

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

AMENDMENT NO. 1  
 TO

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

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

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

1600 Smith Street, Dept. HQSEO  
 Houston, Texas 77002  
 (713) 324-2950

(Address, including zip code, and telephone number, including area code,  
 of registrant's principal executive offices)

Jennifer L. Vogel, Esq.  
 Vice President, General Counsel and Secretary  
 Continental Airlines, Inc.

1600 Smith Street, Dept. HQSLG  
 Houston, Texas 77002  
 (713) 324-2950

(Name, address, including zip code, and telephone number,  
 including area code, of agent for service)

COPIES OF CORRESPONDENCE TO:

John K. Hoyns, Esq.  
 Hughes Hubbard & Reed LLP  
 One Battery Park Plaza  
 New York, New York 10004-1482  
 (212) 837-6000

Approximate date of commencement of proposed sale to the public: As soon as  
 practicable after this Registration Statement becomes effective.

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE(1)
Floating Rate Secured Notes Due 2007	\$200,000,000	100%	\$200,000,000	\$16,180 (2) (3)

- (1) Pursuant to Rule 457(f)(2), the registration fee has been calculated using  
 the book value of the securities being registered.
- (2) The Commission has informed Continental Airlines, Inc. that it may set off  
 an amount equal to \$12,740.53 against the registration fee payable for this  
 registration statement due to a post-filing adjustment of the registration  
 fee for the Continental Airlines, Inc. registration statement on Form S-3  
 (File No. 333-71906), originally filed with the Commission on October 19,  
 2001.
- (3) Paid on April 22, 2003.

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

SUBJECT TO COMPLETION, DATED JUNE 3, 2003

PROSPECTUS

\$200,000,000

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE

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

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

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

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

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

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

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

THE SENIOR NOTES AND THE EXCHANGE OFFER INVOLVE RISKS. SEE "RISK FACTORS" ON PAGE 22.

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

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

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

The date of this Prospectus is \_\_\_\_\_, 2003

#### TABLE OF CONTENTS

	PAGE	PAGE	
PRESENTATION OF INFORMATION.....	2	Redemption.....	49
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE.....	4	Collateral.....	50
PROSPECTUS SUMMARY.....	6	Event of Default.....	55
The Exchange Offer.....	6	Remedies.....	56
Summary of Terms of Notes.....	9	Controlling Party.....	58
Collateral.....	10	Priority of Distributions.....	59
Cash Flow Structure.....	11	Modifications and Waiver of the Indenture and Certain Other Agreements.....	61
The Senior Notes.....	12	Merger, Consolidation and Transfer of Assets.....	63
Summary Financial and Operating Data.....	18	Indemnification.....	64
RISK FACTORS.....	22	Governing Law.....	64
Terrorist Attacks and International Hostilities.....	22	The Trustee.....	64
Risk Factors Relating to the Company.....	22	Book Entry; Delivery and Form.....	64
Risk Factors Relating to the Airline Industry.....	25	DESCRIPTION OF THE SUBORDINATED NOTES.....	67
Risk Factors Relating to the Senior Notes and the Exchange Offer.....	26	General.....	67
Risk Factors Relating to the Policy Provider.....	29	Payments of Principal and Interest.....	67
USE OF PROCEEDS.....	30	Redemption.....	67
RATIO OF EARNINGS TO FIXED CHARGES.....	31	Collateral.....	68
THE COMPANY.....	32	DESCRIPTION OF THE LIQUIDITY FACILITY.....	69
Domestic Operations.....	32	General.....	69
International Operations.....	33	Drawings.....	69
Outlook.....	34	Reimbursement of Drawings.....	71
DESCRIPTION OF THE POLICY PROVIDER.....	37	Liquidity Events of Default and Termination.....	73
General.....	37	Liquidity Provider.....	73
MBIA Financial Information.....	37	DESCRIPTION OF THE POLICY AND THE POLICY PROVIDER AGREEMENT.....	74
Financial Strength Rating of MBIA.....	38	The Policy.....	74
THE EXCHANGE OFFER.....	39	General.....	76
Terms of the Exchange Offer.....	39	Definitions.....	76
Interest on the New Senior Notes.....	41	The Policy Provider Agreement.....	77
Procedures for Tendering.....	42	DESCRIPTION OF THE APPRAISAL.....	78
Acceptance of Old Senior Notes for Exchange; Delivery of New Senior Notes.....	43	MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES.....	79
Book-Entry Transfer.....	44	Exchange of Old Senior Notes for New Senior Notes.....	79
Guaranteed Delivery Procedures.....	44	PLAN OF DISTRIBUTION.....	79
Withdrawal of Tenders.....	44	LEGAL MATTERS.....	80
Conditions.....	45	EXPERTS.....	80
Exchange Agent.....	45	FORWARD-LOOKING STATEMENTS.....	80
Fees and Expenses.....	46	WHERE YOU CAN FIND MORE INFORMATION.....	81
DESCRIPTION OF THE SENIOR NOTES.....	47	INDEX OF TERMS.....	APPENDIX I
General.....	47		

Payments of Principal and Interest.....	47
Determination of LIBOR.....	48
Break Amount.....	49

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS DOCUMENT MAY BE USED ONLY WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS DOCUMENT MAY BE ACCURATE ONLY ON THE DATE OF THIS DOCUMENT.

PRESENTATION OF INFORMATION

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

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

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

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

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

Our Commission file number is 1-10323.

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

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

Continental Airlines, Inc.  
1600 Smith Street, Dept. HQSE0  
Houston, Texas 77002  
Attention: Secretary  
Telephone: (713) 324-2950

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

## PROSPECTUS SUMMARY

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

### THE EXCHANGE OFFER

The Notes..... On December 6, 2002, Continental issued an aggregate of \$200,000,000 Floating Rate Secured Notes due 2007 in transactions exempt from or not subject to the registration requirements of the Securities Act.

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

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

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

When we use the term "Subordinated Notes" in this Prospectus, we mean the Floating Rate Secured Subordinated Notes due 2007, which were issued by Continental on May 9, 2003. The Exchange Offer being made pursuant to this Prospectus does not relate to the Subordinated Notes.

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

### Registration Rights

Agreement..... On December 6, 2002, Continental entered into a Registration Rights Agreement with Morgan Stanley & Co. Incorporated (the "Initial Purchaser") providing, among other things, for the Exchange Offer being made pursuant to this Prospectus.

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

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

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

If any of these conditions is not satisfied and you transfer any New Senior Note without delivering a proper prospectus or without qualifying for a registration exemption, you may

incur liability under the Securities Act. Continental does not assume or indemnify you against such liability.

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

Conditions to the Exchange

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

Expiration Date of the

Exchange Offer..... [\_\_\_\_\_], 2003, subject to Continental's right to extend the Expiration Date.

Procedures for Tendering Old Senior Notes.....

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

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

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

Guaranteed Delivery

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

complete the book-entry transfer procedures prior to the Expiration Date, you may tender your Old Senior Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures".

Withdrawal Rights.....

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

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

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

Registration, Clearance and Settlement.....

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

Consequences of Failure to

Exchange Old Senior Notes... Once the Exchange Offer has been completed, if you do not exchange your Old Senior Notes for

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

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

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

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

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

SUMMARY OF TERMS OF NOTES

	Senior Notes	Subordinated Notes (1)
Principal Amount.....	\$200,000,000	\$100,000,000
Loan to Collateral Value (2).....	42.8%	65.7%
Maximum Loan to Collateral Value.....	45.0%	67.5%
Interest Rate.....	USD 3-Month LIBOR + .90% (3)	USD 3-Month LIBOR + 7.50%
Interest Payment Dates.....	March 6, June 6, September 6 and December 6	March 6, June 6, September 6 and December 6
Final Scheduled Payment Date.....	December 6, 2007	December 6, 2007
Final Legal Maturity Date.....	December 6, 2009	Not applicable
Minimum Denomination.....	\$1,000	\$100,000
Section 1110 Protection (4).....	Yes	Yes
Liquidity Facility Coverage.....	8 quarterly interest payments (5)	None
Policy Provider Coverage.....	Interest when due and principal no later than the Final Legal Maturity Date (5)	None

- (1) The Exchange Offer being made pursuant to this Prospectus does not relate to the Subordinated Notes.
- (2) These percentages have been determined by dividing the outstanding principal amount of the Senior Notes plus, in the case of the percentage applicable to the Subordinated Notes, the initial principal amount of the Subordinated Notes (minus Cash Collateral) by the appraised value of the Collateral determined as of December 25, 2002. Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such subsequent appraisal indicates that the loan to Collateral value is greater than 45.0%, in the case of the Senior Notes, or 67.5%, in the case of the Subordinated Notes, Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated Notes outstanding so that the loan to Collateral value is not greater than the applicable maximum percentage. Continental deposited \$13,056,950 as Cash Collateral at the initial issuance of the Old Senior Notes so that the initial loan to Collateral value would not exceed 45.0%, based on the appraisal determined as of August 25, 2002. The loan to Collateral value, determined using the appraisal as of December 25, 2002, would have been 45.8% for the Senior Notes and 68.7% for the Subordinated Notes without giving effect to such deposit of Cash Collateral. Continental expects to satisfy the applicable maximum loan to Collateral value percentages at the time of the next appraisal due in August 2003, based upon its projected purchases of spare parts, in which case Continental will be entitled to withdraw such Cash Collateral. However, no assurance can be given that such applicable maximum percentages will be satisfied. An appraised value is only an estimate and reflects certain assumptions. See "Description of the Appraisal".
- (3) The interest rate applicable to the Senior Notes is subject to a maximum rate of 12% per annum applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment.
- (4) Section 1110 of the U.S. Bankruptcy Code will be applicable to the spare parts of the types initially subject to the lien securing the Notes, but will not be applicable to Cash Collateral. In addition, in order to satisfy the semiannual loan to collateral value requirement referred to in note (1) above, Continental may add other collateral that may not be entitled to the benefits of Section 1110, subject to certain limitations.
- (5) The amounts available under the Liquidity Facility and the Policy for the payment of accrued interest on the Senior Notes have been calculated utilizing the Capped Interest Rate, which is the maximum interest rate on the Senior Notes applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment.

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

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

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

The spare parts included in the Collateral fall into two categories, "rotables" and "expendables". Rotables are parts that wear over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which they relate. Expendables consist of parts that can be restored to a serviceable condition but have a life less than the related flight equipment and parts that generally are used once and thereby consumed or thereafter discarded. Spare engines are not included in the Collateral. Set forth below is certain information about the spare parts included in the Collateral as of December 25, 2002:

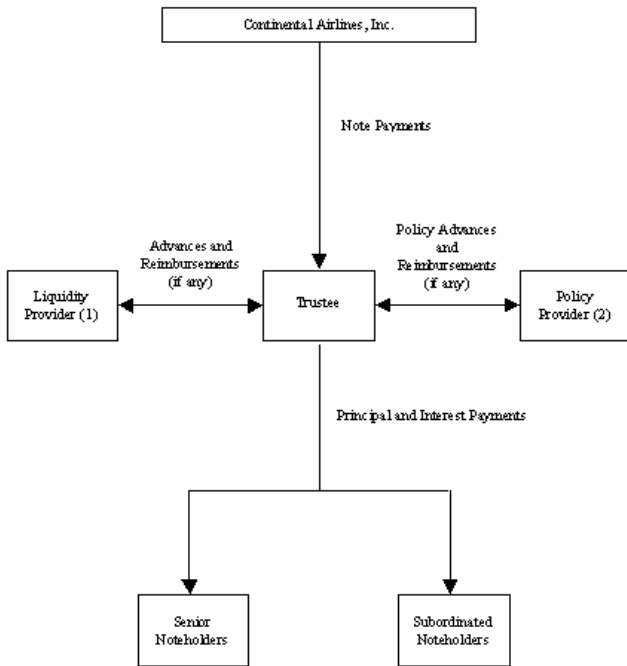
AIRCRAFT MODEL	SPARE PARTS QUANTITY(1)			APPRAISED VALUE(2)
	EXPENDABLES	ROTABLES	TOTAL	
737-700.....	877	24	901	
737-700/800.....	278,912	6,942	285,854	
737-800.....	3,777	191	3,968	
737-900.....	821	10	831	
737-7/8/9 Subtotal.....	284,387	7,167	291,554	\$185,972,600
757-200.....	185,731	3,391	189,122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

(1) This quantity of spare parts used in preparing the appraised value was determined as of December 25, 2002. Since spare parts are regularly used, refurbished, purchased, transferred and discarded in the ordinary course of Continental's business, the quantity of spare parts included in the Collateral and their appraised value will change over time. Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral.

(2) The appraised value reflects the opinion of Simat, Helliesen & Eichner, Inc., an independent aviation appraisal and consulting firm, of the fair market value of the spare parts. A letter summarizing such appraisal is annexed to this Prospectus as Appendix II. The appraisal is subject to number of assumptions and limitations and was prepared based on certain specified methodologies. An appraisal is only an estimate of value and should not be relied upon as a measure of realizable value.

CASH FLOW STRUCTURE

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



- 
- (1) The Liquidity Facility is sufficient to cover eight consecutive quarterly interest payments on the Senior Notes, but does not cover any other amounts payable on the Senior Notes. There is no Liquidity Facility for the Subordinated Notes.
  - (2) The Policy covers regular interest payments on the Senior Notes and outstanding principal of the Senior Notes no later than the Final Legal Maturity Date, but does not cover any other amounts payable on the Senior Notes. There is no Policy for the Subordinated Notes.

#### THE SENIOR NOTES

Issuer.....	Continental Airlines, Inc.
Notes Offered.....	Floating Rate Secured Notes due 2007.
Use of Proceeds.....	The proceeds from the sale of the Old Senior Notes were used for general corporate purposes. Continental will not receive any proceeds from the exchange of the New Senior Notes for the Old Senior Notes.
Issuance of Subordinated Notes.....	On May 9, 2003, Continental privately placed the Subordinated Notes. The Subordinated Notes rank junior to the Senior Notes (including amounts owed to the Policy Provider and the Liquidity Provider) with respect to payments received from Continental, proceeds from liquidation of the Collateral and otherwise. Unlike the Senior Notes, the Subordinated Notes do not have the benefit of a liquidity facility or an insurance policy.
Trustee and Paying Agent.....	Wilmington Trust Company.
Liquidity Provider.....	Morgan Stanley Capital Services.
Policy Provider.....	MBIA Insurance Corporation.
Final Scheduled Payment Date.....	The entire principal amount of the Senior Notes is scheduled for payment on December 6, 2007.
Final Legal Maturity Date.....	December 6, 2009.
Interest.....	The Senior Notes will accrue interest at a variable rate per annum set forth on the cover page of this Prospectus. The interest rate on the Senior Notes will be subject to a maximum equal to the Capped Interest Rate of 12% per annum applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment. For all other periods, the interest rate on the Senior Notes will not be capped. Interest is



calculated on the basis of the actual number of days elapsed over a 360-day year. LIBOR is determined from time to time by the Reference Agent as described in "Description of the Senior Notes--Determination of LIBOR".

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

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

Optional Redemption..... Continental may elect to redeem all or (so long as no Payment Default has occurred and is continuing) some of the Senior Notes at any time prior to maturity. The redemption price in such case will be the principal amount of the Senior Notes, together with accrued and unpaid interest, LIBOR break amount, if any, and, if redeemed prior to the third anniversary of the Issuance Date (except in connection with a redemption to satisfy the maximum Senior Collateral Ratio or minimum Senior Rotable Ratio requirement), a Premium equal to the following percentage of the principal amount prepaid:

IF REDEEMED DURING THE YEAR PRIOR TO THE ANNIVERSARY OF THE ISSUANCE DATE INDICATED BELOW	PREMIUM
1st	1.50%
2nd	1.00
3rd	0.50

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

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

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

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

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

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

principal amount of the Senior Notes and the Subordinated Notes is less than 100%;

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

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

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

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

There is no Liquidity Facility for the Subordinated Notes.

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

- o Any shortfall on any Distribution Date in funds to be distributed as accrued interest on the Senior Notes.
- o Any shortfall on the Final Legal Maturity Date in funds to be distributed as principal of, and accrued interest on, the Senior Notes.
- o Any shortfall in the proceeds of the disposition of the remaining Collateral from the amount required to pay principal of, and accrued interest on, the Senior Notes on the Distribution Date established in connection with such disposition.
- o If certain payments with respect to the Senior Notes are by court order determined to be a "preferential transfer" under the U.S. Bankruptcy Code or otherwise required to be returned, the amount of such payments.
- o After the continuance of a Payment Default for eight consecutive Interest Periods, any shortfall in funds required to pay principal of, and accrued interest on, the Senior Notes on the Distribution Date established in connection with such Payment Default. If such

Distribution Date would occur prior to the Final Scheduled Payment Date, instead of paying such shortfall on such Distribution Date, the Policy Provider may, so long as no Policy Provider Default is continuing, elect to pay:

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

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

Policy Provider Default, the Trustee shall, on any Business Day elected by the Trustee upon 20 days' written notice to the Policy Provider, make a drawing under the Policy for an amount equal to the then outstanding principal balance of the Senior Notes and accrued and unpaid interest thereon.

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

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

The reimbursement of drawings under the Policy ranks junior to further distributions on the Notes.

There is no Policy for the Subordinated Notes.

Control of Trustee..... Whether before or after the occurrence of an Event of Default, the "Controlling Party" will direct the Trustee in taking action under the Indenture and other agreements relating to the Notes, including in amending such agreements and granting waivers thereunder. However, certain limited provisions with respect to the Collateral as they relate to the Subordinated Notes cannot be amended or waived without the consent of the holders of a majority of the outstanding principal amount of the Subordinated Notes and certain other limited provisions cannot be amended or waived without the consent of each Noteholder affected thereby. If an Event of Default is continuing, the "Controlling Party" will direct the Trustee in exercising remedies, such as accelerating the Notes or foreclosing the lien on the collateral securing the Notes.

The Controlling Party will be:

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

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

Provider under the Operative Documents and Support Documents. The amount deposited must be sufficient without reinvestment to pay certain amounts due and to become due on the Senior Notes and to the Policy Provider. No Subordinated Noteholder will be required to contribute to a deposit. The Subordinated Noteholders contributing their proportionate share of such deposit will be entitled to direct the Policy Provider in taking action as the Controlling Party during the continuance of such Event of Default by vote of a majority of the principal amount of the Subordinated Notes held by such contributing Subordinated Noteholders. If the Policy Provider draws on such deposit, after the Policy Provider shall have paid in full all amounts due to it under the Operative Documents and Support Documents, amounts distributable to the Policy Provider under the Indenture will be distributed to such contributing Subordinated Noteholders in the same proportion as their respective contributions to the deposit until their proportionate share of the deposit not returned by the Policy Provider shall have been repaid in full.

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

#### SUMMARY FINANCIAL AND OPERATING DATA

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

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	2003	2002	2002	2001	2000	1999	1998
	(IN MILLIONS OF DOLLARS, EXCEPT OPERATING DATA, PER SHARE DATA AND RATIOS)						
FINANCIAL DATA--OPERATIONS:(1)							
Operating Revenue.....	\$ 2,042	\$ 1,993	\$ 8,402	\$ 8,969	\$ 9,899	\$ 8,639	\$ 7,927
Operating Expenses.....	2,266	2,180	8,714	8,825	9,170	8,024	7,226
Operating Income (Loss).....	(224)	(187)	(312)	144	729	615	701
Non-operating Income (Expense), net..	(86)	(67)	(303)	(258)	(167)	183	(59)
Income (Loss) before Income Taxes and Cumulative Effect of Changes in Accounting Principles.....	(310)	(254)	(615)	(114)	562	798	642
Net Income (Loss).....	\$ (221)	\$ (166)	\$ (451)	\$ (95)	\$ 342	\$ 455	\$ 383
Earnings (Loss) per Share:							
Basic.....	\$ (3.38)	\$ (2.61)	\$ (7.02)	\$ (1.72)	\$ 5.62	\$ 6.54	\$ 6.34
Diluted.....	\$ (3.38)	\$ (2.61)	\$ (7.02)	\$ (1.72)	\$ 5.45	\$ 6.20	\$ 5.02

Shares used for Computation:							
Basic.....	65.3	63.5	64.2	55.5	60.7	69.5	60.3
Diluted.....	65.3	63.5	64.2	55.5	62.8	73.9	80.3

Ratio of Earnings to Fixed Charges							
(2).....	--	--	--	--	1.51x	1.80x	1.93x

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

	MARCH 31, 2003	DECEMBER 31, 2002
(IN MILLIONS OF DOLLARS)		

**FINANCIAL DATA--BALANCE SHEET:**

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

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

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	2003	2002	2002	2001	2000	1999	1998
Operating expense (income):							
Fleet impairment and restructuring							

Charges.....	\$ 65	\$ 90	\$242	\$ 61	\$ --	\$ 81	\$122
Air Transportation Safety and System Stabilization Act grant.....	--	--	12	(417)	--	--	--
Severance and other special charges.....	--	--	--	63	--	--	--
Nonoperating expense (income):							
Gain on sale of assets.....	--	--	--	--	(9)	(326)	--
Impairment of investments.....	--	--	--	22	--	--	--
Cumulative effect of change in accounting, net of taxes.....	--	--	--	--	--	33	--

- (2) For purposes of calculating this ratio, earnings consist of income before income taxes and cumulative effect of changes in accounting principles plus interest expense (net of capitalized interest), the portion of rental expense representative of interest expense and amortization of previously capitalized interest. Fixed charges consist of interest expenses, the portion of rental expense representative of interest expense, the amount amortized for debt discount, premium and issuance expense and interest previously capitalized. For the three months ended March 31, 2003 and 2002 and the years ended December 31, 2002 and 2001, earnings were inadequate to cover fixed charges and the coverage deficiency was \$307 million, \$257 million, \$616 million and \$143 million, respectively.
- (3) The number of scheduled miles flown by revenue passengers.
- (4) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
- (5) Revenue passenger miles divided by available seat miles.
- (6) Includes applicable special items noted in (1).
- (7) The average revenue received for each mile a revenue passenger is carried.
- (8) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).
- (9) Excludes aircraft that are either temporarily or permanently removed from service.
- (10) These statistics reflect operations of Continental Express (as operated by ExpressJet). In April 2002, ExpressJet's parent company Holdings completed an initial public offering, and Continental's ownership in Holdings was reduced to 53.1% of its outstanding common stock. Pursuant to a capacity purchase agreement, Continental currently purchases all of ExpressJet's available seat miles for a negotiated price.
- (11) The percentage of seats that must be occupied by revenue passengers for us to break even on a net income basis. The special items noted in (1) included in the consolidated breakeven passenger load factor account for 3.0, 4.9, 3.3, (3.0), (0.1), (2.3) and 1.6 percentage points in each of the periods, respectively.
- (12) The sole assets of the Trust are convertible subordinated debentures issued by Continental with an aggregate principal amount of \$250 million, which bear interest at the rate of 6% per annum and mature on November 15, 2030. Upon repayment, the Mandatorily Redeemable Preferred Securities of Subsidiary Trust will be mandatorily redeemed.
- (13) In connection with an internal reorganization by Holdings, Continental's 53.1% majority owned subsidiary, a subsidiary of Holdings issued non-voting preferred stock which has a liquidation preference of \$5 million, is mandatorily redeemable in 2012, and is callable beginning in 2005. The preferred stock was sold to a non-affiliated third party for a note in the original principal amount of \$5 million and is included on our balance sheet as redeemable preferred stock of subsidiary.

## RISK FACTORS

### TERRORIST ATTACKS AND INTERNATIONAL HOSTILITIES

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

As described in greater detail below under "The Company--Outlook" and in Continental's filings with the Commission, the terrorist attacks of September 11, 2001 involving commercial aircraft adversely affected Continental's financial condition, results of operations and prospects, and the airline industry generally. Those effects continue, although they have been mitigated somewhat by increased traffic, money received by Continental under the Stabilization Act and a recent supplemental appropriations bill passed by both houses of Congress and signed by the President in April 2003 and Continental's cost-cutting measures. Moreover, additional terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks, could further negatively affect Continental and the airline industry. The recent war in Iraq further decreased demand for air travel, which could have a material adverse impact on Continental's financial condition, liquidity and results of operations.

