such documents.

#### 10.3 Absence of Requirements as to Form

It shall not be necessary for any written request furnished pursuant to Section 10.1 to specify the particular form of the proposed documents to be executed pursuant to such Section 10.1, but it shall be sufficient if such request shall indicate the substance thereof.

#### 10.4 Distribution of Documents

Promptly after the execution by Owner Trustee of any document entered into pursuant to Section 10.1, Owner Trustee shall mail, by certified mail, postage prepaid, a conformed copy thereof to Owner Participant, but the failure of Owner Trustee to mail such conformed copy shall not impair or affect the validity of such document.

#### 10.5 No Request Needed as to Lease Supplement and Trust Indenture Supplement

No written request pursuant to Section 10.1 shall be required to enable Owner Trustee to enter into, pursuant to Section 3.1 and the Lease or the Trust Indenture, as the case may be, the Lease Supplement with Lessee and the Trust Indenture Supplement.

### SECTION 11. MISCELLANEOUS

#### 11.1 Termination of Trust Agreement

This Trust Agreement and the trusts created hereby shall be of no further force or effect upon the earlier of (a) both the final discharge of the Trust Indenture pursuant to Section 10.01 thereof and the sale or other final disposition by Owner Trustee of all property constituting part of the Trust Estate and the final distribution by Owner Trustee of all monies or other property or proceeds constituting part of the Trust Estate in accordance with Section 4, provided, that at such time Lessee shall have fully complied with all of the terms of the Lease and the Participation Agreement or (b) the effective date of the revocation and termination of the trusts as stated in a notice in writing given by Owner Participant to Owner Trustee (which revocation and termination shall not violate the terms of Section 8.2.2 of the Participation

Agreement), which date shall not be less than ten nor more than thirty days from the date of mailing such notice. Notwithstanding the foregoing, this Trust Agreement and the trusts created hereby shall terminate no later than 21 years less one day after the death of the last survivor of all of the descendants of the grandparents of David C. Rockefeller living on the date of the earliest execution of this Trust Agreement by any party hereto, but if this Trust Agreement and the trusts created hereby shall be or become authorized under applicable Law to be valid for a period commencing on the 21st anniversary of the death of such last survivor (or, without limiting the generality of the foregoing, if legislation shall become effective providing for the validity of this Trust Agreement and the trusts created hereby for a period in gross exceeding the period for which this Trust Agreement and the trusts created hereby are hereinabove stated to extend and be valid), then this Trust Agreement and the trusts created hereby shall not terminate under this clause (b) but shall extend to and continue in effect, but only if such nontermination and extension shall then be valid under applicable Law, until the day preceding such date as the same shall, under applicable Law, cease to be valid; otherwise this Trust Agreement and the trusts created hereby shall continue in full force and effect in accordance with the terms hereof. Except as expressly set forth in this Section 11.1, this Trust Agreement and the trusts created hereby may not be revoked by Owner Participant.

#### 11.2 Owner Participant Has No Legal Title in Trust Estate

No Owner Participant shall have legal title to any part of the Trust Estate. No transfer, by operation of Law or otherwise, of any right, title and interest of Owner Participant in and to the Trust Estate under this Trust Agreement shall operate to terminate this Trust Agreement or the trusts under this Trust Agreement or entitle any successors or transferees of Owner Participant to an accounting or to the transfer of legal title to any part of the Trust Estate.

#### 11.3 Assignment, Sale, etc. of Aircraft

Any assignment, sale, transfer or other conveyance of the Aircraft by Owner Trustee made pursuant to the terms of this Trust Agreement or of the Lease or the Participation Agreement shall bind Owner Participant and shall be effective to transfer or convey all right, title and interest of Owner Trustee and Owner Participant in and to the Aircraft. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such assignment, sale, transfer or conveyance or as to the application of any sale or other proceeds with respect thereto by Owner Trustee.

#### 11.4 Trust Agreement for Benefit of Certain Parties Only

Except for the terms of Section 12 of the Participation Agreement incorporated in Section 8 and except as otherwise provided in Sections 5.1, 6.7, 9, 10.1 and 11.1, nothing in this Trust Agreement, whether express or implied, shall be construed to give any person other than Owner Trustee and Owner Participant any legal or equitable right, remedy or claim under or in respect of this Trust Agreement; and this Trust Agreement shall be held to be for the sole and exclusive benefit of Owner Trustee and Owner Participant.

#### 11.5 Citizenship of Owner Participant

If at any time there shall be more than one Owner Participant, then any Owner Participant who shall cease to be a Citizen of the United States shall have no voting or similar rights under this Trust Agreement and shall have no right to direct, influence or limit the exercise of, or to prevent the direction or influence of, or place any limitation on the exercise of, Owner Trustee's authority or to remove Owner Trustee.

#### 11.6 Notices

Unless otherwise expressly permitted by the terms of this Trust Agreement, all notices, requests, demands, authorizations, directions, consents, waivers and other communications required or permitted to be made, given, furnished or filed under this Trust Agreement shall be in writing, shall refer specifically to this Trust Agreement and shall be personally delivered, sent by telecopy, telex or other means of electronic facsimile or telecommunication transmission, sent by registered mail or certified mail, return receipt requested, postage prepaid, or sent by overnight courier service, in each case to the respective telex, telecopy or other number or address set forth for such party in Schedule 1 to the Participation Agreement, or to such other telex, telecopy or other number or address as each party hereto may hereafter specify by notice to the other parties hereto. Each such notice, request, demand, authorization, direction, consent, waiver or other communication shall be

effective when received or, if made, given, furnished or filed (a) by telecopy or other means of electronic facsimile or telecommunication transmission, when confirmed, or (b) by registered or certified mail, three Business Days after being deposited, properly addressed, in the U.S. mail.