Among the effects Continental experienced from the September 11, 2001 terrorist attacks were significant flight disruption costs caused by the Federal Aviation Administration ("FAA") imposed grounding of the U.S. airline industry's

fleet, significantly increased security, insurance and other costs, significantly higher ticket refunds, significantly reduced load factors (defined as revenue passenger miles divided by available seat miles), and significantly reduced yields. Further terrorist attacks against commercial aircraft could result in another grounding of Continental's fleet, and would likely result in significant reductions in load factor and yields, along with increased ticket refunds and security, insurance and other costs. In addition, terrorist attacks not involving commercial aircraft, post war unrest in Iraq or other world events could result in decreased load factors and yields and could also result in increased costs for Continental and the airline industry. For instance, fuel costs rose significantly during 2002 and the first quarter of 2003 and until recently have been at historically high levels. Premiums for aviation insurance have increased substantially, and could escalate further, or certain aviation insurance could become unavailable or available only for reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage required by aircraft lenders and lessors or required by applicable government regulations. Additionally, war-risk coverage or other insurance might cease to be available to Continental's vendors, or might be available only at significantly increased premiums or for reduced amounts of coverage, which could adversely impact Continental's operations or costs.

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

#### RISK FACTORS RELATING TO THE COMPANY

##### CONTINENTAL CONTINUES TO EXPERIENCE SIGNIFICANT LOSSES

Since September 11, 2001, Continental has incurred significant losses. Continental recorded losses of \$451 million in 2002 and \$221 million in the first quarter of 2003, and expects to incur a significant loss for the full year 2003. Passenger revenue per available seat mile for Continental's mainline jet operations has continued to decline since September 11, 2001, dropping 4.1% for the year ended December 31, 2002 versus the same period in 2001 and 3.6% in the first quarter of 2003 versus the first quarter of 2002. Overall passenger revenue declined 7.0% during 2002 compared to 2001, and was flat in the first quarter of 2003 compared to the same period in 2002. Business traffic in most markets continues to be weak, and carriers continue to offer reduced fares to attract passengers, which lowers Continental's passenger revenue and yields and raises Continental's break-even load factor. Continental cannot predict when business traffic or yields will increase. Further, the long-term impact of any changes in fare structures, most importantly in relation to business fares,

booking patterns, low-cost competitor growth, increased usage of regional jets, competitor bankruptcies and other changes in industry structure and conduct, cannot be predicted at this time, but could have a material adverse effect on Continental's financial condition, liquidity and results of operations. See "The Company--Outlook".

In addition, Continental's capacity purchase agreement with ExpressJet provides that Continental purchase, in advance, all of ExpressJet's available seat miles for a negotiated price, and Continental is at risk for reselling the available seat miles at market prices. Continental previously announced its intention to sell or otherwise dispose of its remaining interests in ExpressJet. If Continental does so, then Continental would report greater fixed costs, which could result in lower or more volatile earnings or both. For example, for the year ended December 31, 2002, Continental's net loss of \$451 million included net income for ExpressJet of \$84 million. For the quarter ended March 31, 2003, Continental's net loss of \$221 million included net income for ExpressJet of \$26 million.

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

As is the case with its principal competitors, Continental has a high proportion of debt compared to its equity capital. During 2002, the amount of Continental's long-term debt increased 26%. Continental also has significant operating leases and facility rental costs. In addition, Continental has fewer cash resources than some of its principal competitors and substantially all of Continental's property and equipment is subject to liens securing indebtedness. Accordingly, Continental may be less able than some of its competitors to withstand a prolonged recession in the airline industry or respond as well to changing economic and competitive conditions. Moreover, competitors emerging from bankruptcy will likely have lower cost structures and greater operating flexibility after reorganizing their companies in bankruptcy.

As of March 31, 2003, Continental had approximately:

- o \$5.6 billion (including current maturities) of long-term debt and capital lease obligations.
- o \$248 million liquidation amount of Continental-obligated mandatorily redeemable preferred securities of trust (\$241 million net of unamortized discount).
- o \$546 million of stockholders' equity.
- o \$1.18 billion in cash, cash equivalents and short-term investments.

Continental has substantial commitments for capital expenditures, including

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

As of March 31, 2003, ExpressJet had firm commitments for an additional 74 regional jets from Empresa Brasileira de Aeronautica S.A. ("Embraer") delivering through 2006, with an estimated aggregate cost of \$1.5 billion. ExpressJet does not have any obligation to take any of these firm aircraft that are not financed by a third party and leased either to ExpressJet or Continental. Under the capacity purchase agreement between Continental and ExpressJet, Continental has agreed to lease as lessee and sublease to ExpressJet the regional jets that are subject to ExpressJet's firm commitments to purchase. In addition, under the

capacity purchase agreement with ExpressJet, the Company generally is obligated to purchase all of the capacity provided by these new aircraft as they deliver to ExpressJet. Continental cannot predict whether passenger traffic levels will enable it to utilize fully regional jets delivering to ExpressJet in the future.

Continental also has significant operating lease and facility rental obligations. For the year ended December 31, 2002, annual aircraft and facility rental expense under operating leases approximated \$1.3 billion.

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

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

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

Until recently, fuel costs have been at historically high levels and constitute a significant portion of Continental's operating expense. Fuel costs represented approximately 11.7% of Continental's operating expenses for the year ended December 31, 2002 and 13.9% of Continental's operating expenses for the year ended December 31, 2001. Fuel costs represented approximately 15.3% and 9.5% of Continental's operating expenses for the three months ended March 31, 2003 and 2002, respectively. Fuel prices and supplies are influenced significantly by international political and economic circumstances, such as the political crises in Venezuela and Nigeria and the war in Iraq. From time to time Continental enters into petroleum swap contracts, petroleum call option contracts and/or jet fuel purchase commitments to provide some short-term protection (generally three to six months) against a sharp increase in jet fuel prices. Depending upon the hedging method employed, Continental's strategy may limit its ability to benefit from declines in fuel prices. Continental has hedged approximately 80% of its fuel requirements for the second quarter of 2003 with petroleum call options. Continental has hedged approximately 25% of its fuel requirements for the remainder of the year with petroleum call options. If a future fuel supply shortage were to arise from OPEC production curtailments, a disruption of oil imports, post war unrest in Iraq, other conflicts in the Middle East, or otherwise, higher fuel prices or further reduction of scheduled airline service could result. Significant changes in fuel costs would materially affect Continental's operating results.

#### LABOR COSTS IMPACT CONTINENTAL'S RESULTS OF OPERATIONS

Labor costs constitute a significant percentage of Continental's total operating costs. Continental's mechanics, represented by the International Brotherhood of Teamsters, ratified a new four-year collective bargaining agreement in December 2002. The mechanics agreement makes an adjustment to current pay and recognizes current industry conditions with a provision to re-open negotiations regarding wages, pension and health insurance provisions in January 2004. Work rules and other contract items are established through 2006. Collective bargaining agreements between Continental and its pilots and between ExpressJet and its pilots (both of whom are represented by the Air Line Pilots Association) became amendable in October 2002. After being deferred due to the economic uncertainty following the September 11, 2001 terrorist attacks, negotiations recommenced in September 2002 and are continuing. Although Continental may incur increased labor costs in connection with the negotiation of the pilot collective bargaining agreements, the labor cost uncertainty associated with recent major hub-and-spoke carrier bankruptcies makes predicting



the outcome of negotiations more difficult. US Airways Group, Inc. ("US Airways") and United Air Lines, Inc. ("United") have significantly decreased their labor costs during their bankruptcy cases. Delta and Northwest Airlines have each recently announced that they are seeking to decrease their labor costs significantly. American Airlines, Inc. ("American Airlines") has recently agreed with its major labor groups on significant labor cost reductions. Although

Continental enjoys generally good relations with its employees, there can be no assurance that Continental will not experience labor disruptions in the future.

#### RISK FACTORS RELATING TO THE AIRLINE INDUSTRY

##### THE AIRLINE INDUSTRY IS HIGHLY COMPETITIVE

The airline industry is highly competitive and susceptible to price discounting. Carriers use discount fares to stimulate traffic during periods of slack demand, to generate cash flow and to increase market share. Some of Continental's competitors have substantially greater financial resources or lower cost structures than Continental, or both. In recent years, the market share held by low cost carriers has increased significantly.

Airline profit levels are highly sensitive to changes in fuel costs, fare levels and passenger demand. Passenger demand and fare levels are influenced by, among other things, the state of the global economy, domestic and international events, airline capacity and pricing actions taken by carriers. The weak U.S. economy, turbulent international events and extensive price discounting by carriers contributed to unprecedented losses for U.S. airlines from 1990 to 1993. Since September 11, 2001, these same factors, together with the effects of the terrorist attacks and the war in Iraq, have resulted in dramatic losses for Continental and the airline industry generally. Continental cannot predict when conditions will improve. US Airways, United and several small competitors have filed for bankruptcy protection, although US Airways emerged from bankruptcy on March 31, 2003. Other carriers could follow. These carriers could operate under bankruptcy protection in a manner that would be adverse to Continental, and could emerge from bankruptcy as more vigorous competitors with substantially lower costs.

In recent years, the major U.S. airlines have sought to form marketing alliances with other U.S. and foreign air carriers. Such alliances generally provide for codesharing, frequent flyer reciprocity, coordinated scheduling of flights of each alliance member to permit convenient connections and other joint marketing activities. Such arrangements permit an airline to market flights operated by other alliance members as its own. This increases the destinations, connections and frequencies offered by the airline, which provide an opportunity to increase traffic on its segment of flights connecting with its alliance partners. Continental's alliance with Northwest Airlines and its new alliance with Delta and Northwest Airlines are examples of such arrangements, and Continental has existing alliances with numerous other air carriers. (See "The Company--Domestic Alliances".) Other major U.S. airlines have alliances or planned alliances more extensive than Continental's, which would cause the route systems of other carriers to provide relatively greater utility to customers than Continental's more limited route system. Continental cannot predict the extent to which it will be disadvantaged by competing alliances.

Since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation, and it may in the future experience additional consolidation. Continental routinely monitors changes in the competitive landscape and engages in analysis and discussions regarding its strategic position, including alliances and business combination transactions. Continental has had, and expects to continue to have, discussions with third parties regarding strategic alternatives. The impact of any consolidation within the U.S. airline industry cannot be predicted at this time.

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

In November 2001, the President signed into law the Aviation and Transportation Security Act (the "Aviation Security Act"). This law federalized substantially all aspects of civil aviation security, creating a new Transportation Security Administration under the Department of Transportation (the "TSA"). Among other things, the law required that all checked baggage be screened by explosive detection systems by December 31, 2002 (although during the implementation phase, other permitted methods of screening are being utilized and federal law permits individual airports to request extensions of such deadline). At some airports, the TSA has provided for temporary security measures which are less than optimal. Implementation of the requirements of the Aviation Security Act has resulted in increased costs for the airline industry and may result in additional costs, delays and disruptions in air travel, although pursuant to a supplemental appropriations bill approved by both houses of Congress and signed by the President in April 2003, some of these costs have been or will be reimbursed by the U.S. government. See "The Company--Outlook".

##### CONTINENTAL'S BUSINESS IS SUBJECT TO EXTENSIVE GOVERNMENT REGULATION

As evidenced by the enactment of the Aviation Security Act, airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. Some FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft. Continental expects to continue incurring expenses to comply with the FAA's regulations.

Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenue. Additionally, because of significantly higher security and other costs incurred by airports since September 11, 2001, and because reduced landing weights since September 11, 2001 have reduced the fees airlines pay to airports, many airports are significantly increasing their rates and charges to air carriers, including to Continental. Restrictions on the ownership and transfer of airline routes and takeoff and landing slots have also been proposed. The ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities are not made available. Continental cannot provide assurance that current laws and regulations, or laws or regulations enacted in the future, will not adversely affect it.

#### CONTINENTAL'S OPERATIONS ARE AFFECTED BY THE SEASONALITY ASSOCIATED WITH THE AIRLINE INDUSTRY

Due to greater demand for air travel during the summer months, revenue in the airline industry in the second and third quarters of the year is generally stronger than revenue in the first and fourth quarters of the year for most U.S. air carriers. Continental's results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal, including the extent and nature of competition from other airlines, fare actions, excise and similar taxes, security fees, changing levels of operations, fuel prices, weather, air traffic control delays, foreign currency exchange rates and general economic conditions.

#### RISK FACTORS RELATING TO THE SENIOR NOTES AND THE EXCHANGE OFFER

##### CONSEQUENCES OF FAILURE TO EXCHANGE

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

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

##### APPRAISAL AND REALIZABLE VALUE OF COLLATERAL

The Policy supports payment of interest on the Senior Notes when due and payment of outstanding principal of the Senior Notes no later than the Final Legal Maturity Date. However, if Continental does not make such payments and a

Policy Provider Default occurs, in order to obtain such payments, the holders of the Senior Notes may have to rely on the proceeds from the sale of the Collateral.

Simat, Helliesen & Eichner, Inc., an independent aviation appraisal and consulting firm ("SH&E"), has prepared an appraisal of the spare parts included in the Collateral as of December 25, 2002. A letter, dated January 24, 2003, summarizing such appraisal is annexed to this Prospectus as Appendix II. The appraisal is subject to a number of assumptions and limitations and was prepared based on certain specified methodologies. In preparing its appraisal, SH&E conducted only a limited physical inspection of certain locations at which Continental maintains the spare parts. An appraisal that is subject to other assumptions and limitations and based on other methodologies may result in valuations that are materially different from those contained in SH&E's appraisal. See "Description of the Appraisal".

Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such subsequent appraisal indicates that the ratio of the outstanding principal amount of the Senior Notes to the Collateral value is greater than 45.0%, or that the ratio of the outstanding principal amount of the Senior Notes and the Subordinated Notes to the Collateral value is greater than 67.5%, Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated Notes outstanding so that the loan to Collateral values are not greater than the applicable maximum percentage. Continental deposited \$13,056,950 as Cash Collateral at the initial issuance of the Old Senior Notes so that the initial loan to Collateral value ratio would not exceed 45.0%, based on the appraisal determined as of August 25, 2002. The ratio of the loan to Collateral value, determined using the appraisal as of December 25, 2002, would have been 45.8% for the Senior Notes and 68.7% for the Subordinated Notes without giving effect to such deposit of Cash Collateral. Continental expects to satisfy the applicable maximum loan to Collateral value percentages at the time the next appraisal is required based upon its projected purchases of spare parts, in which case Continental will be entitled to withdraw such Cash Collateral. However, no assurance can be given that the applicable maximum percentages will be satisfied. See "Description of the Senior

Notes--Collateral".

An appraisal is only an estimate of value. An appraisal should not be relied upon as a measure of realizable value. The proceeds realized upon a sale of any Collateral may be less than its appraised value. The value of the Collateral if remedies are exercised under the Indenture will depend on market and economic conditions, the supply of similar spare parts, the availability of buyers, the condition of the Collateral and other factors. In addition, since spare parts are regularly used, refurbished, purchased, transferred and discarded in the ordinary course of business, the quantity of spare parts included in the Collateral and their appraised value will change over time. Accordingly, Continental cannot assure you that the proceeds realized upon any such exercise of remedies would be sufficient to satisfy in full payments due on the Senior Notes. If a Policy Provider Default occurs and such proceeds are not sufficient to repay all such amounts due on the Senior Notes, then holders of Senior Notes (to the extent not repaid from the proceeds of the sale of Collateral) would have only unsecured claims against Continental and the Policy Provider.

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

#### CONTROL OVER AMENDMENTS, WAIVERS AND SALE OF COLLATERAL

Whether before or after the occurrence of an Event of Default, the "Controlling Party" will direct the Trustee in taking action under the Indenture and other agreements relating to the Notes, including in amending such agreements and granting waivers thereunder, except for certain limited provisions with respect to the Collateral as it relates to the Subordinated Notes that cannot be amended or waived without the consent of the holders of a majority of the outstanding principal amount of the Subordinated Notes and certain other limited provisions that cannot be amended or waived without the consent of each Noteholder affected thereby. Except for those limited provisions

which are described in "Description of the Senior Notes--Modifications and Waiver of the Indenture and Certain Other Agreements", the provisions of the Indenture, the Security Agreement and the other Operative Documents may be amended or waived by the Controlling Party (or, in the case of the Collateral Maintenance Agreement, the Policy Provider) without the consent of the Senior Noteholders. If an Event of Default is continuing, the "Controlling Party" will direct the Trustee in exercising remedies under the Indenture and the Collateral Agreements, including accelerating the Senior Notes or foreclosing the lien on the Collateral securing the Senior Notes. See "Description of the Senior Notes--Remedies".

The Controlling Party will be:

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

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

The rights of holders of Senior Notes may be adversely affected by the actions of the Policy Provider as the Controlling Party described in the preceding paragraphs, particularly if a Policy Provider Default occurs subsequently thereto.

IF CONTINENTAL DEFAULTS, THE INTEREST RATE ON THE SENIOR NOTES WILL BE SUBJECT TO A MAXIMUM EQUAL TO THE CAPPED INTEREST RATE

If Continental fails to pay accrued interest on the Senior Notes when due on a Distribution Date and fails to cure such nonpayment, the interest rate on the Senior Notes for the interest due on such Distribution Date will be subject

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

#### CERTAIN LIMITATIONS WITH RESPECT TO THE COLLATERAL

The Policy supports the payment of interest on the Senior Notes when due and payment of outstanding principal of the Senior Notes no later than the Final

Legal Maturity Date. However, if Continental does not make such payments and a Policy Provider Default occurs, in order to obtain such payments, the holders of Senior Notes may have to rely on the proceeds from the sale of the Collateral.

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

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

Upon initial issuance of the Old Senior Notes, Continental made a cash collateral deposit with the Security Agent of \$13,056,950 so that the initial ratio of the outstanding principal amount of the Senior Notes to the Collateral value would not exceed 45.0%. Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such subsequent appraisal indicates that the ratio of the outstanding principal amount of the Senior Notes to the Collateral value is greater than 45.0%, or that the ratio of the outstanding principal amount of the Senior Notes and Subordinated Notes to the Collateral value is greater than 67.5%, Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated Notes outstanding so that the loan to Collateral values are not greater than the applicable maximum percentage. In order to satisfy this requirement, Continental may grant a lien on additional Qualified Spare Parts, cash or certain investment securities. In addition, Continental may grant a lien on other collateral, provided that the Policy Provider agrees and each Rating Agency confirms that the use of such additional collateral will not result in a reduction of the rating of the Senior Notes or Subordinated Notes below the then current rating for such Notes (determined in the case of the Senior Notes without regard to the Policy) or a withdrawal or suspension of the rating of such Notes. See "Description of the Senior Notes--Collateral". Section 1110 of the U.S. Bankruptcy Code, which provides special rights to holders of liens with respect to certain equipment (see "Description of the Senior Notes--Remedies"), would apply to any such additional Qualified Spare Parts but would not apply to any such cash or investment securities. In addition, Section 1110 may not apply to such other collateral, depending on the circumstances.

#### LIMITED ABILITY TO RESELL THE NOTES

Prior to the Exchange Offer, there has been no public market for the Senior Notes. Continental does not intend to apply for listing of the Senior Notes on any national securities exchange or otherwise. The Initial Purchaser has previously made a market in the Old Senior Notes and Continental has been advised by the Initial Purchaser that it presently intends to make a market in the New Senior Notes, as permitted by applicable laws and regulations, after consummation of the Exchange Offer. The Initial Purchaser is not obligated, however, to make a market in the Old Senior Notes or the New Senior Notes, and any such market-making activity may be discontinued at any time without notice at the sole discretion of the Initial Purchaser. There can be no assurance as to the liquidity of the public market for the Senior Notes or that any active public market for the Senior Notes will develop or continue. If an active public market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your Senior Notes.

#### RISK FACTORS RELATING TO THE POLICY PROVIDER

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

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

the financial information generally available relating to the Policy Provider, see "Description of the Policy Provider" and "Description of the Policy and the Policy Provider Agreement--The Policy".

POLICY PROTECTION IS LIMITED

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

USE OF PROCEEDS

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

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of our "earnings" to our "fixed charges" for each of the years 1998 through 2002 and for the three months ended March 31, 2003 were:

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

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

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

- o our pre-tax income (loss); and
- o our fixed charges, net of interest capitalized.

"Fixed charges" represent:

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

THE COMPANY

Continental Airlines, Inc. ("Continental" or the "Company") is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by the number of scheduled miles flown by revenue passengers, known as revenue passenger miles, in 2002) and, together with its indirect 53.1%-owned subsidiary, ExpressJet Airlines, Inc. (operating as Continental Express and referred to in this Prospectus as "ExpressJet"), and its wholly owned subsidiary, Continental Micronesia, Inc. ("CMI"), served 218 airports worldwide at April 30, 2003. As of April 30, 2003, Continental flew to 124 domestic and 94 international destinations and offered additional connecting service through alliances with domestic and foreign carriers. Continental directly served 16 European cities, seven South American cities, Tel Aviv, Hong Kong and Tokyo as of April 30, 2003, and is one of the leading airlines providing service to Mexico and Central America, serving 28 cities, more destinations than any other United States airline. Through its Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier. The Company's executive offices are located at 1600 Smith Street, Houston, Texas 77002. The Company's telephone number is (713) 324-2950.

DOMESTIC OPERATIONS

Continental operates its domestic route system primarily through its hubs in the New York metropolitan area at Newark Liberty International Airport ("Liberty International" or "Newark"), in Houston, Texas at George Bush Intercontinental Airport ("Bush Intercontinental" or "Houston") and in Cleveland, Ohio at Hopkins International Airport ("Hopkins International"). Continental's hub system allows it to transport passengers between a large number of destinations with substantially more frequent service than if each route were served directly. The hub system also allows Continental to add service to a new destination from a large number of cities using only one or a limited number of aircraft. As of April 30, 2003, Continental and ExpressJet operated 66% of the average daily jet departures from Liberty International, 85% of the average daily jet departures from Bush Intercontinental, and 67% of the average daily jet departures from Hopkins International (in each case including regional jets). Each of Continental's domestic hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic.

Continental's mainline jet service at each of its domestic hub cities is coordinated with ExpressJet, which operates new-generation regional jets. In April 2002, ExpressJet Holdings, Inc. ("Holdings"), Continental's then wholly owned subsidiary and the sole stockholder of ExpressJet, sold 10 million shares of its common stock in an initial public offering and used the net proceeds to repay \$147 million of ExpressJet's indebtedness to Continental. In addition, Continental sold 20 million of its shares of Holdings common stock in the offering for net proceeds of \$300 million. In connection with the offering, Continental's ownership of Holdings fell to 53.1%. Continental does not currently intend to remain a stockholder of Holdings over the long term. Subject to market conditions, Continental expects to sell or otherwise dispose of some or all of its shares of Holdings common stock in the future. On May 1, 2003, at Continental's request, Holdings filed a shelf registration statement with the Commission relating to the 34 million shares of Holdings common stock held by Continental to enable Continental to sell such common stock free of certain restrictions under the Securities Act.

Effective January 1, 2001, Continental entered into a capacity purchase agreement with ExpressJet pursuant to which Continental currently purchases all of ExpressJet's available seat miles for a negotiated price. Under the agreement, ExpressJet has the right through December 31, 2006 to be Continental's sole provider of regional jet service from Continental's hubs. Continental is responsible for all scheduling, pricing and seat inventories of ExpressJet's flights and is entitled to all revenue associated with those flights. Continental pays ExpressJet based on scheduled block hours (the hours from departure gate to arrival gate) in accordance with a formula designed to provide ExpressJet with an operating margin of approximately 10% before taking into account variations in some costs and expenses that are generally controllable by ExpressJet. ExpressJet's overall operating margin was 13.6% in 2002. Continental assumes the risk of revenue volatility associated with fares and passenger traffic, price volatility for specified expense items such as fuel and the cost of all distribution and revenue-related costs. The capacity purchase agreement replaced Continental's prior revenue-sharing arrangement.

As of April 30, 2003, ExpressJet served 99 destinations in the U.S., 13 cities in Mexico, 5 cities in Canada and Nassau. Since December 2002, ExpressJet's fleet has been comprised entirely of regional jets. Continental believes ExpressJet's regional jet service complements Continental's operations by carrying traffic that connects onto Continental's mainline jets and allowing more frequent flights to smaller cities than could be provided economically with larger jet aircraft. Continental believes that ExpressJet's regional jets provide greater comfort and enjoy better customer acceptance than turboprop aircraft. The regional jets also allow ExpressJet to serve certain routes that cannot be served by turboprop aircraft. Additional commuter feed traffic is currently provided to Continental by other codesharing partners.

#### DOMESTIC CARRIER ALLIANCES

Continental has entered into alliance agreements, which are also referred to as codeshare agreements or cooperative marketing agreements, with other carriers. These relationships may include (a) codesharing (one carrier placing its name and flight number, or "code", on flights operated by the other carrier) and (b) reciprocal frequent flyer program participation, reciprocal airport lounge access and other joint activities (such as seamless check-in at airports). Some relationships may include other cooperative undertakings such as joint purchasing, joint corporate sale contracts, airport handling, facilities sharing or joint technology development.

Continental has a long-term global alliance with Northwest Airlines, Inc. ("Northwest Airlines") through 2025, subject to earlier termination by either carrier in the event of certain changes in control of either Northwest Airlines or Continental. The alliance with Northwest provides for each carrier placing its code on a large number of the flights of the other, reciprocity of frequent flyer programs and airport lounge access, and other joint marketing activities. Northwest Airlines and Continental also have joint contracts with major corporations and travel agents designed to create access to a broader product line encompassing the route systems of both carriers.

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

In response to the dramatic changes occurring in the airline industry, including a marketing alliance between United and US Airways, Continental signed a marketing agreement with Northwest Airlines and Delta Air Lines, Inc. ("Delta") in August 2002 to permit it to compete more effectively with other carriers and alliance groups. As with the alliance with Northwest Airlines, this alliance involves codesharing, reciprocal frequent flyer benefits and reciprocal airport lounge privileges. Implementation of this marketing alliance is planned for Summer 2003, subject to satisfaction of certain conditions.

#### INTERNATIONAL OPERATIONS

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

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

American cities, four South American cities, 14 Caribbean destinations, Tel Aviv, Hong Kong (though service between Hong Kong and Newark was suspended in April 2003) and Tokyo.

Continental's Houston hub is the focus of its operations in Mexico and Central America. As of April 30, 2003, Continental and ExpressJet flew from Bush Intercontinental to 20 cities in Mexico, every country in Central America, six cities in South America, three cities in Canada, three cities in Europe, two Caribbean destinations and Tokyo.

From Continental's Cleveland hub, Continental and ExpressJet flew to Montreal, Toronto, London, Cancun, Mexico, Nassau and San Juan, Puerto Rico as of April 30, 2003.

#### CONTINENTAL MICRONESIA

From its hub operations based on the island of Guam, as of April 30, 2003, CMI provided service to eight cities in Japan, more than any other United States carrier, as well as other Pacific Rim destinations, including Taiwan (though service has been suspended from May 21, 2003 through July 1, 2003), the Philippines, Hong Kong (though service has been suspended from May 23, 2003 through June 2, 2003), Australia and Indonesia.

CMI is the principal air carrier in the Micronesian Islands, where it pioneered scheduled air service in 1968. CMI's route system is linked to the United States market through Hong Kong, Tokyo and Honolulu, each of which CMI serves non-stop from Guam. CMI and Continental also maintain a codesharing agreement and coordinate schedules on certain flights from the United States to Honolulu, and from Honolulu to Guam, to facilitate travel from the United States into CMI's route system.

#### FOREIGN CARRIER ALLIANCES

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

In October 2001, Continental announced that it had signed a cooperative marketing agreement with KLM Royal Dutch Airlines ("KLM") that includes extensive codesharing and reciprocal frequent flyer program participation and airport lounge access. In January 2002, Continental placed its code on selected flights operated by KLM and KLM Cityhopper from Amsterdam to more than 40 destinations in Europe, Africa and the Middle East, and KLM placed its code on selected flights to U.S. destinations operated by Continental beyond its New York and Houston hubs. In addition, members of each carrier's frequent flyer program are able to earn mileage anywhere on the other's global route network, as well as the global network of Northwest Airlines. The current cooperative agreement terminates in October 2003. Continental and KLM are currently in negotiations to extend this alliance.

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

#### OUTLOOK

The current U.S. domestic airline environment is the worst in Continental's history. Prior to September 2001, Continental was profitable, although many U.S. air carriers were losing money and Continental's profitability was declining. The terrorist attacks of September 11, 2001 and the war in Iraq dramatically worsened the difficult financial environment and presented new and greater challenges for the airline industry. Since the terrorist attacks, several airlines, including United and US Airways, have filed for bankruptcy, although US Airways emerged from bankruptcy on March 31, 2003. American Airlines recently threatened to file for bankruptcy, and other airlines may file for bankruptcy protection as well. Although Continental has been able to raise capital, downsize its operations and reduce its expenses significantly, Continental has reported significant losses since the terrorist attacks, and current trends in the airline industry make it likely that Continental will continue to post significant losses for the foreseeable future. The revenue environment continues to be weak in light of changing pricing models, excess capacity in the market, reduced corporate travel spending and other issues. In addition, until recently fuel prices had significantly escalated due to the war in Iraq and political tensions in Venezuela and Nigeria. Absent adverse factors outside Continental's control such as those described herein, Continental believes that its liquidity

and access to cash will be sufficient to fund its current operations through 2003 (and beyond if Continental is successful in implementing its previously announced revenue-generating and cost cutting measures). However, Continental believes that the economic environment must improve for Continental to continue to operate at its current size and expense level beyond that time. Continental may find it necessary to further downsize its operations, ground additional aircraft and further reduce its expenses. Continental anticipates that its previously announced capacity and cost reductions, together with the capacity reductions announced by other carriers and capacity reductions that could come

from restructurings within the industry, should result in a better financial environment by the end of 2003, absent adverse factors outside Continental's control such as a further economic recession, additional terrorist attacks, post war unrest in Iraq or conflicts elsewhere in the world, a significant spread of Severe Acute Respiratory Syndrome, or "SARS", decreased consumer demand or sustained high fuel prices. However, Continental expects to incur a significant loss for the full year in 2003, regardless of such adverse factors.

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

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

- o A weak global and domestic economy has significantly decreased Continental's revenue. Business traffic, Continental's most profitable source of revenue, and yields are down significantly, as well as leisure traffic and yields. Several of Continental's competitors are significantly changing all or a portion of their pricing structures in a manner that is revenue dilutive to Continental. Although Continental has been successful in decreasing its unit cost as its unit revenue has declined, Continental currently expects its net cash flows for the second quarter of 2003, excluding amounts expected to be received from the U.S. government discussed in the third bullet point below, to be slightly negative at approximately \$0.5 million per day, including required debt payments and capital expenditures. In addition, Continental expects to incur significant losses for the full year 2003.
- o Continental believes that reduced demand persists not only because of the weak economy, but also because of some customers' concerns about further terrorist attacks and reprisals. The war in Iraq significantly reduced Continental's bookings and lowered passenger traffic. In addition, the spread of SARS in China and elsewhere has caused a further decline in passenger traffic, particularly to Hong Kong and certain other cities in Asia that Continental serves. Both of these events have disproportionately affected Continental's international passenger traffic. Continental has responded to the reduced actual and anticipated demand by announcing temporary capacity reductions on certain trans-Atlantic and trans-Pacific routes (including the suspension of its flights between Hong Kong and Newark, Hong Kong and Guam, and Taiwan and Guam) and by reducing its summer schedule. Continental believes that demand is further weakened by customer dissatisfaction with the hassles and delays of heightened airport security and screening procedures.
- o Fuel costs rose significantly at the end of 2002 and until recently have been at historically high levels. Post war unrest in Iraq, other conflicts in the Middle East, political events in Venezuela or Nigeria, or significant events in other oil-producing nations could cause fuel prices to increase further and may impact the availability of fuel. Based on gallons consumed in 2002, for every one dollar increase in the price of crude oil, Continental's annual fuel expense would be approximately \$40 million higher.
- o The terrorist attacks of 2001 have caused security costs to increase significantly, many of which have been passed on to airlines. Security costs are likely to continue rising for the foreseeable future. In the current environment of lower consumer demand and discounted pricing, these costs cannot effectively be passed on to customers. Insurance costs have also risen sharply, in part due to greater perceived risks and in part due to the reduced availability of insurance coverage.

Continental must absorb these additional expenses in the current pricing environment. Under a supplemental appropriations bill approved by both houses of Congress and signed by the President in April 2003, Continental and other U.S. carriers have been reimbursed for certain security fees paid or collected by such carriers and will be compensated for other security related costs. Consequently, in May 2003 Continental and ExpressJet received a reimbursement of \$176.2 million for security fees paid or collected since February 2002.

- o Although Continental reduced some of its costs during the last year and continues to implement cost-cutting measures, its costs cannot be decreased as quickly as its revenue has declined. In addition, as is the case with many of its competitors, Continental is highly leveraged, and has few assets that remain unpledged to support any new debt. Combined with reduced access to the capital markets, themselves already weakened by the state of the economy, there is the potential for insufficient liquidity if current conditions continue unabated for a sufficiently long period of time. Continental had approximately \$1.18 billion of cash, cash equivalents and short-term investments at March 31, 2003. Continental continues to hold 53.1% of the outstanding stock of Holdings, the publicly traded parent of its regional jet subsidiary, and this stock is not pledged to creditors. Continental intends to sell or otherwise dispose of some or all of its interest in Holdings, subject to market conditions.
- o The nature of the airline industry is changing dramatically as business travelers change their spending patterns and low-cost



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

- o Current conditions may cause consolidation of the airline industry, domestically and globally. The extremity of current conditions could result in a reduction of some of the regulatory hurdles that historically have limited consolidation. Depending on the nature of the consolidation, Continental could benefit from it or be harmed by it. Continental continues to monitor developments throughout the industry and has entered into a marketing alliance (implementation of which is subject to certain conditions) with Northwest Airlines and Delta to permit Continental to compete more effectively with other carriers and alliance groups.
- o Continental has several noncontributory defined benefit plans covering substantially all of Continental's employees. As of December 31, 2002, these plans were underfunded by approximately \$1.2 billion as measured by SFAS 87, "Employers Accounting for Pensions". Continental's contributions for the remainder of 2003 are expected to be \$89 million as of March 31, 2003. Absent any changes to the plans (which in most cases are subject to collective bargaining agreements with our unions) or a waiver of required payments from the Internal Revenue Service, the minimum funding requirement in 2004 is expected to be significantly greater than in 2003.
- o Under the most restrictive provisions of a credit facility agreement with an outstanding balance of \$165 million at March 31, 2003, Continental is required to maintain a minimum unrestricted cash balance of \$600 million. Also, a separate credit facility agreement with an outstanding balance of \$43 million at March 31, 2003 requires, beginning in June 2003, Continental to maintain a 1 to 1 ratio of EBITDAR (earnings before interest, income taxes, depreciation and aircraft rentals) to fixed charges, which consist of interest expense, aircraft rental expense, cash income taxes and cash dividends, for the previous four quarters. Continental believes that it will be able to meet both of these covenants for the remainder of 2003.

#### DESCRIPTION OF THE POLICY PROVIDER

##### GENERAL

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

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

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

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

##### MBIA FINANCIAL INFORMATION

The following documents filed by the Parent Company with the Commission are incorporated herein by reference:

- o the Parent Company's Annual Report on Form 10-K for the year ended December 31, 2002; and
- o the Parent Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

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

The consolidated financial statements of MBIA, a wholly owned subsidiary of the Parent Company, and its subsidiaries as of December 31, 2002 and December 31, 2001 and for each of the three years in the period ended December 31, 2002, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Parent Company for the year ended December 31, 2002 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2003 and for the three month periods ended March

31, 2003 and March 31, 2002 included in the Quarterly Report on Form 10-Q for the period ended March 31, 2003, are hereby incorporated by reference into this Prospectus and shall be deemed to be a part hereof. All financial statements of MBIA and its subsidiaries included in documents filed by the Parent Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this Prospectus and prior to the termination of the offering of the New Senior Notes shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the respective dates of filing such documents.

The Parent Company files annual, quarterly, and special reports, information statements and other information with the Commission under File No. 1-9583. Copies of the Commission filings (including (1) the Parent Company's Annual Report on Form 10-K for the year ended December 31, 2002 and (2) the Parent Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003) are available (i) over the Internet at the Commission web site at [HTTP://WWW.SEC.GOV](http://www.sec.gov); (ii) at the Commission's public reference room in Washington D.C.; and (iii) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

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

SAP		
	MARCH 31, 2003	DECEMBER 31, 2002
	(UNAUDITED)	(AUDITED)
(IN MILLIONS)		
Admitted Assets	\$[____]	\$9,212
Liabilities	[____]	6,054
Capital and Surplus	[____]	3,158

GAAP		
	MARCH 31, 2003	DECEMBER 31, 2002
	(UNAUDITED)	(AUDITED)
(IN MILLIONS)		
Assets	\$[____]	\$10,588
Liabilities	[____]	4,679
Shareholders' Equity	[____]	5,909

#### FINANCIAL STRENGTH RATING OF MBIA

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

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

#### THE EXCHANGE OFFER

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

Information".

## TERMS OF THE EXCHANGE OFFER

### GENERAL

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

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

- o file the Registration Statement of which this Prospectus is a part for a registered exchange offer with respect to an issue of new notes identical in all material respects to the Old Senior Notes within 120 days after December 6, 2002, which is the date on which the Old Senior Notes were issued (the "Issuance Date");
- o cause the Registration Statement to become effective under the Securities Act within 180 days after the Issuance Date;
- o cause the Registration Statement to remain effective until the closing of the Exchange Offer; and
- o consummate the Exchange Offer within 210 calendar days after the Issuance Date.

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

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

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

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

are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such New Senior Notes and have no arrangement with any person to participate in a distribution of such New Senior Notes.

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

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

If a holder of Old Senior Notes is engaged in or intends to engage in a distribution of the New Senior Notes or has any arrangement or understanding with respect to the distribution of the New Senior 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 Senior Notes for its own account pursuant to the Exchange Offer (a "Participating Broker-Dealer") must acknowledge that it will deliver a prospectus in connection with any resale of such New Senior Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating

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

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

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

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

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

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

#### EXPIRATION DATE; EXTENSIONS; AMENDMENTS; TERMINATION

The term "Expiration Date" shall mean [\_\_\_\_], 2003 (30 calendar days following the commencement of the Exchange Offer), unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended.

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

Continental reserves the right:

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

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

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

#### INTEREST ON THE NEW SENIOR NOTES

The New Senior Notes will bear interest at the Stated Interest Rate from the most recent date to which interest has been paid on the Old Senior Notes. Accordingly, registered holders of New Senior Notes on the relevant record date for the first interest payment date following the completion of the Exchange Offer will receive interest accruing from the most recent date to which interest has been paid. Old Senior Notes accepted for exchange will cease to accrue interest from and after the date of completion of the Exchange Offer. Holders of Old Senior Notes whose Old Senior Notes are accepted for exchange will not receive any payment for accrued interest on the Old Senior Notes otherwise

payable on any Interest Payment Date the record date for which occurs on or after completion of the Exchange Offer and will be deemed to have waived their rights to receive the accrued interest on the Old Senior Notes.

#### PROCEDURES FOR TENDERING

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

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

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

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

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

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

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

If the Letter of Transmittal is signed by a person other than the registered holder of any Old Senior Notes listed therein, such Old Senior Notes

must be endorsed or accompanied by bond powers and a proxy which authorizes such person to tender the Old Senior Notes on behalf of the registered holder, in

each case as the name of the registered holder or holders appears on the Old Senior Notes.

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

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

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

#### ACCEPTANCE OF OLD SENIOR NOTES FOR EXCHANGE; DELIVERY OF NEW SENIOR NOTES

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

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

- o certificates for such Old Senior Notes or a timely Book-Entry Confirmation of such Old Senior Notes into the Exchange Agent's account at DTC;
- o a properly completed and duly executed Letter of Transmittal or an Agent's Message in lieu thereof; and
- o all other required documents.

If any tendered Old Senior Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Senior Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or nonexchanged Old Senior Notes will be returned without expense to the tendering holder thereof (or, in the case of Old Senior Notes tendered by the book-entry transfer procedures described below, such

nonexchanged Old Senior Notes will be credited to an account maintained with DTC), unless otherwise provided in the Letter of Transmittal, promptly following the Expiration Date.

#### BOOK-ENTRY TRANSFER

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

Expiration Date or the guaranteed delivery procedures described below must be complied with. The term "Agent's Message" means a message, transmitted by DTC and received by the Exchange Agent and forming part of a Book-Entry Confirmation, that states that DTC has received an express acknowledgment from a DTC Participant tendering Old Senior Notes that are the subject of such Book-Entry Confirmation that such DTC Participant has received and agrees to be bound by the terms of the Letter of Transmittal, and that Continental may enforce the Letter of Transmittal against such DTC Participant.

#### GUARANTEED DELIVERY PROCEDURES

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

- o the tender is made through an Eligible Institution;
- o prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof or Agent's Message in lieu thereof) and Notice of Guaranteed Delivery, substantially in the form provided by Continental (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Senior Notes and the amount of Old Senior Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Senior Notes in proper form for transfer, or a Book-Entry Confirmation, as the case may be, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof or Agent's Message in lieu thereof) and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent; and
- o the certificates for all physically tendered Old Senior Notes in proper form for transfer, or a Book-Entry Confirmation, as the case may be, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof or Agent's Message in lieu thereof) and all other documents required by the Letter of Transmittal are received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of the Notice of Guaranteed Delivery.

#### WITHDRAWAL OF TENDERS

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

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

#### CONDITIONS

Notwithstanding any other term of the Exchange Offer, Old Senior Notes will not be required to be accepted for exchange, nor will New Senior Notes be issued in exchange for, any Old Senior Notes, and Continental may terminate or amend the Exchange Offer as provided herein before the acceptance of such Old Senior Notes, if because of any change in law, or applicable interpretations thereof by the Commission, Continental determines that it is not permitted to effect the Exchange Offer, and Continental has no obligation to, and will not, knowingly, permit acceptance of tenders of Old Senior Notes from affiliates of the Company (within the meaning of Rule 405 under the Securities Act) or from any other

holder or holders who are not eligible to participate in the Exchange Offer under applicable law or interpretations thereof by the Commission, or if the New Senior Notes to be received by such holder or holders of Old Senior Notes in the Exchange Offer, upon receipt, will not be tradable by such holder without restriction under the Securities Act and the Exchange Act and without material restrictions under the "blue sky" or securities laws of substantially all of the states of the United States.

#### EXCHANGE AGENT

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

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

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

FACSIMILE TRANSMISSION:  
(302) 636-4145

CONFIRM BY TELEPHONE:  
(302) 636-6472

#### FEES AND EXPENSES

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

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

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

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

#### DESCRIPTION OF THE SENIOR NOTES

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

#### GENERAL

The Old Senior Notes were issued by Continental under an Indenture among Continental, Wilmington Trust Company, as trustee (the "Trustee"), the Policy Provider and the Liquidity Provider, which was amended and restated on the Subordinated Notes Issuance Date (such Indenture, as so amended and restated, the "Indenture"). The New Senior Notes will also be issued by Continental under the Indenture.

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

- o the New Senior Notes will be registered under the Securities Act;
- o the New Senior Notes will not contain restrictions on transfer or provisions relating to registration rights or interest rate increases;



and

- o the New Senior Notes will be available only in book-entry form.

The New Senior Notes will be issued only in fully registered form, without coupons, and will be subject to the provisions described below under "--Book-Entry; Delivery and Form". The New Senior Notes will be issued only in minimum denominations of \$1,000 or integral multiples thereof, except that one Senior Note may be issued in a different denomination. (Section 2.1(b))

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

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

#### PAYMENTS OF PRINCIPAL AND INTEREST

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

Interest accrues on the unpaid principal amount of each Senior Note at the variable rate per annum set forth on the cover page of this Prospectus (plus, if applicable, 0.50% during the periods specified in the Registration Rights Agreement), subject to a maximum equal to the Capped Interest Rate applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment (the "Stated Interest Rate"). For all other periods, the interest rate on the Senior Notes will not be capped. Accrued interest will be payable on March 6, June 6, September 6 and December 6 of each year (each, a "Scheduled Interest Payment Date") or, if not a Business Day, the next succeeding Business Day (each date on which interest is due, an "Interest

Payment Date" ), commencing on March 6, 2003. Such accrued interest will be paid to holders of record on the 15th day preceding the applicable Scheduled Interest Payment Date. Interest on the Senior Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Issuance Date. Interest on the Senior Notes is calculated on the basis of the actual number of days elapsed over a 360-day year and shall accrue with respect to the first but not the last day of each Interest Period. If any date scheduled for a payment of principal, interest, Premium, if any, or Break Amount, if any, is not a Business Day, such payment will be made on the next succeeding Business Day, and interest shall be added for such additional period. (Section 2.7)

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

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

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

#### DETERMINATION OF LIBOR

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

For the purpose of calculating LIBOR for the periods from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date (each, also an "Interest Period"), Continental and the Trustee have entered into a Reference Agency Agreement (as amended, the "Reference Agency Agreement") with Wilmington Trust Company, as reference agent (the "Reference Agent"). The

Reference Agent will determine LIBOR for each Interest Period following the Initial Interest Period, on a date (the "Reference Date") that is two London banking days (meaning days on which commercial banks are open for general business in London, England) before the Interest Payment Date on which such Interest Period commences.

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

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

Agent in good faith and in a commercially reasonable manner, at approximately 11:00 a.m., New York City time, on the first day of such Interest Period for loans in U.S. Dollars to leading European banks for a period of three months commencing on the first day of such Interest Period and in an amount that is representative for a single transaction in the New York market at the relevant time, except that, if the banks so selected by the Reference Agent are not quoting as mentioned above, LIBOR shall be the floating rate of interest in effect for the last preceding Interest Period.