#### 11.7 Severability

If any provision of this Trust Agreement shall be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the extent permitted by Law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction. If, however, any Law pursuant to which such provisions are held invalid, illegal or unenforceable may be waived, such Law is hereby waived by the parties hereto to the full extent permitted, to the end that this Trust Agreement shall be deemed to be a valid and binding agreement in all respects, enforceable in accordance with its terms.

#### 11.8 Waivers, Etc.

No term or provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing entered into in compliance with the terms of Section 10; and any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

#### 11.9 Counterparts

This Trust Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all of which counterparts, taken together, shall constitute one and the same instrument.

#### 11.10 Binding Effect, Etc.

All covenants and agreements contained in this Trust Agreement shall be binding upon, and inure to the benefit of, Owner Trustee and its successors and assigns, and Owner Participant and its successors and, to the extent permitted by Section 8, assigns. Any request, notice, direction, consent, waiver or other instrument or action by Owner Participant shall bind its successors and assigns.

#### 11.11 Headings; References

The headings and the table of contents used in this Trust Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof and shall not in any way affect the construction of, or be taken into consideration in interpreting, this Trust Agreement.

#### 11.12 Governing Law

THIS TRUST AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY THE LAWS OF THE STATE OF UTAH , INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS.

[This space intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

GAUCHO-2 INC.

By /s/ David A. Edgerton  
-----  
Name: David A. Edgerton  
Title: Attorney-in-fact

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION

By /s/ Nancy M. Dahl  
-----  
Name: Nancy M. Dahl  
Title: Assistant Vice  
President

Writer's Direct Dial: (212) 225-2420

July 2, 1996

Continental Airlines, Inc.  
2929 Allen Parkway  
Houston, Texas 77019

Re: Continental Airlines, Inc. Registration Statement  
on Form S-4

Ladies and Gentlemen:

We have acted as your counsel in connection with the above-referenced Registration Statement on Form S-4 (File No. 333-04827) (the "Registration Statement") filed on May 30, 1996 with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Act"), in respect of the Pass Through Certificates, Series 1996 (the "New Certificates"), to be offered in exchange for all outstanding Pass Through Certificates, Series 1996 (the "Old Certificates"). Each of the New Certificates represents a fractional undivided interest in one of the four Continental Airlines 1996 Pass Through Trusts (the "Trusts") formed pursuant to four separate pass through trust agreements (the "Pass Through Trust Agreements") between Continental Airlines, Inc. (the "Company") and Wilmington Trust Company, as pass through trustee (the "Trustee") under each Trust.

We have participated in the preparation of the Registration Statement and have reviewed originals or copies certified or otherwise identified to our satisfaction of such documents and records of the Company and such other instruments and other certificates of public officials, officers and representatives of the Company and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below.

Based on the foregoing, and subject to the further assumptions and qualifications set forth below, it is our opinion that when the New Certificates, in the forms filed as exhibits to the Registration Statement, have been duly executed and authenticated in accordance with the Pass Through Trust Agreements, and duly issued and delivered by the Trusts in exchange for an equal principal amount of Old Certificates pursuant to the terms of the Registration Rights Agreement filed as an exhibit to the Registration Statement, the New Certificates will be legal, valid, binding and enforceable obligations of the applicable Trust, entitled to the benefits of the applicable Pass Through Trust Agreement, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity.

The foregoing opinion is limited to the law of the State of New York and the General Corporation Law of the State of Delaware.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement and to the reference to this firm in the Registration Statement and the related prospectus under the heading "Legal Matters," without admitting that we are "experts" within the meaning of the Act or the rules and regulations of the Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement, including this Exhibit.

Very truly yours,

CLEARY, GOTTLIB, STEEN & HAMILTON

By /s/ Stephen H. Shalen

-----  
Stephen H. Shalen, a partner

## CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of Continental airlines, Inc. for the registration of the Offer to Exchange its Pass Through Certificates, Series 1996, totaling \$489,267,000 and to the incorporation by reference therein of our reports dated February 12, 1996, with respect to the consolidated financial statements and schedules of Continental Airlines, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 1995, filed with the Securities and Exchange Commission.

Ernst & Young LLP

Houston, Texas  
June 27, 1996

June 30, 1996

Continental Airlines, Inc.  
2929 Allen Parkway  
Suite 2010  
Houston, TX 77109

Re: Registration Statement on Form S-4 of Continental  
Airlines, Inc.

Ladies and Gentlemen:

We consent to the reference to our name in the text under the heading "Prospectus Summary - Equipment Notes and Aircraft," "Risk Factors Relating to the Certificates - Appraisals, " and "Realizable Value of the Aircraft" and "Description of the Aircraft and the Appraisals" of the above-captioned Registration Statement and to the summary contained in the text under such headings of the reports prepared by us with respect to the Aircraft referred to therein.

Sincerely,

/s/ Morten S. Beyer

-----  
Morten S. Beyer  
President

July 3, 1996

Continental Airlines, Inc.  
2929 Allen Parkway  
Houston, Texas 77019

Re: Registration Statement on Form S-4  
(File No. 333-04827)

Ladies & Gentlemen:

We hereby consent to the reference to this firm under the heading "Risk Factors-Certain Tax Matters" in the prospectus included in the above-referenced Registration Statement. In giving such consent, we do not admit that we are "experts" within the meaning of the Act or the rules and regulations of the Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement, including this exhibit.

Very truly yours,  
CLEARY, GOTTLIEB, STEEN & HAMILTON

By /s/ Dana L. Trier

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Dana L. Trier, a Partner