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

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

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

#### BREAK AMOUNT

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

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

Break Amount = Z-Y

Where:

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

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

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

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

#### REDEMPTION

The Senior Notes may be redeemed at any time in whole or (so long as no Payment Default has occurred and is continuing) in part (in any integral multiple of \$1,000) by the Company at its sole option at a redemption price equal to the sum of 100% of the principal amount of, accrued and unpaid interest on, and Break Amount, if any, with respect to, the redeemed Senior Notes to and including the date of redemption. In addition, if a Senior Note is redeemed before the third anniversary of the Issuance Date (except in connection with a redemption to satisfy the maximum Senior Collateral Ratio or minimum Senior

Maintenance of Ratios"), such redemption price will include a premium (the "Premium") equal to the following percentage of the principal amount of such Senior Note: (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%. (Section 4.1)

At least 15 days but not more than 60 days before any redemption date, the Trustee will send a notice of redemption to each Senior Noteholder whose Senior Notes are to be redeemed, identifying the Senior Notes and the principal amount thereof to be redeemed. If less than all of the Senior Notes are to be redeemed, the Trustee will select the Senior Notes to be redeemed on either a pro rata basis or by lot or by any other equitable manner determined by the Trustee in its sole discretion. On the redemption date, interest will cease to accrue on the Senior Notes or portions thereof called for redemption, unless Continental fails to make the redemption payment for such Senior Notes. (Sections 4.3, 4.4 and 4.5)

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

#### COLLATERAL

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

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

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

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

#### APPRAISALS AND MAINTENANCE OF RATIOS

Continental is required to furnish to the Policy Provider and the Trustee by the fifth Business Day of February and the fifth Business Day of August in each year, commencing in August 2003, so long as the Notes of any series are outstanding, a certificate of an independent appraiser. Such certificates are required to state such appraiser's opinion of the fair market value of the Collateral and of the Rotables included in the Collateral, determined on the basis of a hypothetical sale negotiated in an arm's length free market

transaction between a willing and able seller and a willing and able buyer, neither of whom is under undue pressure to complete the transaction, under then current market conditions (the "Fair Market Value"). This appraisal will not apply to any cash or permitted investment securities (the "Cash Collateral") then held as collateral for the Notes, and such securities will be valued by the Trustee in accordance with customary financial market practices. Such valuations will then be used to calculate the following:

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

aggregate principal amount of the outstanding Senior Notes and Subordinated Notes minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral) as set forth in such independent appraiser's certificate;

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

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

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

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

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

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

- o subject additional Rotables to the lien of the Security Agreement;
- o provide additional Cash Collateral to the Security Agent under the Security Agreement (provided that if Continental's cash, cash equivalents and certain other marketable securities as of the applicable determination date was less than \$600,000,000, then the total amount of Cash Collateral may not exceed \$20,000,000);
- o deliver Notes to the Trustee for cancellation;
- o redeem some or all of the Notes; or
- o any combination of the foregoing;

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

If Continental provides additional Cash Collateral to comply with any such maximum Collateral Ratio or minimum Rotable Ratio requirement, it must, within 90 days after providing such Cash Collateral, take additional action (other than providing Cash Collateral) to cause the Collateral Ratios and the Rotable Ratios (in each case calculated to exclude such Cash Collateral) to comply with the applicable maximum or minimum percentage. (Collateral Maintenance Agreement, Section 3.1(e)) If the Senior Collateral Ratio and Subordinated Collateral Ratio are less than the applicable maximum percentage and the Senior Rotable Ratio and the Subordinated Rotable Ratio are greater than the applicable minimum percentage, in each case as most recently determined as described above, and the

Security Agent held Cash Collateral as of the relevant determination date, Continental may withdraw Cash Collateral in excess of the amount necessary to comply with such ratios. (Security Agreement, Section 7.03(b))

Continental deposited Cash Collateral of \$13,056,950 with the Security Agent upon initial issuance of the Old Senior Notes, so that the initial Senior Collateral Ratio was 45.0% based on the initial appraisal as of August 25, 2002, prepared by SH&E. See "Description of the Appraisal". Without giving effect to such deposit, the initial Senior Collateral Ratio would have been 48.1%. Using the appraisal of the Collateral determined as of December 25, 2002, and without giving effect to such deposit, the Senior Collateral Ratio would have been 45.8% and the Subordinated Collateral Ratio would have been 68.7%. See "Description of the Appraisal". The calculation of the Collateral Ratios at the time of the next semiannual appraisal due in August 2003 will be made without giving effect to such Cash Collateral deposit. Continental expects to satisfy the maximum Collateral Ratio requirements at that time based on its projected purchases of spare parts, in which case Continental will be entitled to withdraw such Cash Collateral. However, no assurance can be given that the maximum Collateral Ratio requirements will be satisfied based on such purchases. If it is not, Continental will be required to take one or more of the other actions described above (other than providing Cash Collateral) to satisfy such requirement.

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

#### FLEET REDUCTION

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

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

If any of the foregoing specified minimums is not so satisfied with respect to any aircraft model group, then within 90 days after such occurrence, Continental must redeem Senior Notes or deliver Senior Notes to the Trustee for cancellation (or a combination thereof) in a percentage of the outstanding principal amount of Senior Notes determined by dividing the appraised value of the Pledged Spare Parts that are appropriate for installation on, or use in, only the aircraft of such model group, or the engines utilized only on such aircraft, by the appraised value of the Collateral. In addition, Continental must redeem Subordinated Notes or deliver Subordinated Notes to the Trustee for cancellation (or a combination thereof) in the same percentage of the outstanding principal amount of Subordinated Notes. (Collateral Maintenance Agreement, Section 3.3)

#### LIENS

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

#### MAINTENANCE

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

#### USE AND POSSESSION

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

Continental may not sell, lease, transfer or relinquish possession of any Pledged Spare Part without the prior written consent of the Policy Provider, except as permitted by the Security Agreement or the Collateral Maintenance Agreement. So long as no Event of Default has occurred and is continuing, Continental may sell, transfer or dispose of Pledged Spare Parts free from the Lien of the Security Agreement. (Security Agreement, Section 4.03(a)) However, as of any date during the period between the dates of independent appraiser's certificates delivered pursuant to the Collateral Maintenance Agreement, the aggregate appraised value of all Pledged Spare Parts (x) previously during such period sold, transferred or disposed of (with certain exceptions) may not exceed 2% of the appraised value of the Collateral, (y) then subject to leases or loans may not exceed 2% of the appraised value of the Collateral or (z) previously during such period moved from a Designated Location to a location that is not a Designated Location (with certain exceptions) may not exceed 2% of the appraised value of the Collateral. Such restrictions may be waived by the Policy Provider, so long as after giving effect to a transaction permitted as a result of such waiver the Subordinated Collateral Ratio (using the information most recently used to determine such ratio) would not be greater than 67.5%. (Collateral Maintenance Agreement, Section 3.2)

Continental may, in the ordinary course of business, transfer possession of any Pledged Spare Part to the manufacturer thereof or any other organization for testing, overhaul, repairs, maintenance, alterations or modifications or to any person for the purpose of transport to any of the foregoing. In addition, Continental may dismantle any Pledged Spare Part that has become worn out or obsolete or unfit for use and may sell or dispose of any such Pledged Spare Part or any salvage resulting from such dismantling, free from the lien of the Security Agreement. Continental also may subject any Pledged Spare Part to a pooling, exchange, borrowing or maintenance servicing agreement arrangement customary in the airline industry and entered into in the ordinary course of business; provided, however, that if Continental's title to any such Pledged Spare Part shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be a sale with respect to such Pledged Spare Part. (Collateral Maintenance Agreement, Section 3.6(a))

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

#### DESIGNATED LOCATIONS

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

#### INSURANCE

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

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

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

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

#### EVENT OF DEFAULT

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

- o Failure by Continental to pay (i) principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Note when due, and such failure shall remain unremedied for more than ten Business Days (it being understood that any amount distributed to the Senior Noteholders in respect of the foregoing from funds provided by the Policy Provider, the Liquidity Provider or the Cash Collateral Account shall not be deemed to cure such Default) or (ii) any other amount payable by it to the Noteholders under the Indenture or any other Operative Document when due, and such failure shall continue for more than ten Business Days after Continental has received written notice from the Trustee of the failure to make such payment when due (without giving effect to any such notice or grace period, a "Payment Default").
- o Failure by Continental to observe or perform (or cause to be observed and performed) in any material respect any other covenant, agreement or obligation set forth in the Indenture or in any other Operative Document, and such failure shall continue after notice and specified cure periods.
- o Any representation or warranty made by Continental in the Indenture or any Operative Document (a) shall prove to have been untrue or inaccurate in any material respect as of the date made, (b) such untrue or inaccurate representation or warranty is material at the time in question and (c) the same shall remain uncured (to the extent of the adverse impact of such incorrectness on the Trustee) for more than 30 days after the date of written notice from the Trustee to Continental.
- o The occurrence of certain events of bankruptcy, reorganization or insolvency of Continental (each, a "Continental Bankruptcy Event"). (Section 7.1)

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

#### REMEDIES

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

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

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, the Notes or other amounts otherwise payable under the Indenture, if any, or to enforce the performance of any provision of the Notes or the Indenture, including instituting proceedings and exercising and enforcing, or directing exercise and enforcement of, all rights and remedies of the Trustee and the Collateral Agent under the Operative Documents and directing the Collateral Agent to deposit with the Trustee all cash or investment securities held by the Collateral Agent. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Noteholder in exercising

any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative. (Section 7.3)

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

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

The Controlling Party may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee (as Trustee or Collateral Agent, subject, in the case of any actions based on the status of the Trustee as Collateral Agent, to any limitations otherwise expressly provided for in the Operative Documents) or exercising any trust or power conferred on it; provided

that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. The Trustee may refuse to follow any direction or authorization that conflicts with law or the Indenture or that the Trustee determines may subject the Trustee to personal liability. In addition, at any time after a Policy Provider Default or after the Senior Notes, the Policy Expenses and the Policy Provider Obligations have been paid in full, the Trustee may refuse to follow any direction or authorization that the Trustee determines may be unduly prejudicial to the rights of another Noteholder. However, the Trustee shall have no liability for any actions or omissions to act which are in accordance with any such direction or authorization. (Section 7.5)

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

In the case of Chapter 11 bankruptcy proceedings, Section 1110 of the U.S. Bankruptcy Code ("Section 1110") provides special rights to holders of security interests with respect to "equipment" (defined as described below). Under Section 1110, the right of such holders to take possession of such equipment in compliance with the provisions of a security agreement is not affected by any provision of the U.S. Bankruptcy Code or any power of the bankruptcy court. Such right to take possession may not be exercised for 60 days following the date of commencement of the reorganization proceedings. Thereafter, such right to take possession may be exercised during such proceedings unless, within the 60-day period or any longer period consented to by the relevant parties (the "Section 1110 Period"), the debtor agrees to perform its future obligations and cures all existing and future defaults on a timely basis. Defaults resulting solely from the financial condition, bankruptcy, insolvency or reorganization of the debtor need not be cured.

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

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

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

- o the Section 1110 Period shall expire without Continental having entered into an agreement to perform its obligations under the Indenture and the other Operative Documents in accordance with Section 1110(a),



- o Continental shall have entered into such an agreement in accordance with Section 1110(a) but thereafter Continental defaults such that the Security Agent is entitled to take possession of the Pledged Spare Parts pursuant to the Security Agreement or
- o Continental shall not reinstate its obligations under the Operative Documents in its confirmed plan of reorganization,

then the Policy Provider, if then the Controlling Party, will not permit (and will not permit the Trustee or any Collateral Agent to permit) the sale or lease of any Collateral to Continental or any of its affiliates for any amount less than the then current fair market value for such transaction. The Policy Provider, if then the Controlling Party, will give the holders of the Subordinated Notes (the "Subordinated Noteholders") at least 30 days' prior written notice of its intention to sell or lease any of the Collateral. These restrictions are not applicable to any Controlling Party other than the Policy Provider.

#### CONTROLLING PARTY

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

The "Controlling Party" will be:

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

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

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

contributing Subordinated Noteholders. If the Policy Provider draws on such deposit, after the Policy Provider shall have been paid in full all amounts due to it under the Operative Documents and Support Documents, amounts otherwise distributable to the Policy Provider under the Indenture will be distributed to such contributing Subordinated Noteholders in the same proportion as their respective contributions to the deposit until their proportionate share of the deposit not returned by the Policy Provider shall have been repaid in full. If Continental or any of its affiliates is a Subordinated Noteholder, it will not be entitled to participate in making the foregoing deposit or directing the Controlling Party. (Section 3.11)

"Policy Provider Default" means the occurrence of any of the following events: (a) the Policy Provider fails to make a payment required under the Policy in accordance with its terms and such failure remains unremedied for two Business Days following the delivery of written notice of such failure to the Policy Provider or (b) the Policy Provider (i) files any petition or commences any case or proceeding under any provisions of any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization, (ii) makes a general assignment for the benefit of its creditors or (iii) has an order for relief entered against it under any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization that is final and nonappealable, or (c) a court of competent jurisdiction, the New York Department of Insurance or another competent regulatory authority enters a final and nonappealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for the Policy Provider or for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent or receiver of the Policy Provider (or taking of possession of all or any material portion of the Policy Provider's property).

#### PRIORITY OF DISTRIBUTIONS

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

- o If an Event of Default shall have occurred and be continuing on such Distribution Date, to the Trustee, the Policy Provider, the Liquidity Provider and any Senior Noteholder to the extent required to pay certain out-of-pocket costs and expenses actually incurred by the Trustee or the Policy Provider or to reimburse the Policy Provider, the Liquidity Provider or any Senior Noteholder in respect of payments made to the Trustee in connection with the protection or realization of the value of the Collateral.
- o To the Liquidity Provider to the extent required to pay the Liquidity Expenses and to the Policy Provider to pay the Policy Expenses.
- o To the Liquidity Provider to the extent required to pay interest accrued on the Liquidity Obligations (as determined after giving effect to certain payments by the Policy Provider to the Liquidity Provider), to the Policy Provider to the extent required to pay interest accrued on certain Policy Provider Obligations and, if the Policy Provider has paid to the Liquidity Provider all outstanding drawings and interest thereon owing to the Liquidity Provider, to the Policy Provider to the extent required to reimburse the Policy Provider for the amount of such payment made to the Liquidity Provider attributable to interest accrued on such drawings.
- o To (i) the Liquidity Provider to the extent required to pay the outstanding amount of all Liquidity Obligations (as determined after giving effect to certain payments by the Policy Provider to the Liquidity Provider), (ii) if applicable, unless (x) on such Distribution Date the Senior Notes are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (y) the Final Drawing shall have occurred, to replenish the Cash Collateral Account up to the Required Amount (less the amount of any repayments of Interest Drawings under the Liquidity Facility while sub-clause (x) of this clause is applicable) and (iii) if the Policy Provider has paid to the Liquidity Provider all outstanding drawings and interest thereon owing to the Liquidity Provider, to the Policy Provider to the extent required to reimburse the Policy Provider for the amount of such payment made to the Liquidity Provider in respect of principal of drawings under the Liquidity Facility.
- o If an Event of Default shall have occurred and be continuing on such Distribution Date and at all times thereafter, to the Trustee or any Senior Noteholder, to the extent required to pay certain fees, taxes, charges and other amounts payable.
- o To the Senior Noteholders to the extent required to pay in full amounts due on such Distribution Date.
- o To the Policy Provider to the extent required to pay Policy Provider Obligations (other than amounts payable pursuant to the first four clauses above).
- o To the Subordinated Noteholders to the extent required to pay in full amounts due on such Distribution Date.
- o To the Trustee for the payment of certain fees and expenses (other than amounts payable pursuant to the first and fifth clauses above).
- o To the Company (unless on such Distribution Date (i) an Event of Default has occurred and is continuing or (ii) any amount due to the Liquidity Provider or the Policy Provider from the Company has not been paid).(Section 3.2)

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

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

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

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

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

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

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

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

#### MODIFICATIONS AND WAIVER OF THE INDENTURE AND CERTAIN OTHER AGREEMENTS

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

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

The Company, the Trustee and the Collateral Agent may otherwise amend or supplement the Indenture, the Notes and the other Operative Documents (other

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

- o Reduce the amount of Senior Notes whose holders must consent to an amendment, supplement or waiver.
- o Reduce the rate or extend the time for payment of interest on any Senior Note.
- o Reduce the amount or extend the time for payment of principal of, or Premium, if any, or Break Amount, if any, with respect to (in each case, whether on redemption or otherwise), any Senior Note.
- o Change the place of payment where, or the coin or currency in which, any Senior Note (or the redemption price thereof), interest thereon, or Premium, if any, or Break Amount, if any, with respect thereto, is payable.
- o Change the priority of distributions and application of payments specified in the Indenture.
- o Waive a default in the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Senior Note.
- o Make any changes to provisions in the Indenture that involve the waiver of defaults, the right of Senior Noteholders to receive payment of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, any Senior Note on or after the respective due dates.
- o Impair the right of any Senior Noteholder to institute suit for the enforcement of any amount payable on any Senior Note when due. (Section 10.2)

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

- o Reduce the amount of Subordinated Notes whose holders must consent to an amendment, supplement or waiver.
- o Reduce the rate or extend the time for payment of interest on any Subordinated Note.
- o Reduce the amount or extend the time for payment of principal of, or Premium, if any, or Break Amount, if any, with respect to (in each case, whether on redemption or otherwise), any Subordinated Note.
- o Change the definitions of "Maximum Subordinated Collateral Ratio" or "Subordinated Collateral Ratio".
- o Increase the principal amount of, or the rate of interest on, the Senior Notes.
- o Change the place of payment where, or the coin or currency in which, any Senior Note or Subordinated Note (or the redemption price thereof), interest thereon, or Premium, if any, or Break Amount, if any, with respect thereto, is payable.
- o Change the priority of distributions and application of payments specified in the Indenture.
- o Waive a default in the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Subordinated Note.
- o Make any changes to provisions in the Indenture that involve the waiver of defaults, the right of Noteholders to receive payment of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, any Subordinated Note on or after the respective due dates.
- o Impair the right of any Subordinated Noteholder to institute suit for the enforcement of any amount payable on any Subordinated Note when due. (Section 10.2)

The provisions of the Indenture for determining who will be the Controlling Party, the definition of "Event of Default" and the covenant described in the last paragraph under "--Remedies" cannot be amended without the consent of the holders of a majority in principal amount of the Subordinated Notes. In addition, an amendment of any defined term used in the definitions of "Maximum Subordinated Collateral Ratio" or "Subordinated Collateral Ratio" or in any such

defined term will not be effective for purposes of such definitions unless consented to by the holders of a majority in principal amount of the Subordinated Notes. The requirement that the Subordinated Noteholders consent to an amendment to the definition of "Event of Default" does not affect the right of the Controlling Party to waive an Event of Default. See "--Remedies".

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

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

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

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

#### MERGER, CONSOLIDATION AND TRANSFER OF ASSETS

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

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

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

#### INDEMNIFICATION

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

#### GOVERNING LAW

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

#### THE TRUSTEE

The Trustee is Wilmington Trust Company. Except as otherwise provided in the Indenture, the Trustee, in its individual capacity, will not be answerable or accountable under the Indenture or under the Notes under any circumstances except, among other things, for its own willful misconduct or gross negligence. Continental and its affiliates may from time to time enter into banking and

trustee relationships with the Trustee and its affiliates. The Trustee's address is Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

## BOOK ENTRY; DELIVERY AND FORM

### GENERAL

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

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

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

securities take physical delivery of such securities. Such limits and such laws may limit the market for beneficial interests in the Global Notes.

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

Beneficial interests in the Global Notes will be exchangeable or transferable, as the case may be, for Senior Notes in definitive, fully registered form ("Definitive Notes") only if (i) DTC notifies the Trustee that DTC is unwilling or unable to continue as depository for such Senior Notes and successor depository is not appointed by the Trustee within 90 days of such notice or (ii) after the occurrence and during the continuance of an Event of Default, owners of beneficial interests in the Global Notes (the "Note Owners") with a principal amount aggregating not less than a majority of the outstanding principal amount of the Global Notes advise the Trustee, Continental and DTC through Direct Participants in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in their best interests. (Section 2.5(b)) Upon the occurrence of any event described in clauses (i) or (ii) of the immediately preceding sentence, the Trustee will be required to notify all Direct Participants having a beneficial interest in the Global Notes of the availability of Definitive Notes. Upon surrender by DTC of the Global Notes and receipt of instructions for re-registration, the Trustee will reissue the Senior Notes as Definitive Notes to Note Owners. (Section 2.5(d))

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

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

Distributions of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, Definitive Notes will be made by the Trustee directly in accordance with the procedures set forth in the Indenture, to holders in whose names the Definitive Notes were registered at the close of business on the applicable record date. Such distributions will be made by check mailed to the address of such holder as it appears on the register maintained by

the Trustee. The final payment on any Senior Note, however, will be made only upon presentation and surrender of such Senior Note at the office or agency specified in the notice of final distribution to Senior Noteholders.

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

#### SAME-DAY SETTLEMENT AND PAYMENT

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

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

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

#### DESCRIPTION OF THE SUBORDINATED NOTES

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

#### GENERAL

On May 9, 2003 (the "Subordinated Notes Issuance Date"), Continental issued the Subordinated Notes under the Indenture. The Subordinated Notes are secured by a lien on the Collateral. The Subordinated Notes rank junior to the Senior Notes (including amounts owed to the Policy Provider and the Liquidity Provider) with respect to payments received from Continental, proceeds from liquidation of the Collateral and otherwise.

#### PAYMENTS OF PRINCIPAL AND INTEREST

The Subordinated Notes are limited to \$100,000,000 of principal in the aggregate. Subject to the provisions of the Indenture, the entire principal amount of the Subordinated Notes is scheduled to be paid to the Subordinated Noteholders on the Final Scheduled Payment Date.

Interest accrues on the unpaid principal amount of each Subordinated Note at LIBOR plus 7.50% (plus, if applicable, 0.50% during the periods specified in the registration rights agreement applicable to the Subordinated Notes). Accrued interest on the Subordinated Notes is payable on March 6, June 6, September 6 and December 6 of each year or, if not a Business Day, the next succeeding Business Day, commencing on June 6, 2003. Such accrued interest will be paid to holders of record on the 15th day preceding the applicable Scheduled Interest Payment Date. Interest on the Subordinated Notes accrues from the most recent date to which interest has been paid or, if no interest has been paid, from the Subordinated Notes Issuance Date. Interest on the Subordinated Notes is calculated on the basis of the actual number of days elapsed over a 360-day year and shall accrue with respect to the first but not the last day of each Interest Period. If any date scheduled for a payment of principal, interest, Subordinated Notes Premium, if any, or Break Amount, if any, is not a Business Day, such payment will be made on the next succeeding Business Day, and interest shall be added for such additional period. (Section 2A.7)

The Subordinated Notes do not have the benefit of a Liquidity Facility or a Policy.

#### REDEMPTION

The Subordinated Notes may not be redeemed by Continental prior to May 9, 2004. The Subordinated Notes may be redeemed at any time on or after May 9, 2004, in whole or (so long as no Payment Default has occurred and is continuing) in part (in any integral multiple of \$1,000) by Continental at its sole option at a redemption price equal to the sum of 100% of the principal amount of, accrued and unpaid interest on, and Break Amount, if any, with respect to, the redeemed Subordinated Notes to and including the date of redemption. In addition, if a Subordinated Note is redeemed before the fourth anniversary of the Subordinated Notes Issuance Date (except in connection with a redemption to satisfy the maximum Collateral Ratio or minimum Rotable Ratio requirements discussed under "Description of the Senior Notes--Collateral--Appraisals and Maintenance of Ratios"), such redemption price will include a premium (the "Subordinated Notes Premium") equal to the following percentage of the principal amount of such Subordinated Note: (i) if redeemed before the second anniversary of the Subordinated Notes Issuance Date, 3.0%; (ii) if redeemed on or after such second anniversary and before the third anniversary of the Subordinated Notes Issuance Date, 2.0%; and (iii) if redeemed on or after such third anniversary and before the fourth anniversary of the Subordinated Notes Issuance Date, 1.0%. Notwithstanding the foregoing, so long as the Policy Provider is the Controlling Party, no such redemption may be made if an Event of Default has occurred and is continuing or if the Senior Collateral Ratio or Senior Rotable Ratio is not then

satisfied (after giving effect to any concurrent redemption of the Senior Notes), unless the Policy Provider shall otherwise agree. (Section 4.1)

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

#### COLLATERAL

The Subordinated Notes are secured by a lien on the Collateral. See "Description of the Senior Notes--Collateral".

#### DESCRIPTION OF THE LIQUIDITY FACILITY

The following summary describes the material terms of the Liquidity Facility and certain provisions of the Indenture relating to the Liquidity Facility. The summary does not purport to be complete. We urge you to read the Liquidity Facility and the Indenture for additional detail and further information because they, and not this description, define your rights. Each of the Liquidity Facility and the Indenture has been filed as an exhibit to the Registration Statement and is available as set forth under "Where You Can Find More Information".

#### GENERAL

Morgan Stanley Capital Services Inc. (the "Liquidity Provider") has entered into a revolving credit agreement (the "Liquidity Facility") with the Trustee with respect to the Senior Notes. The Subordinated Notes do not have the benefit of a Liquidity Facility.

On any Distribution Date, if, after giving effect to the subordination provisions of the Indenture, the Trustee does not have sufficient funds for the payment of interest on the Senior Notes, the Liquidity Provider is required to make an advance (an "Interest Drawing") in the amount needed to fund the interest shortfall (calculated assuming that Continental will not cure the nonpayment of interest) up to the Maximum Available Commitment.

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

#### DRAWINGS

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

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

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

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

"Capped Interest Rate" is 12% per annum.

The Liquidity Facility does not provide for drawings thereunder to pay for principal of, or Premium, if any, or Break Amount, if any, with respect to, the

Senior Notes, any interest thereon in excess of an amount equal to eight full quarterly installments of interest calculated at the Capped Interest Rate thereon or any amount with respect to the Subordinated Notes. (Liquidity Facility, Section 2.02; Indenture, Section 3.5)

Each payment by the Liquidity Provider reduces by the same amount the Maximum Available Commitment, subject to reinstatement as hereinafter described. With respect to any Interest Drawings, upon reimbursement of the Liquidity Provider in full or in part for the amount of such Interest Drawings plus



interest thereon, the Maximum Available Commitment will be reinstated to an amount not to exceed the then Required Amount. However, the Liquidity Facility will not be so reinstated at any time if (i) the Senior Notes are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (ii) the Liquidity Provider Reimbursement Date has occurred. Any amounts paid by the Policy Provider to the Liquidity Provider as described in "Description of the Senior Notes--Controlling Party" or "Description of the Policy and the Policy Provider Agreement--Liquidity Provider Drawing" will not reinstate the Liquidity Facility but any reimbursement of such amounts received by the Policy Provider under the distribution provisions of the Indenture will reinstate the Liquidity Facility to the extent of such reimbursement unless (i) the Senior Notes are Non-Performing and a Liquidity Event of Default shall have occurred and be continuing or (ii) the Liquidity Provider Reimbursement Date has occurred. With respect to any other drawings under the Liquidity Facility, amounts available to be drawn thereunder are not subject to reinstatement. The Required Amount will be automatically reduced from time to time to an amount equal to the next eight successive quarterly interest payments due on the Senior Notes (without regard to expected future payments of principal) at the Capped Interest Rate. (Liquidity Facility, Section 2.04(a); Indenture, Section 3.5(j)) Upon the occurrence of the Liquidity Provider Reimbursement Date, no further drawings under the Liquidity Facility will be permitted.

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

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

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

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

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

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

The Indenture provides for the replacement of the Liquidity Facility if such Liquidity Facility is scheduled to expire earlier than 15 days after the Final Legal Maturity Date and the Liquidity Facility is not extended at least 25 days prior to its then scheduled expiration date. If the Liquidity Facility is not so extended or replaced by the 25th day prior to its then scheduled expiration date, the Liquidity Facility will be drawn in full up to the then Maximum Available Commitment (the "Non-Extension Drawing"). The proceeds of the Non-Extension Drawing will be deposited in the Cash Collateral Account as cash

collateral to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under the Liquidity Facility would be used. (Liquidity Facility, Section 2.02(b); Indenture, Section 3.5(d))

Subject to certain limitations, Continental may, at its option, arrange for a Replacement Facility at any time to replace the Liquidity Facility (including, without limitation, any Replacement Facility described in the following sentence). In addition, if the Liquidity Provider shall determine not to extend the Liquidity Facility, then the Liquidity Provider may, at its option, arrange for a Replacement Facility to replace the Liquidity Facility (i) during the period no earlier than 40 days and no later than 25 days prior to the then scheduled expiration date of the Liquidity Facility and (ii) at any time after such scheduled expiration date. The Liquidity Provider may also arrange for a Replacement Facility to replace the Liquidity Facility at any time after a Downgrade Drawing thereunder. If any Replacement Facility is provided at any time after a Downgrade Drawing or a Non-Extension Drawing, the funds on deposit in the Cash Collateral Account will be returned to the Liquidity Provider being replaced. (Indenture, Section 3.5(e))

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

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

#### REIMBURSEMENT OF DRAWINGS

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

#### INTEREST DRAWINGS AND FINAL DRAWINGS

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

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

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

#### DOWNGRADE DRAWINGS AND NON-EXTENSION DRAWINGS

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

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

- o The balance of such amount will be invested in certain specified eligible investments.

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

Any Non-Extension Drawing, other than any portion thereof applied to the payment of interest on the Senior Notes, will bear interest (x) subject to clause (y) below, in an amount equal to the investment earnings on amounts deposited in the Cash Collateral Account plus a specified margin on the outstanding amount from time to time of such Non-Extension Drawing and (y) from and after the date, if any, on which it is converted into a Final Drawing as described below under "--Liquidity Events of Default and Termination", at a rate

equal to Liquidity Facility LIBOR for the applicable interest period (or, as described in the first paragraph under "--Interest Drawings and Final Drawings", the Base Rate) plus 2.00% per annum.

#### LIQUIDITY EVENTS OF DEFAULT AND TERMINATION

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

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

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

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

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

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

#### LIQUIDITY PROVIDER

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

#### DESCRIPTION OF THE POLICY AND THE POLICY PROVIDER AGREEMENT

The following summary describes the material terms of the Policy and certain provisions of the Policy Provider Agreement. The summary does not purport to be complete. We urge you to read the Policy for additional detail and further information because it, and not this description, defines your rights. The Policy has been filed as an exhibit to the Registration Statement and is available as set forth under "Where You Can Find More Information".

#### THE POLICY

The Policy Provider has issued a certificate guarantee insurance policy (the "Policy") in favor of the Trustee for the benefit of the Senior Noteholders and the Liquidity Provider. The Subordinated Notes do not have the benefit of a Policy.

Drawings under the Policy may be made under the following six circumstances:

## INTEREST DRAWINGS

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

## PROCEEDS DEFICIENCY DRAWING

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

## NON-PERFORMANCE DRAWING

If a Payment Default exists under the Senior Notes (without giving effect to any acceleration or any payments by the Liquidity Provider or the Policy Provider) for eight consecutive Interest Periods (such period, the "Non-Performing Period") (regardless of whether any proceeds from the sale of any Collateral are distributed by the Trustee during such period) and continues to exist on the Interest Payment Date on which such eighth Interest Period ends (or, if such Interest Payment Date falls within the applicable period specified in the proviso to the definition of "Non-Performing", continues to exist on the Business Day immediately following such period (the "Relevant Date")), and on the 25th day following such Interest Payment Date or, if applicable, the Relevant Date (or, if such 25th day is not a Business Day, the next Business Day) (the "Non-Performance Payment Date") after giving effect to the subordination provisions of the Indenture and to the application of Prior Funds, the Trustee does not then have sufficient funds available for the payment in full of the Outstanding Amount as of the Non-Performance Payment Date, unless the Policy Provider shall have paid on any day prior thereto the Outstanding Amount as of such day pursuant to a Policy Drawing as described in "--Proceeds Deficiency Drawing" or "--Final Policy Drawing", the Trustee is to request a

Policy Drawing under the Policy in an amount sufficient to enable the Trustee to pay such Outstanding Amount. If the Non-Performance Payment Date is established, the Trustee shall send to the Senior Noteholders written notice thereof promptly, but no later than three Business Days, after the occurrence of the Interest Payment Date on which the Non-Performing Period ends or, if applicable, the Relevant Date.

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

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

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

## FINAL POLICY DRAWING

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

#### AVOIDANCE DRAWING

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

#### LIQUIDITY PROVIDER DRAWING

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

prior notice from the Trustee on behalf of the Liquidity Provider) will be required to honor drawings under the Policy by the Trustee on behalf of the Liquidity Provider for all outstanding drawings under the Liquidity Facility, together with interest thereon.

#### GENERAL

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

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

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

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

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

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

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

#### DEFINITIONS

"Avoided Payment" means with respect to the Policy any amount paid or

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

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

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

THE POLICY PROVIDER AGREEMENT

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

DESCRIPTION OF THE APPRAISAL

SH&E, an independent aviation appraisal and consulting firm, has prepared an appraisal of the spare parts included in the Collateral as of December 25, 2002. A letter, dated January 24, 2003, summarizing such appraisal is annexed to this Prospectus as Appendix II. The appraisal is subject to a number of assumptions and limitations and was prepared based on certain specified methodologies. In preparing its appraisal, SH&E conducted only a limited physical inspection of certain locations at which Continental maintains the spare parts. An appraisal that is subject to other assumptions and limitations and based on other methodologies may result in valuations that are materially different from those contained in SH&E's appraisal.

The spare parts included in the Collateral fall into two categories, "rotables" and "expendables". Rotables are parts that wear over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which they relate ("Rotables"). For example, thrust reversers, auxiliary power units and landing gear are Rotables. Expendables consist of parts that can be restored to a serviceable condition but have a life less than the related flight equipment and parts that generally are used once and thereby consumed or thereafter discarded. For example, engine cowlings, engine blades and duct assemblies are repairable expendable parts and bolts, screws, tubes and hoses are consumable expendable parts. Spare engines are not included in the Collateral. Set forth below is certain information about the spare parts of the types included in the Collateral and the appraised value of such spare parts set forth in SH&E's appraisal referred to above:

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

(1) This quantity of spare parts used in preparing the appraised value was determined as of December 25, 2002. Since spare parts are regularly used, refurbished, purchased, transferred and discarded in the ordinary course of Continental's business, the quantity of spare parts included in the Collateral and their appraised value will change over time. Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. See "Description of the Senior Notes--Collateral".

In connection with the issuance of the Old Senior Notes, SH&E prepared an appraisal, dated as of October 31, 2002, of the spare parts of the types included in the Collateral owned by Continental as of August 25, 2002, prepared on substantially the same basis as the appraisal described above. The total

appraised value of the spare parts according to such appraisal was \$415,429,000.

An appraisal is only an estimate of value. An appraisal should not be relied upon as a measure of realizable value. The proceeds realized upon a sale of any Collateral may be less than its appraised value. The value of the Collateral if remedies are exercised under the Indenture will depend on market and economic conditions, the supply of similar spare parts, the availability of buyers, the condition of the Collateral and other factors. In addition, since spare parts are regularly used, refurbished, purchased, transferred and discarded in the ordinary course of business, the quantity of spare parts included in the Collateral and their appraised value will change over time. Accordingly, Continental cannot assure you that the proceeds realized upon any such exercise of remedies would be sufficient to satisfy in full payments due on the Senior Notes. If a Policy Provider Default occurs and such proceeds are not

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

#### MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

##### EXCHANGE OF OLD SENIOR NOTES FOR NEW SENIOR NOTES

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

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

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

##### PLAN OF DISTRIBUTION

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

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

will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Starting on the Expiration Date, Continental will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to

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

#### LEGAL MATTERS

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

#### EXPERTS

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

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

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

#### FORWARD-LOOKING STATEMENTS

This Prospectus and the documents we incorporate by reference may contain "forward-looking statements". Forward-looking statements include any statements that predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe", "anticipate", "expect", "estimate", "project", "will be", "will continue", "will result", or words or phrases of similar meaning.

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

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

#### WHERE YOU CAN FIND MORE INFORMATION

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

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

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

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

This Prospectus constitutes a part of a registration statement on Form S-4 (together with all amendments, exhibits and appendices, the "Registration Statement") filed by Continental with the Securities and Exchange Commission under the Securities Act. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to Continental and the securities offered hereby. Although statements concerning and summaries of certain documents are included herein, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed



## APPENDIX I--INDEX OF TERMS

	PAGE		PAGE
Agent's Message.....	44	Final Order.....	77
American Airlines.....	24	Final Scheduled Payment Date.....	47
Applicable Date.....	49	Fixed charges.....	31
ATOP.....	44	GAAP.....	38
Aviation Security Act.....	25	Global Notes.....	64
Avoided Payment.....	76	holder.....	42
Base Rate.....	72	Holdings.....	32
Book-Entry Confirmation.....	42	Hopkins International.....	32
Break Amount.....	49	Houston.....	32
Bush Intercontinental.....	32	Indenture.....	47
Business Day.....	61	Indirect Participants.....	64
Capped Interest Rate.....	69	Initial Interest Period.....	48
Cash Collateral.....	51	Initial Purchaser.....	6
Cash Collateral Account.....	70	Insolvency Proceeding.....	77
Cede.....	64	Interest Drawing.....	69
CMI.....	32	Interest Payment Date.....	47
Collateral.....	50	Interest Period.....	48
Collateral Agents.....	50	Issuance Date.....	39
Collateral Agreements.....	50	KLM.....	34
Collateral Maintenance Agreement.....	50	Liberty International.....	32
Collateral Ratios.....	51	LIBOR.....	48
Commission.....	4	Liquidity Event of Default.....	73
Company.....	32	Liquidity Expenses.....	60
Continental.....	32	Liquidity Facility.....	69
Continental Bankruptcy Event.....	55	Liquidity Facility LIBOR.....	72
Controlling Party.....	27	Liquidity Obligations.....	60
Copa.....	34	Liquidity Provider.....	69
Debt Balance.....	55	Liquidity Provider Guarantor.....	73
Default.....	55	Liquidity Provider Reimbursement Date.....	75
Definitive Notes.....	65	Maximum Available Commitment.....	69
Delta.....	33	MBIA.....	37
Designated Locations.....	54	Moody's.....	70
Distribution Date.....	48	New Senior Notes.....	6
Downgrade Drawing.....	70	Newark.....	32
DTC.....	42	Non-Extension Drawing.....	71
DTC Participant.....	44	Non-Performance Payment Date.....	74
earnings.....	31	Non-Performing.....	60
Eligible Institution.....	42	Non-Performing Period.....	74
Embraer.....	23	Northwest Airlines.....	33
Equipment.....	57	Note Owners.....	65
Event of Default.....	55	Noteholders.....	49
Event of Loss.....	55	Notes.....	6
Exchange.....	79	Old Senior Notes.....	6
Exchange Agent.....	45	Operative Documents.....	47
Exchange Offer.....	6	Outstanding Amount.....	74
Expiration Date.....	41	Parent Company.....	37
ExpressJet.....	32	Participating Broker-Dealer.....	40
FAA.....	22	Payment Default.....	55
Fair Market Value.....	51	Pledged Spare Parts.....	50
Final Drawing.....	71	Policy.....	74
Final Legal Maturity Date.....	47	Policy Drawing.....	60
Policy Expenses.....	60	Security Agreement.....	50
Policy Provider.....	37	Senior Collateral Ratio.....	51
Policy Provider Agreement.....	77	Senior Noteholders.....	49
Policy Provider Default.....	59	Senior Notes.....	6
Policy Provider Election.....	75	Senior Rotable Ratio.....	51
Policy Provider Obligations.....	60	SH&E.....	27
Premium.....	50	Shelf Registration Statement.....	40
Prior Funds.....	74	Standard & Poor's.....	70
Qualified Spare Parts.....	50	Stated Interest Rate.....	47
Rating Agency.....	51	Subordinated Collateral Ratio.....	51
Reference Agency Agreement.....	48	Subordinated Noteholders.....	57
Reference Agent.....	48	Subordinated Notes.....	6
Reference Date.....	48	Subordinated Notes Issuance Date.....	67
Registration Event.....	40	Subordinated Notes Premium.....	67
Registration Rights Agreement.....	39	Subordinated Rotable Ratio.....	51
Registration Statement.....	81	Support Documents.....	47
Relevant Date.....	74	Termination Date.....	76
Replacement Facility.....	70	Termination Notice.....	73
Required Amount.....	69	Threshold Rating.....	70
Rotable Ratios.....	51	TIA.....	55
Rotables.....	78	Trustee.....	47
SAP.....	38	TSA.....	25
SARS.....	35	United.....	24
Scheduled Interest Payment Date.....	47	US Airways.....	24
Section 1110.....	57		
Section 1110 Period.....	57		
Security Agent.....	50		

## APPENDIX II--APPRAISAL LETTER

A FULL APPRAISAL OF SELECTED SPARE PARTS

Prepared for:  
CONTINENTAL AIRLINES

Prepared by:  
SH&E

JANUARY 24, 2003

TABLE OF CONTENTS

1	1.0 INTRODUCTION, DETERMINATION & ASSUMPTIONS.....	1
	1.1 Introduction.....	1
	1.2 Determination.....	1
	1.3 Assumptions.....	3
2	2.0 DESCRIPTION OF ASSETS.....	4
	2.1 Spare Parts Nomenclature.....	4
	2.2 Summary of the Continental Inventory.....	7
	2.3 Comparison of the Two Appraisals.....	8
	2.3.1 Inventory Size Comparison.....	9
	2.3.2 Significant Changes in the Inventory.....	10
	2.3.3 Other Observations.....	11
3	3.0 METHODOLOGY.....	12
	3.1 Definition of Terms.....	12
	3.1.1 Base Value.....	12
	3.1.2 Current Market Value.....	12
	3.2 Spare Parts Appraisal Methodology.....	13
	3.2.1 Sampling Process.....	13
	3.2.2 Sample Valuation.....	14
	3.2.3 Current Market Value Determination.....	14
	3.2.4 Condition and Quantity Adjustment.....	15
4	4.0 THE MARKET FOR THE SUBJECT ASSETS.....	16
5	5.0 QUALIFICATIONS.....	17
6	6.0 LIMITATIONS.....	18

Appendix A - Value by Aircraft Type by Material Class

Appendix B - Summary of Inventory Adjustments

Appendix C - Proportion of Serviceable & Unserviceable Parts

1.0 INTRODUCTION, DETERMINATION  
& ASSUMPTIONS

1.1 INTRODUCTION

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

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

1.2 DETERMINATION

SH&E has determined the aggregate Adjusted1 Current Market Value of the Subject Assets to be:

\$ 436.8 MILLION

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

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

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

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

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

ADJUSTED CURRENT MARKET VALUE			
SH&E Value Group	Serviceable	Unserviceable	Total
737-7/8/9	\$157,991.7	\$27,980.8	\$185,972.6
757-200	\$62,373.7	\$6,979.1	\$69,352.8
757-300	\$2,944.5	\$172.2	\$3,116.7
767-200	\$6,340.1	\$2,606.6	\$8,946.7
767-400	\$51,935.1	\$3,806.1	\$55,741.2
777-200	\$97,444.4	\$16,267.6	\$113,712.0
Total	\$379,029.5	\$57,812.4	\$436,841.9

### 1.3 ASSUMPTIONS

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

- o The global commercial aviation industry and, more specifically, the aviation spare parts aftermarket will continue to recover from the financial distress experienced since early 2001.
- o The SH&E values assume the Subject Assets meet all relevant specifications and performance capabilities.
- o SH&E relied upon Continental's determination as to the serviceability or unserviceability of the Subject Assets. Any variation in their

status would affect the values referenced herein.

- o SH&E has not addressed any ownership rights and has assumed that the Subject Assets are owned by the Client.
- o The Subject Asset's records are in compliance with International Civil Aviation Organization (ICAO) standards and furthermore, all Life Limited Parts ("LLP's") records are traceable "back to birth"2.
- o All normally required maintenance has been performed including compliance with all mandatory Airworthiness Directives.
- o All of the data and information provided by Continental is an accurate representation of the actual conditions or circumstances of the Subject Assets.
- o The Subject Assets have not been involved in any major incident or accident that resulted in significant damage to the asset.

- - - - -

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

## 2.0 DESCRIPTION OF ASSETS

### 2.1 SPARE PARTS NOMENCLATURE

Aircraft and engine spare parts are generally categorized as follows:

#### ROTABLES

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

Examples of rotatable parts include thrust reversers, auxiliary power units, landing gears, generators, valves and actuators. Rotatable parts normally have a unique serial number.

#### REPAIRABLES

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

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

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

#### EXPENDABLES

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

#### LIFE LIMITED PARTS

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

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

#### NEW

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

## OVERHAULED

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

## SERVICEABLE

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

## AS REMOVED

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

## UNSERVICEABLE

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

## BEYOND ECONOMIC REPAIR

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

## AIRWORTHINESS OF PARTS

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

## 2.2 SUMMARY OF THE CONTINENTAL INVENTORY

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

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

1. The parts are for an aircraft modification program that will be completed by the next appraisal (cockpit doors).
2. The parts are assets supplied and owned by vendors but tracked in the Continental maintenance system (brake and tire sets).
3. Or, are branded parts specific to Continental and can only be used by the airline (seat covers, carpet and cushion, and fabric).

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

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

-----  
TABLE 2-1: SELECTED SPARE PARTS DISTRIBUTION  
-----

Value Group	Fleet	Expendable	Rotable	Total
-------------	-------	------------	---------	-------

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

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

## 2.3 COMPARISON OF THE TWO APPRAISALS

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

### 2.3.1 INVENTORY SIZE COMPARISON

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

TABLE 2-2: INVENTORY AS OF DECEMBER 2002

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

TABLE 2-3: INVENTORY AS OF AUGUST 2002

Aircraft	Lines	Parts
737-7/8/9	5,756	279,537
757-200	7,386	212,424
757-300	659	12,080
767-200	1,260	26,418
767-400	3,867	67,304
777-200	5,795	132,520
	-----	-----
Grand Total	24,723	730,283

TABLE 2-4: INVENTORY - DIFFERENCES

Aircraft	Lines	Parts
737-7/8/9	280	56,216

757-200	182	(61)
757-300	15	582
767-200	38	156
767-400	103	293
777-200	124	2,268
	---	-----
Grand Total	742	59,454

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

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

### 2.3.2 SIGNIFICANT CHANGES IN THE INVENTORY

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

SH&E also noted that Continental acquired 4 new APUs<sup>3</sup> with an approximate current market value of \$2.5 million.

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

### 2.3.3 OTHER OBSERVATIONS

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

## 3.0 METHODOLOGY

### 3.1 DEFINITION OF TERMS

#### 3.1.1 BASE VALUE

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

Since BV pertains to a somewhat idealized asset and market combination it may not necessarily reflect the actual value of the asset in question, but is a

nominal starting value to which adjustments may be applied to determine an actual value. Since BV is related to long-term market trends, the BV definition is normally applied to analyses of historical values and projections of residual values and lease rates.

### 3.1.2 CURRENT MARKET VALUE

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

### 3.2 SPARE PARTS APPRAISAL METHODOLOGY

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

#### 3.2.1 SAMPLING PROCESS

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

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

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

#### 3.2.2 SAMPLE VALUATION

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

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

#### 3.2.3 CURRENT MARKET VALUE DETERMINATION

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

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



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

### 3.2.4 CONDITION AND QUANTITY ADJUSTMENT

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

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

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

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

### 4.0 THE MARKET FOR THE SUBJECT ASSETS

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

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

### 5.0 QUALIFICATIONS

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

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

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

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

significant portfolios.

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

## 6.0 LIMITATIONS

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

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

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

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

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

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

For SH&E:

/s/ CLIVE G. MEDLAND

Clive G. Medland, FRAeS  
Senior Vice President  
Senior Appraiser  
International Society of  
Transport Aircraft Trading

January 24, 2003

SH&E INTERNATIONAL AIR TRANSPORT CONSULTANCY

## APPENDIX A VALUE BY AIRCRAFT TYPE BY MATERIAL CLASS

### SELECTED SPARE PARTS VALUATION SUMMARY BY MATERIAL CLASS

Dollars in (000)

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

TOTAL \$347,460.4 \$89,381.5 \$436,841.9

SH&E INTERNATIONAL AIR TRANSPORT CONSULTANCY

APPENDIX B  
SUMMARY OF INVENTORY ADJUSTMENTS

SELECTED SPARE PARTS: SUMMARY OF INVENTORY  
ADJUSTMENTS

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

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

SH&E INTERNATIONAL AIR TRANSPORT CONSULTANCY

APPENDIX C  
PROPORTION OF SERVICEABLE AND  
UNSERVICEABLE PARTS

COMPARISON OF THE SELECTED PARTS INVENTORY VALUATIONS

DOLLARS IN (000)

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

UNADJUSTED CURRENT MARKET VALUE

ADJUSTED CURRENT MARKET VALUE

Value Group	Serviceable	Unserviceable	Total	Serviceable	Unserviceable	Total	% Unserviceable
-------------	-------------	---------------	-------	-------------	---------------	-------	-----------------

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

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

UNADJUSTED CURRENT MARKET VALUE

ADJUSTED CURRENT MARKET VALUE

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

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

UNADJUSTED CURRENT MARKET VALUE

ADJUSTED CURRENT MARKET VALUE

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

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

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

(b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or

settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

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

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors

designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

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

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

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

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

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

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

(k) The Court of Chancery is hereby vested with exclusive jurisdiction

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

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

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

The Company maintains directors' and officers' liability insurance.

ITEM 21. EXHIBITS.

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

ITEM 22. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

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

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

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

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

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

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

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

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the

Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred

or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by any such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on June 2, 2003.

CONTINENTAL AIRLINES, INC.

By: /s/ JENNIFER L. VOGEL

-----  
 Jennifer L. Vogel  
 Vice President, General  
 Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed by the following persons in the capacities indicated, on June 2, 2003.

SIGNATURE	TITLE
-----	-----
GORDON M. BETHUNE*	Chairman of the Board, Chief Executive Officer
-----	(Principal Executive Officer) and Director
Gordon M. Bethune	
LAWRENCE W. KELLNER*	President, Chief Operating Officer and Director
-----	
Lawrence W. Kellner	
JEFFREY J. MISNER*	Senior Vice President and Chief Financial Officer
-----	(Principal Financial Officer)
Jeffrey J. Misner	
/S/ CHRIS KENNY	Vice President and Controller (Principal Accounting
-----	Officer)
Chris Kenny	
THOMAS J. BARRACK, JR.*	Director
-----	
Thomas J. Barrack, Jr.	
DAVID BONDERMAN*	Director
-----	
David Bonderman	
KIRBYJON CALDWELL*	Director
-----	
Kirbyjon Caldwell	
PATRICK FOLEY*	Director
-----	
Patrick Foley	
DOUGLAS H. MCCORKINDALE*	Director
-----	
Douglas H. McCorkindale	
GEORGE G.C. PARKER*	Director
-----	
George G.C. Parker	
RICHARD W. POGUE*	Director
-----	
Richard W. Pogue	

SIGNATURE

TITLE

-----

-----  
WILLIAM S. PRICE III\*  
-----  
William S. Price III  
-----  
Director

-----  
Donald L. Sturm  
-----  
KAREN HASTIE WILLIAMS\*  
-----  
Karen Hastie Williams  
-----  
Director

-----  
CHARLES A. YAMARONE\*  
-----  
Charles A. Yamarone  
-----  
Director

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

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
4.1	Amended and Restated Indenture, dated as of May 9, 2003, among Continental Airlines, Inc., Wilmington Trust Company, as Trustee, Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider, made with respect to the issuance of Floating Rate Secured Notes due 2007 and the Floating Rate Secured Subordinated Notes due 2007
4.2	Form of Exchange Floating Rate Secured Note Due 2007 (included in Exhibit 4.1)
4.3	Collateral Maintenance Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. and MBIA Insurance Corporation*
4.4	Spare Parts Security Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. and Wilmington Trust Company, as Security Agent*
4.5	Reference Agency Agreement, dated as of December 6, 2002, among Continental Airlines, Inc., Wilmington Trust Company, as Trustee, and Wilmington Trust Company, as Reference Agent*
4.6	Revolving Credit Agreement, dated as of December 6, 2002, between Wilmington Trust Company, as Trustee, and Morgan Stanley Capital Services Inc., as Liquidity Provider*
4.7	Guarantee Agreement, dated as of December 6, 2002, by Morgan Stanley, relating to the Revolving Credit Agreement*
4.8	Financial Guarantee Insurance Policy #39753 of MBIA Insurance Corporation*
4.9	Exchange and Registration Rights Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. and Morgan Stanley & Co. Incorporated*
4.10	Purchase Agreement, dated as of December 2, 2002, between Continental Airlines, Inc. and Morgan Stanley & Co. Incorporated, as Initial Purchaser*
4.11	Amendment No. 1 to Collateral Maintenance Agreement, dated as of May 9, 2003, between Continental Airlines, Inc. and MBIA Insurance Corporation
4.12	Amendment No. 1 to Spare Parts Security Agreement, dated as of May 9, 2003, between Continental Airlines, Inc. and Wilmington Trust Company, as Security Agent
4.13	Amendment No. 1 to Reference Agency Agreement, dated as of May 9, 2003, between Continental Airlines, Inc., Wilmington Trust Company, as Trustee, and Wilmington Trust Company, as Reference Agent
5.1	Opinion of Hughes Hubbard & Reed LLP relating to validity of the New Senior Notes*
12.1	Computation of Ratio of Earnings to Fixed Charges*
23.1	Consent of Ernst & Young LLP
23.2	Consent of PricewaterhouseCoopers LLP*
EXHIBIT NUMBER	EXHIBIT DESCRIPTION
23.3	Consent of Hughes Hubbard & Reed LLP (included in its opinion filed as exhibit 5.1)



- 23.4 Consent of Simat, Helliesen & Eichner, Inc.\*
- 24.1 Powers of Attorney\*
- 25.1 Statement of Eligibility of Wilmington Trust Company for the Floating Rate Secured Notes Due 2007, on Form T-1
- 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\*

- - - - -  
\*Previously filed

=====

AMENDED AND RESTATED

INDENTURE

Dated as of May 9, 2003

Among

CONTINENTAL AIRLINES, INC.

WILMINGTON TRUST COMPANY,  
as Trustee

MORGAN STANLEY CAPITAL SERVICES INC.,  
as Liquidity Provider

and

MBIA INSURANCE CORPORATION,  
as Policy Provider

\$300,000,000

Floating Rate Secured Notes due 2007

and

Floating Rate Secured Subordinated Notes due 2007

=====

TABLE OF CONTENTS

PAGE

----

ARTICLE 1.

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1	Definitions.....	1
Section 1.2	Rules of Construction.....	1

ARTICLE 2.

THE SECURITIES

Section 2.1	Title, Form, Denomination and Execution of Securities.....	1
Section 2.2	Restrictive Legends.....	4
Section 2.3	Authentication of Securities.....	5
Section 2.4	Transfer and Exchange.....	6
Section 2.5	Book-Entry Provisions for Restricted Global Securities and Regulation S Global Securities.....	7
Section 2.6	Special Transfer Provisions.....	8
Section 2.7	Terms of Securities.....	11
Section 2.8	Registrar and Paying Agent.....	12
Section 2.9	Paying Agent to Hold Payments In Trust.....	12
Section 2.10	Record Dates.....	13
Section 2.11	Noteholder Lists.....	14
Section 2.12	Mutilated, Defaced, Destroyed, Lost and Stolen Notes.....	14
Section 2.13	Treasury Notes.....	15

Section 2.14 Temporary Notes.....15  
Section 2.15 Cancellation.....16  
Section 2.16 Defaulted Interest.....16  
Section 2.17 CUSIP Numbers.....16

ARTICLE 2A.

THE SUBORDINATED SECURITIES

Section 2A.1 Title, Form, Denomination and Execution of Subordinated Securities.....17

TABLE OF CONTENTS  
(CONTINUED)

	PAGE
	----
Section 2A.2 Restrictive Legends.....	19
Section 2A.3 Authentication of Subordinated Securities.....	20
Section 2A.4 Transfer and Exchange.....	20
Section 2A.5 Book-Entry Provisions for Restricted Global Subordinated Securities and Regulation S Global Subordinated Securities.....	21
Section 2A.6 Special Transfer Provisions.....	23
Section 2A.7 Terms of Subordinated Securities.....	26

ARTICLE 3.

LIQUIDITY PROVIDER AND POLICY PROVIDER; PRIORITY OF DISTRIBUTIONS

Section 3.1 Written Notice of Distribution.....	27
Section 3.2 Priority of Distributions; Subordination.....	28
Section 3.3 Other Payments.....	30
Section 3.4 Payments to Liquidity Provider and Policy Provider.....	31
Section 3.5 Liquidity Facility.....	31
Section 3.6 The Policy.....	38
Section 3.7 Designated Representatives.....	42
Section 3.8 Controlling Party.....	43
Section 3.9 Company's Payment Obligations.....	44
Section 3.10 Execution of Support Documents.....	44
Section 3.11 Right of Subordinated Securityholders to Direct Policy Provider.....	44

ARTICLE 4.

REDEMPTIONS

Section 4.1 Optional Redemption.....	46
Section 4.2 Redemption Notice to Trustee.....	46
Section 4.3 Selection of Notes to be Redeemed.....	47
Section 4.4 Notice of Redemption.....	47
Section 4.5 Effect of Notice of Redemption.....	48
Section 4.6 Deposit of Redemption Price.....	48
Section 4.7 Notes Redeemed in Part.....	48

TABLE OF CONTENTS  
(CONTINUED)

PAGE  
----

ARTICLE 5.

COVENANTS

Section 5.1	Payment of Notes.....	48
Section 5.2	Maintenance of Office or Agency.....	49
Section 5.3	Corporate Existence.....	49
Section 5.4	Company Not to Consolidate, Merge, Convey or Transfer Except Under Certain Conditions.....	50
Section 5.5	Reports by the Company.....	51

ARTICLE 6.

INDEMNIFICATION

Section 6.1	General Indemnity.....	51
Section 6.2	Separate Agreement.....	54
Section 6.3	Notice.....	54
Section 6.4	Notice of Proceedings; Defense of Claims; Limitations.....	54
Section 6.5	Information.....	55
Section 6.6	Subrogation; Further Assurances.....	55
Section 6.7	Refunds.....	56

ARTICLE 7.

DEFAULT AND REMEDIES

Section 7.1	Events of Default.....	56
Section 7.2	Acceleration.....	57
Section 7.3	Other Remedies.....	58
Section 7.4	Waiver of Past Defaults.....	58
Section 7.5	Control of Remedies.....	59
Section 7.6	Limitation on Suits.....	59
Section 7.7	Rights of Holders to Receive Payment.....	60
Section 7.8	Collection Suit by Trustee.....	60
Section 7.9	Trustee May File Proofs of Claim.....	60
Section 7.10	Application of Proceeds.....	61

TABLE OF CONTENTS  
(CONTINUED)

	PAGE
	----
Section 7.11 Undertaking for Costs.....	61
Section 7.12 Restoration of Rights on Abandonment of Proceedings.....	61
Section 7.13 Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default.....	62
Section 7.14 Certain Limits on Remedies by Policy Provider.....	62

ARTICLE 8.

TRUSTEE

Section 8.1 Duties of Trustee.....	63
Section 8.2 Rights of Trustee.....	64
Section 8.3 Individual Rights of Trustee.....	64
Section 8.4 Trustee's Disclaimer.....	64
Section 8.5 Notice of Defaults.....	65
Section 8.6 Reports by Trustee to Holders.....	65
Section 8.7 Compensation and Indemnity.....	65
Section 8.8 Replacement of Trustee.....	66
Section 8.9 Successor Trustee by Merger, etc.....	67
Section 8.10 Eligibility; Disqualification.....	67
Section 8.11 Preferential Collection of Claims Against Company.....	67
Section 8.12 Other Capacities.....	67
Section 8.13 Trust Accounts.....	68
Section 8.14 Deposits to the Collection Account.....	69
Section 8.15 Certain Payments.....	69

ARTICLE 9.

DISCHARGE OF INDENTURE

Section 9.1 Discharge of Liability on Notes.....	69
Section 9.2 Application of Trust Money.....	70
Section 9.3 Repayment to Company.....	70
Section 9.4 Reinstatement.....	70

TABLE OF CONTENTS  
(CONTINUED)

PAGE  
----

ARTICLE 10.

AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 10.1	Without Consent of the Controlling Party or Holders.....	71
Section 10.2	With Consent of the Controlling Party, Liquidity Provider and Holders.....	72
Section 10.3	Compliance with Trust Indenture Act.....	74
Section 10.4	Revocation and Effect of Consents.....	74
Section 10.5	Notation on or Exchange of Notes.....	75
Section 10.6	Trustee to Sign Amendments, etc.....	75
Section 10.7	Effect of Supplement and/or Amendment.....	75

ARTICLE 11.

SECURITY

Section 11.1	Other Operative Documents.....	75
Section 11.2	Opinions, Certificates and Appraisals.....	76
Section 11.3	Authorization of Actions to be Taken by the Trustee Under the Operative Documents.....	77
Section 11.4	Authorization of Receipt of Funds by the Trustee Under the Operative Documents and the Support Documents.....	77
Section 11.5	Agreement as to Fair Market Value.....	77

ARTICLE 12.

MISCELLANEOUS

Section 12.1	Conflict with Trust Indenture Act of 1939.....	78
Section 12.2	Notices; Waivers.....	78
Section 12.3	Communications By Holders With Other Holders.....	80
Section 12.4	Certificate and Opinion as to Conditions Precedent.....	80
Section 12.5	Statements Required In Certificate or Opinion.....	80
Section 12.6	Rules By Trustee, Paying Agent, Registrar.....	81
Section 12.7	Effect of Headings.....	81
Section 12.8	Governing Law.....	81

TABLE OF CONTENTS  
(CONTINUED)

	PAGE
	----
Section 12.9 Quiet Enjoyment.....	82
Section 12.10 No Recourse Against Others.....	82
Section 12.11 Benefits of Indenture and the Securities Restricted.....	82
Section 12.12 Successors and Assigns.....	82
Section 12.13 Counterpart Originals.....	82
Section 12.14 Severability.....	82
APPENDIX I	Definitions
EXHIBIT A	Form of Security
EXHIBIT B	Form of Certificate to Request Removal of Restricted Legend
EXHIBIT C	Form of Certificate to be Delivered by an Institutional Accredited Investor
EXHIBIT D	Form of Subordinated Security



AMENDED AND RESTATED INDENTURE dated as of May 9, 2003, among CONTINENTAL AIRLINES, INC., a Delaware corporation (the "COMPANY"), WILMINGTON TRUST COMPANY, a Delaware banking corporation ("WTC"), not in its individual capacity but solely as Trustee (the "TRUSTEE"), MORGAN STANLEY CAPITAL SERVICES INC., a Delaware corporation ("MSCS"), as Liquidity Provider, and MBIA INSURANCE CORPORATION, a New York insurance company, as Policy Provider, which amends and restates the Indenture, dated as of December 6, 2002 (the "ORIGINAL INDENTURE"), among the Company, the Trustee, the Liquidity Provider and the Policy Provider.

Pursuant to the Original Indenture, the Company issued, authenticated and delivered the Initial Securities. Now, the Company has elected to issue, authenticate and deliver a series of Subordinated Securities as permitted by the Original Indenture, and in connection with such issuance, the parties hereto wish to amend and restate the Original Indenture as set forth herein. The Company has obtained Ratings Confirmation with respect to such issuance and amendment.

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Notes (except as otherwise provided herein).

## ARTICLE 1.

### DEFINITIONS AND RULES OF CONSTRUCTION

#### Section 1.1 DEFINITIONS.

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

#### Section 1.2 RULES OF CONSTRUCTION.

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

## ARTICLE 2.

### THE SECURITIES

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

(a) The Initial Securities shall be known as the "INITIAL FLOATING RATE SECURED NOTES DUE 2007" and the Exchange Securities shall be known as the "EXCHANGE FLOATING RATE SECURED NOTES DUE 2007", in each case, of the Company. Each Security shall be substantially in the form set forth as Exhibit A hereto, with such appropriate insertions, omissions, substitutions and other variations

as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the Company or the Officers executing the Securities, as evidenced by the Company's or the Officers' execution of the Securities.

(b) The Initial Securities shall be issued only in fully registered form without coupons and only in denominations of \$100,000 or integral multiples of \$1,000 in excess thereof, except that one Security may be issued in a different denomination. The Exchange Securities will be issued in denominations of \$1,000 or integral multiples thereof, except that one Security may be issued in a different denomination. Each Security shall be dated the date of its authentication. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to \$200,000,000 except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Sections 2.4, 2.6, 2.12, 2.14 or 10.5. The issuance of the Securities hereunder shall be collectively considered a single extension of credit to the Company.

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

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

Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC for such Global Security, as provided in Section 2.6 hereof, which adjustments shall be conclusive as to the aggregate principal amount of any such Global Security. The Restricted Global Security and Regulation S Global Security are sometimes collectively referred to herein as the "GLOBAL SECURITIES".

(e) Initial Securities offered and sold to any Institutional Accredited Investor that is not a QIB in a transaction exempt from registration under the Securities Act (and other than as described in Section 2.1(d)) shall be issued substantially in the form of Exhibit A hereto in definitive, fully registered form without interest coupons with such applicable legends as are provided for in Section 2.2 (the "RESTRICTED DEFINITIVE SECURITIES") duly executed by the Company and duly authenticated by the Trustee as herein provided. Securities issued pursuant to Section 2.5(b) in exchange for interests in a Regulation S Global Security shall be issued in definitive, fully registered form without interest coupons (the "REGULATION S DEFINITIVE SECURITIES"). The Restricted Definitive Securities and the Regulation S Definitive Securities are sometimes collectively referred to herein as the "DEFINITIVE SECURITIES".

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

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

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

Section 2.2 RESTRICTIVE LEGENDS.

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

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC. RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO CONTINENTAL AIRLINES, INC., (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; AND (3) AGREES THAT IF IT SHOULD RESELL OR OTHERWISE TRANSFER THIS SECURITY IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC., THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO CONTINENTAL AIRLINES, INC. OR ITS AGENT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO

REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS."

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

"UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO CONTINENTAL AIRLINES, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IN EXCHANGE FOR THIS SECURITY IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

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

Section 2.3 AUTHENTICATION OF SECURITIES.

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

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

(b) No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein

executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

#### Section 2.4 TRANSFER AND EXCHANGE.

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

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

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

registration of transfer or exchange shall be canceled and subsequently destroyed by the Trustee.

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

(a) Members of, or participants in, DTC ("AGENT MEMBERS") shall have no rights under this Indenture with respect to any Global Security held on their behalf by DTC, or the Trustee as its custodian, and DTC may be treated by the Company, the Trustee and any agent of the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Trustee from giving effect to any written certification, proxy or other authorization furnished by DTC or shall impair, as between DTC and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Security. Upon the issuance of any Global Security, the Registrar or its duly appointed agent shall record DTC as the registered holder of such Global Security.

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

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

(d) In connection with the transfer of an entire Restricted Global Security or an entire Regulation S Global Security to the beneficial owners thereof pursuant to paragraph (b) of this Section 2.5, such Restricted Global Security or Regulation S Global Security, as the case may be, shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and

the Trustee shall authenticate, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Restricted Global Security or Regulation S Global Security, as the case may be, an equal aggregate principal amount of Restricted Definitive Securities or Regulation S Definitive Securities, as the case may be, of authorized denominations. None of the Company, the Registrar, the Paying Agent or the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such registration instructions. Upon the issuance of Definitive Securities, the Company and the Trustee shall recognize the Person in whose name the Definitive Securities are registered in the Register as Securityholders hereunder.

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

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

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

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

#### Section 2.6 SPECIAL TRANSFER PROVISIONS.

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

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

(i) The Registrar shall register the transfer of any Security, whether or not bearing the Restricted Legend, only if (x) the requested transfer is at least two years after the later of the (A) Closing Date and (B) the last date on which such Security was held by the Company or any affiliate of the Company or (y) the proposed transferor is an Initial Purchaser who is transferring Securities purchased under the Purchase Agreement and the proposed transferee has delivered to the Registrar a letter substantially in the form of Exhibit C hereto and the aggregate principal amount of the Securities being transferred is at least \$100,000. Except as provided in the foregoing sentence, the Registrar shall not register the transfer of



any Security to any Institutional Accredited Investor that is neither a QIB nor a Non-U.S. Person.

(ii) If the proposed transferor is an Agent Member holding a beneficial interest in a Restricted Global Security, upon receipt by the Registrar of (x) the documents, if any, required by paragraph (i) and (y) instructions given in accordance with DTC's and the Registrar's procedures, the Registrar shall reflect on its books and records the date of the transfer and a decrease in the principal amount of such Restricted Global Security in an amount equal to the principal amount of the beneficial interest in such Restricted Global Security to be transferred, and the Company shall execute and the Trustee shall authenticate and deliver to the transferor or at its direction, one or more Restricted Definitive Securities of like tenor and amount.

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

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

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

(c) TRANSFERS OF INTERESTS IN THE REGULATION S GLOBAL SECURITY OR REGULATION S DEFINITIVE SECURITIES. After the expiration of the Restricted

Period, the Registrar shall register any transfer of interests in any Regulation S Global Security or Regulation S Definitive Security without requiring any additional certification. Until the expiration of the Restricted Period, interests in the Regulation S Global Security may only be held through Agent Members acting for and on behalf of Euroclear and Clearstream.

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

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

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

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

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

(f) GENERAL. By acceptance of any Security bearing the Restricted Legend, each Holder of such Security acknowledges the restrictions on transfer of such Security set forth in such Restricted Legend and otherwise in this Indenture and

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

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

#### Section 2.7 TERMS OF SECURITIES.

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

#### Section 2.8 REGISTRAR AND PAYING AGENT.

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

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

The Company initially appoints WTC as Registrar and Paying Agent.

#### Section 2.9 PAYING AGENT TO HOLD PAYMENTS IN TRUST.

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

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

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

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

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

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

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

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

#### Section 2.10 RECORD DATES.

The Person in whose name any Note is registered at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date to the extent provided by such Note, except if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, in which case defaulted interest shall be paid to the Person in whose name the Outstanding Note is registered at the close of business on the subsequent record date (which shall be not less than five (5) Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Company to the Holders of Notes of the Series suffering such default not

less than fifteen (15) days preceding such subsequent record date (a "SPECIAL RECORD DATE") pursuant to Section 2.16.

#### Section 2.11 NOTEHOLDER LISTS.

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

#### Section 2.12 MUTILATED, DEFACED, DESTROYED, LOST AND STOLEN NOTES.

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

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

Every substitute Note issued pursuant to the provisions of this Section by virtue of the fact that any Note is apparently destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the apparently destroyed, lost or stolen Note shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall also be subject to all the limitations of rights set forth in) this Indenture equally

and proportionately with any and all other Notes of the same Series duly authenticated and delivered hereunder. Every substitute Note issued pursuant to the provisions of this Section 2.12 by virtue of the fact that any Note is mutilated or defaced shall constitute an additional contractual obligation of the Company and shall be entitled to all the benefits of (but shall also be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Notes of the same Series duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated or defaced or apparently destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

#### Section 2.13 TREASURY NOTES.

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

#### Section 2.14 TEMPORARY NOTES.

Until definitive Notes of any Series are ready for delivery, the Company may prepare, and, upon written order of the Company, the Trustee shall authenticate, temporary Notes of such Series, in any authorized denominations. Temporary Notes of any Series shall be substantially of the tenor of the definitive Notes of such Series in lieu of which they are issued but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate

and deliver definitive Notes in exchange for temporary Notes. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes of the same Series.

#### Section 2.15 CANCELLATION.

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

#### Section 2.16 DEFAULTED INTEREST.

If any payment of interest on the Notes due on any Interest Payment Date becomes an Overdue Scheduled Payment, the Company shall pay such defaulted interest, plus interest on the defaulted interest, at the Payment Due Rate (in the case of the Securities) or the Subordinated Payment Due Rate (in the case of the Subordinated Securities) to the extent permitted by law and the terms thereof, to the persons who are Noteholders of the Series suffering such default on a subsequent Special Record Date. The Company shall fix the Special Record Date and payment date. If there is an Overdue Scheduled Payment with respect to both Series of Notes attributable to interest originally due on the same Interest Payment Date, the Special Record Date and payment date applicable to each Series shall be the same. At least fifteen (15) days before the Special Record Date, the Company shall mail to each Noteholder of the Series suffering such default a notice that states the Special Record Date, the payment date and the amount of defaulted interest to be paid.

#### Section 2.17 CUSIP NUMBERS.

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



ARTICLE 2A.

THE SUBORDINATED SECURITIES

Section 2A.1 TITLE, FORM, DENOMINATION AND EXECUTION OF SUBORDINATED SECURITIES.

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

(b) The Initial Subordinated Securities shall be issued only in fully registered form without coupons and only in denominations of \$100,000 or integral multiples of \$1,000 in excess thereof, except that one Subordinated Security may be issued in a different denomination. The Exchange Subordinated Securities will be issued in denominations of \$1,000 or integral multiples thereof, except that one Subordinated Security may be issued in a different denomination. Each Subordinated Security shall be dated the date of its authentication. The aggregate principal amount of Subordinated Securities which may be authenticated and delivered under this Indenture is limited to \$100,000,000 except for Subordinated Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Subordinated Securities pursuant to Sections 2.12, 2.14, 2A.4, 2A.6 or 10.5. The issuance of the Subordinated Securities hereunder shall be collectively considered a single extension of credit to the Company.

(c) The Initial Subordinated Securities offered and sold in reliance on Rule 144A shall be issued, and will only be available, in the form of one or more global Subordinated Securities substantially in the form of Exhibit D hereto with such applicable legends as are provided for in Section 2A.2 (each, a "RESTRICTED GLOBAL SUBORDINATED SECURITY") duly executed by the Company and duly authenticated by the Trustee as herein provided. The Restricted Global Subordinated Securities shall be in definitive, fully registered form without interest coupons and be registered in the name of DTC and deposited with the Trustee, at its Corporate Trust office, as custodian for DTC. The aggregate principal amount of any Restricted Global Subordinated Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC for such Restricted Global Subordinated Security, as provided in Section 2A.6 hereof, which adjustments shall be conclusive as to the aggregate principal amount of any such Global Subordinated Security.

(d) The Initial Subordinated Securities offered and sold outside the United States in reliance on Regulation S shall be issued, and will only be available, in the form of one or more global Subordinated Securities substantially in the form of Exhibit D hereto (each, a "REGULATION S GLOBAL SUBORDINATED SECURITY") duly executed by the Company and duly authenticated by the Trustee as herein provided. The Regulation S Global Subordinated Securities shall be in definitive, fully registered form without interest coupons and be registered in the name of DTC and deposited with the Trustee, at its Corporate Trust Office, as custodian for DTC, for credit initially and during the Restricted Period to the respective accounts of beneficial owners of such Subordinated Securities (or to such other accounts as they may direct) at Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Clearstream. As used herein, the term "RESTRICTED PERIOD", with respect to the Regulation S Global Subordinated Securities offered and sold in reliance on Regulation S, means the period of 40 consecutive days beginning on and including the later of (i) the day on which the Subordinated Securities are first offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S and (ii) the Subordinated Closing Date. The aggregate principal amount of any Regulation S Global Subordinated Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC for such Global Subordinated Security, as provided in Section 2A.6 hereof, which adjustments shall be conclusive as to the aggregate principal amount of any such Global Subordinated Security. The Restricted Global Subordinated Security and Regulation S Global Subordinated Security are sometimes collectively referred to herein as the "GLOBAL SUBORDINATED SECURITIES".

(e) Initial Subordinated Securities offered and sold to any Institutional Accredited Investor that is not a QIB in a transaction exempt from registration under the Securities Act (and other than as described in Section 2A.1(d)) shall be issued substantially in the form of Exhibit D hereto in definitive, fully registered form without interest coupons with such applicable legends as are provided for in Section 2A.2 (the "RESTRICTED DEFINITIVE SUBORDINATED SECURITIES") duly executed by the Company and duly authenticated by the Trustee as herein provided. Subordinated Securities issued pursuant to Section 2A.5(b) in exchange for interests in a Regulation S Global Subordinated Security shall be issued in definitive, fully registered form without interest coupons (the "REGULATION S DEFINITIVE SUBORDINATED SECURITIES"). The Restricted Definitive Subordinated Securities and the Regulation S Definitive Subordinated Securities are sometimes collectively referred to herein as the "DEFINITIVE SUBORDINATED SECURITIES".

(f) The Exchange Subordinated Securities shall be issued in the form of one or more global Subordinated Securities substantially in the form of Exhibit D hereto (each, a "GLOBAL EXCHANGE SUBORDINATED SECURITY"), except that (i) the Restricted Legend shall be omitted and (ii) the Exchange Subordinated Securities shall contain such appropriate insertions, omissions, substitutions and other variations from the form set forth in Exhibit D hereto relating to the nature of the Exchange Subordinated Securities as the Officers of the Company executing such Exchange Subordinated Securities on behalf of the Company may determine, as evidenced by such Officers' execution on behalf of the Company of such Exchange Subordinated Securities. The Global Exchange Subordinated Securities shall be in registered form and be registered in the name of DTC and deposited with the

Trustee, at its Corporate Trust Office, as custodian for DTC. The aggregate principal amount of any Global Exchange Subordinated Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC for such Global Exchange Subordinated Security, which adjustments shall be conclusive as to the aggregate principal amount of any such Global Exchange Subordinated Security. Subject to clauses (i) and (ii) of the first sentence of this Section 2A.1(f), the terms hereof applicable to the Global Subordinated Securities shall apply to the Global Exchange Subordinated Securities, MUTATIS MUTANDIS, unless the context otherwise requires.

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

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

#### Section 2A.2 RESTRICTIVE LEGENDS.

All Initial Subordinated Securities issued pursuant to this Indenture shall be "RESTRICTED SUBORDINATED SECURITIES" and shall bear the Restricted Legend.

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

"UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO CONTINENTAL AIRLINES, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IN EXCHANGE FOR THIS SECURITY IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY

SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 2A.5 AND 2A.6 OF THE INDENTURE REFERRED TO HEREIN."

Section 2A.3 AUTHENTICATION OF SUBORDINATED SECURITIES.

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

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

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

Section 2A.4 TRANSFER AND EXCHANGE.

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

A Subordinated Securityholder may transfer a Subordinated Security, or request that a Subordinated Security be exchanged for Subordinated Securities (including, without limitation, subject to the proviso to this sentence, Exchange Subordinated Securities) in authorized denominations and in an aggregate principal amount equal to the principal amount of such Subordinated Security surrendered for exchange of other authorized denominations, by surrender of such Subordinated Security to the Trustee with the form of transfer notice thereon duly completed and executed, and otherwise complying with the terms of this Indenture, including providing evidence of compliance with any restrictions on transfer, in form satisfactory to the Company, the Trustee and the Registrar; PROVIDED that exchanges of Initial Subordinated Securities for Exchange Subordinated Securities shall occur only after an Exchange Offer Registration Statement shall have been declared effective by the SEC (notice of

which shall be provided to the Trustee by the Company) and otherwise only in accordance with the terms of the Exchange Offer. No such transfer shall be effected until, and such transferee shall succeed to the rights of a Subordinated Securityholder only upon, final acceptance and registration of the transfer by the Registrar in the Register. Prior to the registration of any transfer of a Subordinated Security by a Subordinated Securityholder as provided herein, the Company, the Registrar, the Paying Agent and the Trustee shall deem and treat the person in whose name the Subordinated Security is registered on the Register as the absolute owner and holder thereof for the purpose of receiving payment of all amounts payable with respect to such Subordinated Security and for all other purposes, and none of the Company, the Registrar, the Paying Agent or the Trustee shall be affected by any notice to the contrary. Furthermore, DTC shall, by acceptance of a Global Subordinated Security, agree that transfers of beneficial interests in such Global Subordinated Security may be effected only through a book-entry system maintained by DTC (or its agent) and that ownership of a beneficial interest in the Subordinated Security shall be required to be reflected in a book-entry. When Subordinated Securities are presented to the Registrar with a request to register the transfer thereof or to exchange them for other authorized denominations of a Subordinated Security in a principal amount equal to the aggregate principal amount of Subordinated Securities surrendered for exchange, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met.

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

#### Section 2A.5 BOOK-ENTRY PROVISIONS FOR RESTRICTED GLOBAL SUBORDINATED SECURITIES AND REGULATIONS GLOBAL SUBORDINATED SECURITIES.

(a) Agent Members shall have no rights under this Indenture with respect to any Global Subordinated Security held on their behalf by DTC, or the Trustee as its custodian, and DTC may be treated by the Company, the Trustee and any agent of the Trustee as the absolute owner of such Global Subordinated Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Trustee from giving effect to any written certification, proxy or other authorization furnished by DTC or shall impair, as between DTC and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Subordinated Security. Upon the issuance of any Global Subordinated Security, the Registrar or its duly appointed agent shall record DTC as the registered holder of such Global Subordinated Security.

(b) Transfers of any Global Subordinated Security shall be limited to transfers of such Restricted Global Subordinated Security or Regulation S Global Subordinated Security in whole, but not in part, to DTC. Beneficial interests in the Restricted Global Subordinated Security and any Regulation S Global Subordinated Security may be transferred in accordance with the rules and procedures of DTC and the provisions of Section 2A.6. Beneficial interests in a Restricted Global Subordinated Security or a Regulation S Global Subordinated Security shall be delivered to all beneficial owners thereof in the form of Restricted Definitive Subordinated Securities or Regulation S Definitive Subordinated Securities, as the case may be, if (i) DTC notifies the Trustee that it is unwilling or unable to continue as depository for such Restricted Global Subordinated Security or Regulation S Global Subordinated Security, as the case may be, and a successor depository is not appointed by the Trustee within 90 days of such notice, and (ii) after the occurrence and during the continuance of an Event of Default, owners of beneficial interests in a Global Subordinated Security with a principal amount aggregating not less than a majority of the outstanding principal amount of the Global Subordinated Security advise the Trustee, the Company and DTC through Agent Members in writing that the continuation of a book-entry system through DTC or its successor is no longer in their best interests.

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

(d) In connection with the transfer of an entire Restricted Global Subordinated Security or an entire Regulation S Global Subordinated Security to the beneficial owners thereof pursuant to paragraph (b) of this Section 2A.5, such Restricted Global Subordinated Security or Regulation S Global Subordinated Security, as the case may be, shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Restricted Global Subordinated Security or Regulation S Global Subordinated Security, as the case may be, an equal aggregate principal amount of Restricted Definitive Subordinated Securities or Regulation S Definitive Subordinated Securities, as the case may be, of authorized denominations. None of the Company, the Registrar, the Paying Agent or the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such registration instructions. Upon the issuance of Definitive Subordinated Securities, the Company and the Trustee shall recognize the Person in whose name the Definitive Subordinated Securities are registered in the Register as Subordinated Securityholders hereunder.

(e) Any Definitive Subordinated Security delivered in exchange for an interest in the Restricted Global Subordinated Security pursuant to paragraph

(b) of this Section 2A.5 shall, except as otherwise provided by paragraph (e) of Section 2A.6, bear the Restricted Legend.

(f) Prior to the expiration of the Restricted Period, any Regulation S Definitive Subordinated Security delivered in exchange for an interest in a Regulation S Global Subordinated Security pursuant to paragraph (b) of this Section 2A.5 shall bear the Restricted Legend.

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

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

#### Section 2A.6 SPECIAL TRANSFER PROVISIONS.

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

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

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

(ii) If the proposed transferor is an Agent Member holding a beneficial interest in a Restricted Global Subordinated Security, upon receipt by the Registrar of (x) the documents, if any, required by paragraph (i) and (y) instructions given in accordance with DTC's and the

Registrar's procedures, the Registrar shall reflect on its books and records the date of the transfer and a decrease in the principal amount of such Restricted Global Subordinated Security in an amount equal to the principal amount of the beneficial interest in such Restricted Global Subordinated Security to be transferred, and the Company shall execute and the Trustee shall authenticate and deliver to the transferor or at its direction, one or more Restricted Definitive Subordinated Securities of like tenor and amount.

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

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

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

(c) TRANSFERS OF INTERESTS IN THE REGULATION S GLOBAL SUBORDINATED SECURITY OR REGULATION S DEFINITIVE SUBORDINATED SECURITIES. After the expiration of the Restricted Period, the Registrar shall register any transfer of interests in any Regulation S Global Subordinated Security or Regulation S Definitive Subordinated Security without requiring any additional certification. Until the



expiration of the Restricted Period, interests in the Regulation S Global Subordinated Security may only be held through Agent Members acting for and on behalf of Euroclear and Clearstream.

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

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

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

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

(e) RESTRICTED LEGEND. Upon the transfer, exchange or replacement of Subordinated Securities not bearing the Restricted Legend, the Registrar shall deliver Subordinated Securities that do not bear the Restricted Legend. Upon the transfer, exchange or replacement of Subordinated Securities bearing the Restricted Legend, the Registrar shall deliver only Subordinated Securities that bear the Restricted Legend unless either (i) the circumstances contemplated by paragraph (d)(ii) of this Section 2A.6 exist or (ii) there is delivered to the Registrar an opinion of counsel to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

(f) GENERAL. By acceptance of any Subordinated Security bearing the Restricted Legend, each Holder of such Subordinated Security acknowledges the restrictions on transfer of such Subordinated Security set forth in such

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

Until such time as no Subordinated Securities remain Outstanding, the Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2A.5 or this Section 2A.6. The Trustee, if not the Registrar at such time, shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

#### Section 2A.7 TERMS OF SUBORDINATED SECURITIES.

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

ARTICLE 3.

LIQUIDITY PROVIDER AND POLICY PROVIDER; PRIORITY OF DISTRIBUTIONS

Section 3.1 WRITTEN NOTICE OF DISTRIBUTION.

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

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

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

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

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

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

(d) In the event the Trustee shall not receive from any Person any information set forth in paragraph (a) above which is required to enable the Trustee to make a distribution to such Person pursuant to Section 3.2, the Trustee shall request such information and, failing to receive any such information, the Trustee shall not make such distribution(s) to such Person. In such event, the Trustee shall make distributions pursuant to clauses "FIRST" through "ELEVENTH" of Section 3.2 to the extent it shall have sufficient

information to enable it to make such distributions, and shall continue to hold any funds remaining, after making such distributions, until the Trustee shall receive all necessary information to enable it to distribute any funds so withheld.

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

#### Section 3.2 PRIORITY OF DISTRIBUTIONS; SUBORDINATION.

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

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

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

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

Liquidity Provider all outstanding Drawings and interest thereon owing to the Liquidity Provider under the Liquidity Facility, the amount of such payments made to the Liquidity Provider attributable to interest accrued on Drawings under the Liquidity Facility, shall be distributed to the Liquidity Provider and the Policy Provider, as the case may be, pro rata on the basis of the amounts owed to the Liquidity Provider and the Policy Provider under subclauses (i), (ii) and (iii) of this clause "third";

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

FIFTH, if any amounts are to be distributed pursuant to either subclause (i)(A) or (i)(B) of clause "fourth" above, then the Liquidity Provider shall be paid the excess of (x) the aggregate outstanding amount of unreimbursed Advances (whether or not then due) under the Liquidity Facility over (y) the Required Amount (less the amount of any repayments of Interest Drawings under the Liquidity Facility while subclause (i)(A)(1) or (i)(B)(1), as the case may be, of clause "fourth" above is applicable);

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

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

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

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

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

ELEVENTH, the balance, if any, of any such amount remaining thereafter shall be paid to the Company unless on such Distribution Date (i) an Event of Default has occurred and is continuing or (ii) any amount due to the Liquidity Provider or the Policy Provider from the Company has not been paid, in which case such amount shall be held in the Collection Account for later distribution in accordance with this Article 3 or paid to the Company upon discharge of the Indenture pursuant to Article 9.

#### Section 3.3 OTHER PAYMENTS.

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

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

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

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

#### Section 3.4 PAYMENTS TO LIQUIDITY PROVIDER AND POLICY PROVIDER.

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

#### Section 3.5 LIQUIDITY FACILITY.

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

withdrawals, including such withdrawal, does not exceed the Required Amount for such Distribution Date);

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

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

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

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

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

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

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

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

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

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

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

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

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

(o) CONSENT TO ISSUANCE OF SUBORDINATED SECURITIES. The Liquidity Provider, by its execution and delivery of this Indenture, (i) consents to the issuance of the Subordinated Securities hereunder and the amendments to the Operative Documents in connection therewith, and (ii) confirms that all of its obligations under the Liquidity Facility remain unchanged and in full force and effect.

### Section 3.6 THE POLICY.

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

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

the Policy Account) in an amount sufficient to enable the Trustee to pay the Outstanding Amount and (ii) upon receipt shall pay such amount from the Policy Account to the Securityholders in payment of the Outstanding Amount.

(c) NON-PERFORMANCE DRAWING. If a Payment Default exists under the Securities (without giving effect to any Acceleration or any payments by the Liquidity Provider or the Policy Provider) for a period of eight consecutive Interest Periods (such period, the "NON-PERFORMING PERIOD") (regardless of whether any proceeds from the sale of any Collateral are distributed by the Trustee during such period) and continues to exist on the Interest Payment Date on which such eighth Interest Period ends (or, if such Interest Payment Date falls within the applicable period specified in the proviso to the definition of "Non-Performing", continues to exist on the Business Day immediately following such period (the "RELEVANT DATE")), and on the 25th day following such Interest Payment Date or, if applicable, the Relevant Date (or, if such 25th day is not a Business Day, the next Business Day) (the "NON-PERFORMANCE PAYMENT DATE") after giving effect to the subordination provisions of Section 3.2 and to the application of Prior Funds, the Trustee does not then have sufficient funds available for the payment in full of the Outstanding Amount as of the Non-Performance Payment Date, then unless the Policy Provider shall have paid on any day prior thereto the Outstanding Amount as of such day pursuant to Section 3.6(b) or 3.6(e) of this Indenture, the Trustee (i) prior to the 1:00 p.m. (New York City time) on the Non-Performance Payment Date shall deliver a Notice for Payment, as provided in the Policy, to the Policy Provider or its fiscal agent, requesting a Policy Drawing (the "NON-PERFORMANCE DRAWING") under the Policy (for payment into the Policy Account) in an amount sufficient to enable the Trustee to pay such Outstanding Amount, and (ii) upon receipt shall pay such amount from the Policy Account to the Securityholders in payment of such Outstanding Amount. If the Non-Performance Payment Date is established, the Trustee shall send to the Securityholders Written Notice thereof promptly, but no later than three Business Days, after the occurrence of the Interest Payment Date on which the Non-Performing Period ends or, if applicable, the Relevant Date.

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

ELECTION DISTRIBUTION DATE") or (B) following the occurrence of a Policy Provider Default, on any Business Day specified by the Trustee upon at least 20 days' Written Notice to the Policy Provider (such Business Day an "ELECTION DISTRIBUTION DATE") permit the Trustee, in each case, to make a Policy Drawing under the Policy for an amount equal to the Outstanding Amount as of such Policy Election Distribution Date or Election Distribution Date, as applicable. The Trustee shall (i) prior to 1:00 p.m. (New York City time) on each such Distribution Date referred to in the preceding sentence deliver a Notice of Payment, as provided in the Policy, to the Policy Provider or its fiscal agent requesting a Policy Drawing under the Policy for payment into the Policy Account to pay the amount then due under this paragraph and (ii) upon receipt of the proceeds thereof pay the amount thereof from the Policy Account to the Securityholders in payment of such amount.

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

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



(f) AVOIDANCE DRAWINGS. If at any time the Trustee shall have actual knowledge of the issuance of any Final Order, the Trustee shall promptly give notice thereof to the Liquidity Provider and the Policy Provider. The Trustee shall thereupon calculate the relevant Avoided Payments resulting therefrom and shall promptly: (a) send to the Securityholders a Written Notice of such amounts and (b) prior to the expiration of the Policy, deliver to the Policy Provider or its fiscal agent a Notice of Avoided Payment under the Policy, together with a copy of the documentation required by the Policy with respect thereto, requesting a Policy Drawing thereunder (for payment to the receiver, conservator, debtor-in-possession, trustee in bankruptcy or the Trustee (for deposit into the Policy Account), as applicable) in an amount equal to the amount of relevant Avoided Payment. To the extent that any portion of such Avoided Payment is to be paid to the Trustee, such Written Notice shall also set the date for the distribution of such portion of the proceeds of such Policy Drawing which date shall constitute a Distribution Date and shall be the earlier of three Business Days after the date of the expiration of the Policy and the Business Day that immediately follows the 25th day after the date of such Written Notice. Upon receipt, the Trustee shall pay the proceeds of the specified Policy Drawing under the Policy to the Securityholders or the Liquidity Provider, as applicable on such Distribution Date.

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

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

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

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

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

(l) CONSENT TO ISSUANCE OF SUBORDINATED SECURITIES. The Policy Provider, by its execution and delivery of this Indenture, (i) consents, as Controlling Party, to the issuance of the Subordinated Securities hereunder and the amendments to the Operative Documents in connection therewith, and (ii) confirms that all of its obligations under the Policy remain unchanged and in full force and effect.

#### Section 3.7 DESIGNATED REPRESENTATIVES.

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

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

Section 3.8 CONTROLLING PARTY.

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

(b) The Person who shall be the "CONTROLLING PARTY" shall be (x) the Policy Provider (or, if any Policy Provider Default shall have occurred and be continuing, (i) the Required Holders or (ii) if the Securities have been paid in full, the Required Subordinated Holders) and (y) upon payment in full of the Securities, the Policy Expenses and the Policy Provider Obligations, the Required Subordinated Holders.

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

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

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

### Section 3.9 COMPANY'S PAYMENT OBLIGATIONS.

The Company agrees to pay to the Trustee for distribution in accordance with Section 3.2 hereof: (a)(i) an amount equal to the fees payable to the Liquidity Provider under Section 2.03 of the Liquidity Facility and the related Fee Letter; (ii) the amount equal to interest on any Downgrade Advance (other than any Applied Downgrade Advance) payable under Section 3.07 of the Liquidity Facility minus Investment Earnings from such Downgrade Advance; (iii) the amount equal to interest on any Non-Extension Advance (other than any Applied Non-Extension Advance) payable under Section 3.07 of the Liquidity Facility minus Investment Earnings from such Non-Extension Advance; (iv) if any payment default shall have occurred and be continuing with respect to interest on any Securities, the excess, if any, of (1) an amount equal to interest on any Unpaid Advance, Applied Downgrade Advance or Applied Non-Extension Advance payable under Section 3.07 of the Liquidity Facility (or, if the Policy Provider has made a payment equivalent to such an Advance, as would have been payable under Section 3.07 of the Liquidity Facility had such Advance been made) over (2) the sum of Investment Earnings from any Final Advance plus any amount of interest at the Payment Due Rate actually payable (whether or not in fact paid) by the Company on the overdue scheduled interest on the Securities in respect of which such Unpaid Advance, Applied Downgrade Advance or Applied Non-Extension Advance was made by the Liquidity Provider (or an equivalent payment made by the Policy Provider); (v) any other amounts owed to the Liquidity Provider by the Trustee as borrower under the Liquidity Facility other than amounts due as repayment of advances thereunder or as interest on such advances, except to the extent payable pursuant to clause (ii), (iii) or (iv) above, and (vi) an amount equal to the fees payable to the Policy Provider under Section 3.02(d) of the Policy Provider Agreement and all other compensation and reimbursement of expenses and disbursements (but excluding reimbursement of advances) payable to the Policy Provider under the Policy Provider Agreement (but excluding all such amounts actually paid by the Company to the Policy Provider under the Policy Provider Agreement or the Policy Fee Letter). The Trustee shall immediately deposit in the Collection Account all payments from the Company received pursuant to this Section.

### Section 3.10. EXECUTION OF SUPPORT DOCUMENTS.

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

### Section 3.11 RIGHT OF SUBORDINATED SECURITYHOLDERS TO DIRECT POLICY PROVIDER.

(a) Subject to the provisions of Section 3.11 (b) below and Section 3.8 hereof, the Subordinated Securityholders shall have the right to direct the Policy Provider in taking (or refraining from taking) any action as Controlling Party during the continuance of an Event of Default if the Subordinated Securityholders:

(i) deposit with the Policy Provider cash in United States tender, U.S. Government Obligations or other investments acceptable to the Policy Provider (or any combination thereof) in the amount specified in clause (ii) below as collateral security for amounts owed to and to become due and payable to the Policy Provider under the Operative Documents and the Support Documents; and

(ii) deliver to the Policy Provider a certificate from a nationally recognized firm of independent certified public accountants acceptable to the Policy Provider expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations or other investments plus any deposited money without investment will provide cash sufficient to pay: (i) all accrued and unpaid Policy Expenses and Policy Provider Obligations as of the date of such deposit, (ii) the then outstanding principal amount of the Securities, (iii) interest accruing and payable on the Securities from the date of such deposit to the Final Legal Maturity Date (or, alternatively, the interest calculated at the rate of interest of 12% per annum for a period of 24 months (or, if shorter, the period from the date of such deposit to the Final Legal Maturity Date)) and (iv) the premium payable with respect to the Policy for a period of 24 months from the date of such deposit (or, if shorter, the period from the date of such deposit to the Final Legal Maturity Date).

(b) In order to participate in such deposit, a Subordinated Securityholder must contribute its proportionate share of such deposit which will be the proportion that the principal amount of its Subordinated Securities bears to the principal amount of the Subordinated Securities of all Subordinated Securityholders participating in such deposit. A Subordinated Securityholder shall not be obligated to contribute to such deposit. The Subordinated Securityholders contributing their proportionate share of such deposit shall be entitled, subject to the provisions of Section 3.8 hereof, to direct the Policy Provider in taking action (or refraining from taking action) as the Controlling Party during the continuance of an Event of Default by consent of the contributing Subordinated Securityholders holding more than 50% of the aggregate unpaid principal amount of the Subordinated Securities held by all such contributing Subordinated Securityholders. If the Company or any of its Affiliates is a Subordinated Securityholder, such Person shall not be entitled to participate in making such deposit or directing the Controlling Party.

(c) The Policy Provider may apply the deposited cash and the cash from the U.S. Government Obligations and other investments to the reimbursement of Policy Expenses and Policy Provider Obligations outstanding from time to time. From and after such application and after the Policy Provider shall have been paid in full all amounts then due and payable to it under the Operative Documents and the Support Documents, amounts otherwise distributable to the Policy Provider under Section 3.2 hereof shall be distributed to such contributing Subordinated Securityholders in the same proportion as their respective contributions to such deposit until their proportionate share of such deposit not otherwise returned by the Policy Provider hereunder shall have been repaid in full.

(d) The Policy Provider shall promptly turn over to the contributing Subordinated Securityholders in the same proportion as their respective contributions to such deposit, upon the request accompanied by a certificate from a nationally recognized firm of independent accountants acceptable to the Policy Provider expressing their opinion that any money or U.S. Government Obligations or other investments then held by the Policy Provider are in excess of the amounts sufficient to pay the amounts referred to in Section 3.11 (a)(ii) above, any such excess money or investments held by it.

(e) Upon a Policy Provider Default (in which case, the Controlling Party shall be determined in accordance with Section 3.8 hereof), such deposit shall be immediately released to the contributing Subordinated Securityholders and the Policy Provider hereby indemnifies and holds harmless each contributing Subordinated Securityholders for any and all costs and expenses incurred in connection with such deposit and release.

#### ARTICLE 4.

##### REDEMPTIONS

###### Section 4.1 OPTIONAL REDEMPTION.

The Notes may be redeemed at any time in whole or (so long as no Payment Default has occurred and is continuing) in part (in any integral multiple of \$1,000) by the Company at its sole option at a redemption price equal to the sum of 100% of the principal amount of, accrued and unpaid interest on, and Premium, if any, and Break Amount, if any, with respect to, the redeemed Notes to and including the Redemption Date, PROVIDED that the Subordinated Securities may not be redeemed at the option of the Company prior to May 9, 2004. Notwithstanding the foregoing, so long as the Policy Provider is the Controlling Party, the Company shall not redeem any Subordinated Securities (i) if an Event of Default has occurred and is continuing as of the Redemption Date or (ii) unless the Company shall have furnished to the Policy Provider within 60 days prior to the Redemption Date a certificate of an Officer certifying that, based upon the Pledged Spare Parts included in the Collateral determined as of a date within 10 days prior to the date of such certificate valued using the Appraised Value of such Pledged Spare Parts (but without requiring a new Independent Appraiser's Certificate), the Maximum Collateral Ratio and Minimum Rotable Ratio are satisfied (after giving effect to any scheduled redemption of Securities on such Redemption Date), PROVIDED that the Policy Provider may, in its sole discretion, waive compliance with the requirements of this sentence.

###### Section 4.2 REDEMPTION NOTICE TO TRUSTEE.

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

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

#### Section 4.3 SELECTION OF NOTES TO BE REDEEMED.

If less than all the Notes of a Series are to be redeemed, the Trustee shall select the Notes of such Series to be redeemed on either a PRO RATA basis or by lot or by any other equitable manner determined by the Trustee in its sole discretion. The Trustee shall make the selection from Notes of such Series outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Notes that have denominations larger than \$1,000. Notes and portions of them it selects shall be in amounts of \$1,000 or whole multiples of \$1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption, and references to such Notes shall also refer to such portions of such Notes.

#### Section 4.4 NOTICE OF REDEMPTION.

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

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

- (1) the Redemption Date;
- (2) the redemption price (including the amount of accrued and unpaid interest, and Premium, if any, to be paid on the Notes called for redemption);
- (3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date, upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued;
- (4) the name and address of the Paying Agent;
- (5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price; and
- (6) that, unless the Company fails to make the redemption payment, interest on the Notes to be redeemed ceases to accrue on and after the Redemption Date and the only remaining right of the Holders of such Notes is to receive payment of the redemption price (including the amount of accrued and unpaid interest, and Premium, if any, to be paid on the Notes called for redemption) upon surrender to the Paying Agent of the Notes.

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

#### Section 4.5 EFFECT OF NOTICE OF REDEMPTION.

Once a notice of redemption is mailed, Notes called for redemption become due and payable on the Redemption Date at the redemption price and, on and after such date (unless the Company shall fail to make the payment of the redemption price), such Notes shall cease to bear interest. Upon surrender to the Paying Agent, such Notes shall be paid at the redemption price. Notwithstanding the foregoing, if the Trustee gives notice of redemption, but the Company fails to pay when due all amounts necessary to effect such redemption, such redemption shall be deemed revoked and no amount shall be due as a result of notice of redemption having been given.

#### Section 4.6 DEPOSIT OF REDEMPTION PRICE.

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

#### Section 4.7 NOTES REDEEMED IN PART.

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

### ARTICLE 5.

#### COVENANTS

##### Section 5.1 PAYMENT OF NOTES.

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

The principal of, interest on, Premium, if any, Break Amount, if any, and other amounts due under any of the Notes or hereunder will be payable in Dollars by wire transfer of immediately available funds not later than 12:30 p.m., New York time, on the due date of payment to the Trustee at the Corporate Trust



Office for distribution in the manner provided herein. The Trustee will make funds deposited in the Collection Account on a Distribution Date and required to be distributed to Noteholders pursuant to Section 3.2 available to the Paying Agent for such distribution. The Paying Agent shall distribute amounts payable to each Noteholder by check mailed to such Noteholder at its address appearing in the Register, except that with respect to Notes registered on the applicable Record Date in the name of a Clearing Agency (or its nominee), such distribution shall be made by wire transfer in immediately available funds to the account designated by such Clearing Agency (or such nominee). The Company shall not have any responsibility for the distribution of such payments to any Noteholder. Any payment made hereunder shall be made without any presentment or surrender of any Notes, except that, in the case of the final payment in respect of any Note, such Note shall be surrendered to the Paying Agent for cancellation against receipt of such payment.

#### Section 5.2 MAINTENANCE OF OFFICE OR AGENCY.

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

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

#### Section 5.3 CORPORATE EXISTENCE.

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

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

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

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

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

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

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

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

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

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

Section 5.5 REPORTS BY THE COMPANY.

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

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

ARTICLE 6.

INDEMNIFICATION

Section 6.1 GENERAL INDEMNITY.

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

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

(ii) The Spare Parts Collateral, including, without limitation, with respect thereto, (A) the manufacture, design, purchase, acceptance, nonacceptance or rejection, ownership, delivery, nondelivery, lease, sublease, assignment, possession, use or non-use, operation, maintenance,

testing, repair, overhaul, condition, alteration, modification, addition, improvement, storage, airworthiness, replacement, repair, sale, substitution, return, abandonment, redelivery or other disposition of any Spare Parts Collateral, (B) any claim or penalty arising out of violations of applicable Laws by the Company (or any Permitted Lessee), (C) tort liability, whether or not arising out of the negligence of any Indemnitee (whether active, passive or imputed), (D) death or property damage of passengers, shippers or others, (E) environmental control, noise or pollution and (F) any Liens in respect of the Spare Parts Collateral;

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

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

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

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

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

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

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

(v) To the extent attributable to the incorrectness or breach of any representation or warranty of such Indemnitee or any related Indemnitee

contained in or made pursuant to any Operative Document or any Support Document;

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

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

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

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

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

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

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

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

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

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

#### Section 6.2 SEPARATE AGREEMENT.

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

#### Section 6.3 NOTICE.

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

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

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

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

Company or its insurers to conduct such proceedings, interfere with the defense of such case.

(c) In no event shall any Indemnitee enter into a settlement or other compromise with respect to any Expense without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed, unless such Indemnitee waives its right to be indemnified with respect to such Expense under this Article 6.

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

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

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

#### Section 6.5 INFORMATION.

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

#### Section 6.6 SUBROGATION; FURTHER ASSURANCES.

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

Section 6.7 REFUNDS.

If an Indemnitee receives any refund, in whole or in part, with respect to any Expense paid by the Company hereunder, it will promptly pay the amount refunded (but not an amount in excess of the amount the Company or any of its insurers has paid in respect of such Expense) over to the Company unless an Event of Default shall have occurred and be continuing, in which case such amounts shall be paid over to the Security Agent to hold as security for the Company's obligations under the Operative Documents and the Support Documents to which the Company is a party or, if requested by the Company, applied to satisfy such obligations.

ARTICLE 7.

DEFAULT AND REMEDIES

Section 7.1 EVENTS OF DEFAULT.

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

(a) the Company shall fail to pay (i) principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to any Note when due, and such failure shall continue unremedied for a period of 10 Business Days thereafter (it being understood that any amount distributed to Securityholders in respect of the foregoing from funds provided by the Policy Provider, the Liquidity Provider or the Cash Collateral Account shall not be deemed to cure such Default), or (ii) any other amount payable by it to the Noteholders under this Indenture or any Operative Document when due, and such failure shall continue for a period in excess of 10 Business Days after the Company has received written notice from the Trustee of the failure to make such payment when due;

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

(c) any representation or warranty made by the Company herein or in any other Operative Document to which the Company is a party (a) shall prove to have been untrue or inaccurate in any material respect as of the date made, (b) such untrue or inaccurate representation or warranty is material at the time in question, and (c) the same shall remain uncured (to the extent of the adverse impact of such incorrectness on the interest of the Trustee) for a period in



excess of 30 days from and after the date of written notice thereof from Trustee to the Company;

(d) the Company shall consent to the appointment of or taking possession by a receiver, trustee or liquidator of itself or of a substantial part of its property, or the Company shall admit in writing its inability to pay its debts generally as they come due or shall make a general assignment for the benefit of its creditors, or the Company shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, liquidation or other relief under any bankruptcy laws or insolvency laws (as in effect at such time), or an answer admitting the material allegations of a petition filed against it in any such case, or the Company shall seek relief by voluntary petition, answer or consent, under the provisions of any other bankruptcy or similar law providing for the reorganization or winding-up of corporations (as in effect at such time), or the Company shall seek an agreement, composition, extension or adjustment with its creditors under such laws or the Company's board of directors shall adopt a resolution authorizing corporate action in furtherance of any of the foregoing;

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

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

#### Section 7.2 ACCELERATION.

If an Event of Default (other than an Event of Default specified in Section 7.1(d), (e) or (f) with respect to the Company) occurs, and is continuing, the Controlling Party may, by notice to the Company and the Trustee, and the Trustee shall, upon the request of such Controlling Party, declare all unpaid principal of, accrued but unpaid interest on, and Premium, if any, Break Amount, if any, with respect to the Notes Outstanding and other amounts otherwise payable hereunder, if any, to the date of acceleration to be due and payable and upon any such declaration, the same shall become and be immediately due and payable. If an Event of Default specified in Section 7.1(d), (e) or (f) occurs with respect to the Company, all unpaid principal of, accrued but unpaid interest on, and Premium, if any, Break Amount, if any, with respect to, the Notes Outstanding and other amounts otherwise payable hereunder, if any, shall

automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee, the Controlling Party or any Noteholder. Upon payment of such principal amount, interest, Premium, if any, Break Amount, if any, and other amounts, all of the Company's obligations under the Notes and this Indenture, other than obligations under Article 6 and Section 8.7, shall terminate. The Controlling Party by notice to the Trustee may rescind an acceleration and its consequences if (a) all existing Events of Default, other than the non-payment as to the Notes of the principal, interest, Premium, if any, and Break Amount, if any, with respect thereto and other amounts otherwise payable hereunder, if any, which has become due solely by such declaration of acceleration, have been cured or waived, (b) to the extent the payment of such interest is permitted by law, interest on overdue installments of interest and on overdue principal which has become due otherwise than by such declaration of acceleration, has been paid, (c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and (d) all payments due to the Trustee and any predecessor Trustee under Section 8.7 have been made. No such rescission shall affect any subsequent default or impair any right arising from any subsequent default.

#### Section 7.3 OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to the Notes or other amounts otherwise payable hereunder, if any, or to enforce the performance of any provision of the Notes or this Indenture including, without limitation, instituting proceedings and exercising and enforcing, or directing exercise and enforcement of, all rights and remedies of the Trustee and the Collateral Agent under the other Operative Documents and directing the Collateral Agent to deposit with the Trustee all cash and/or Investment Securities held by the Collateral Agent.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Noteholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

#### Section 7.4 WAIVER OF PAST DEFAULTS.

Subject to Sections 7.7, 10.2 and 10.6, the Controlling Party by notice to the Trustee may authorize the Trustee to waive an existing Default or Event of Default and its consequences, except a Default or Event of Default (i) in the payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Note as specified in Section 7.1(a) that has not been paid from funds provided by the Policy Provider, the Liquidity Provider or the Cash Collateral Account or (ii) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Liquidity Provider, the Policy Provider and the Holder of each Security affected or without the consent of the Holder of each Subordinated Security affected. When a

Default or Event of Default is so waived, it is cured and ceases, and the Company, the Liquidity Provider, the Policy Provider, the Holders and the Trustee shall be restored to their former positions and rights hereunder respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

#### Section 7.5 CONTROL OF REMEDIES.

The Controlling Party may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee (as Trustee or Collateral Agent, subject, in the case of any actions based on the status of the Trustee as Collateral Agent, to any limitations otherwise expressly provided for in the other Operative Documents) or exercising any trust or power conferred on it; provided that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. The Trustee may refuse to follow any direction hereunder or authorization under Section 7.4 that conflicts with law or this Indenture, that the Trustee determines may subject the Trustee to personal liability or, after a Policy Provider Default or after the Securities, the Policy Expenses and the Policy Provider Obligations have been paid in full, that the Trustee determines may be unduly prejudicial to the rights of another Noteholder. However, the Trustee shall have no liability for any actions or omissions to act which are in accordance with any such direction or authorization. The Controlling Party shall not direct the Trustee or any Collateral Agent to sell or otherwise dispose of any Collateral unless all unpaid principal of, accrued but unpaid interest on, and Premium, if any, and Break Amount, if any, with respect to, the Outstanding Notes and other amounts otherwise payable under this Indenture, if any, shall be declared or otherwise become due and payable immediately.

#### Section 7.6 LIMITATION ON SUITS.

A Noteholder may not pursue any remedy with respect to this Indenture or the Notes unless:

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

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

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

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

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

(f) in the case of a Subordinated Securityholder, the principal of, interest on, and Premium, if any, Break Amount, if any, and all other amounts payable under this Indenture with respect to the Securities have been paid in full.

A Noteholder may not use this Indenture to prejudice the rights of another Noteholder or to obtain a preference or priority over such other Noteholder (except for the preferences and priorities of the Securities over the Subordinated Securities provided for in this Indenture).

#### Section 7.7 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, the Note in cash, on or after the respective due dates expressed in the Note, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

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

#### Section 7.8 COLLECTION SUIT BY TRUSTEE.

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

#### Section 7.9 TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Noteholders allowed in any judicial proceedings relative to the Company (or any other obligor upon

the Notes), its creditors or its property and shall be entitled and empowered to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same, and any Custodian in any such judicial proceedings is hereby authorized by each Noteholder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Noteholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee under Section 8.7, and unless prohibited by law or applicable regulations to vote on behalf of the Holders of Notes for the election of a trustee in bankruptcy or other person performing similar functions. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, for the election of a trustee in bankruptcy or person performing similar functions.

#### Section 7.10 APPLICATION OF PROCEEDS.

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

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

#### Section 7.11 UNDERTAKING FOR COSTS.

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

#### Section 7.12 RESTORATION OF RIGHTS ON ABANDONMENT OF PROCEEDINGS.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any

reason, or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the Noteholders shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the Noteholders shall continue as though no such proceedings had been taken.

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

No right or remedy herein conferred upon or reserved to the Trustee or to any Noteholder is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

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

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

Section 7.14 CERTAIN LIMITS ON REMEDIES BY POLICY PROVIDER.

The Policy Provider agrees, for the benefit of the Subordinated Securityholders, that, so long as the Policy Provider is the Controlling Party, if the Company is a debtor in a proceeding under Chapter 11 of the Bankruptcy Code and (i) the 60-day period under Section 1110(a)(2)(A) of the Bankruptcy Code (or such longer period as may apply under Section 1110(b) of the Bankruptcy Code) shall expire without the Company having entered into an agreement of the kind described in Section 1110(a)(2)(A) of the Bankruptcy Code (a "SECTION 1110(A) AGREEMENT") with respect to the Indenture and the other Operative Documents, (ii) the Company shall have entered into a Section 1110(a) Agreement and thereafter shall have failed to perform its obligations thereunder such that the Security Agent is entitled to take possession of the Pledged Spare Parts pursuant to the Security Agreement, or (iii) a plan of reorganization shall have been confirmed in such proceeding that does not provide for the continuation of the terms and conditions of the Operative Documents in full force and effect in accordance with their original stated terms without modification or impairment, the Policy Provider shall not permit (and will not permit the Trustee or any Collateral Agent to permit) the sale or lease of all or any portion of the Collateral to the Company or any of its Affiliates for an amount less than the

then current fair market value thereof (as determined by a nationally recognized appraiser selected by the Trustee and acceptable to the Policy Provider). The Policy Provider further agrees to give the Subordinated Securityholders at least 30 days' prior written notice of its intention to sell or lease all or any portion of the Collateral.

## ARTICLE 8.

### TRUSTEE

#### Section 8.1 DUTIES OF TRUSTEE.

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

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

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

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

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

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

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

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

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

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

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

#### Section 8.2 RIGHTS OF TRUSTEE.

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

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

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

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

#### Section 8.3 INDIVIDUAL RIGHTS OF TRUSTEE.

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

#### Section 8.4 TRUSTEE'S DISCLAIMER.

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



#### Section 8.5 NOTICE OF DEFAULTS.

If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Noteholder, the Liquidity Provider and the Policy Provider a notice of the Default within ninety (90) days after the occurrence thereof except as otherwise permitted by the TIA. Except in the case of a Default in payment of principal of, or interest on, or Premium, if any, or Break Amount, if any, with respect to, any Note, the Trustee may withhold the notice if and so long as it, in good faith, determines that withholding the notice is in the interests of the Noteholders.

#### Section 8.6 REPORTS BY TRUSTEE TO HOLDERS.

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

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

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

#### Section 8.7 COMPENSATION AND INDEMNITY.

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

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

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

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

#### Section 8.8 REPLACEMENT OF TRUSTEE.

The Trustee for any Series may resign by so notifying the Company, the Liquidity Provider and the Policy Provider in writing. The Controlling Party may remove the Trustee for any Series by so notifying the Trustee in writing and may appoint a successor Trustee with the Company's consent, which consent shall not be unreasonably refused or delayed. The Company may remove the Trustee for any Series if:

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

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

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

(d) such Trustee becomes incapable of acting; or

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

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

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

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

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

Notwithstanding replacement of the Trustee pursuant to this Section 8.8, the Company's obligations under Section 8.7 shall continue for the benefit of the retiring Trustee (whether in its capacity as Trustee or Collateral Agent) which shall retain its claim pursuant to Section 8.7.

The resignation, removal and replacement of each Collateral Agent shall be governed by the applicable Collateral Agreement.

#### Section 8.9 SUCCESSOR TRUSTEE BY MERGER, ETC.

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

#### Section 8.10 ELIGIBILITY; DISQUALIFICATION.

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

#### Section 8.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

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

#### Section 8.12 OTHER CAPACITIES.

If the Trustee shall serve as the Collateral Agent, the Person serving in such capacities shall have and may effectively exercise all the rights, remedies

and powers, and be entitled to all protections and indemnifications, provided to such Person in whatever capacities such Person then serves under any and all of the Indenture, the other Operative Documents and the Support Documents, regardless of the capacity or capacities in which such Person may purport to take or omit any action. The Trustee agrees to and shall have the benefit of all provisions of the Operative Documents stated therein to be applicable to the Trustee.

#### Section 8.13 TRUST ACCOUNTS.

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

(b) Funds on deposit in the Trust Accounts shall be invested and reinvested by the Trustee in Eligible Investments selected by the Trustee if such investments are reasonably available and have maturities no later than the earlier of (i) 90 days following the date of such investment and (ii) the Business Day immediately preceding the Interest Payment Date next following the date of such investment; PROVIDED, HOWEVER, that following the making of a Downgrade Drawing or a Non-Extension Drawing under the Liquidity Facility, the Trustee shall invest and reinvest such amounts in Eligible Investments at the direction of the Company (or, if and to the extent so specified to the Trustee by the Company, the Liquidity Provider); PROVIDED FURTHER, HOWEVER, that, notwithstanding the foregoing proviso, following the making of a Non-Extension Drawing under the initial Liquidity Facility, the Trustee shall invest and reinvest the amounts in the Cash Collateral Account with respect to such Liquidity Facility in Eligible Investments pursuant to the written instructions of the Liquidity Provider; PROVIDED FURTHER, HOWEVER, that upon the occurrence and during the continuation of an Event of Default, the Trustee shall invest and reinvest such amounts in accordance with the written instructions of the Controlling Party. Unless otherwise expressly provided in this Indenture (including, without limitation, with respect to Investment Earnings on amounts on deposit in the Cash Collateral Account pursuant to Section 3.5(f) hereof), any Investment Earnings shall be deposited in the Collection Account when received by the Trustee and shall be applied by the Trustee in the same manner as the other amounts on deposit in the Collection Account are to be applied and any losses shall be charged against the principal amount invested, in each case net of the Trustee's reasonable fees and expenses in making such investments. The Trustee shall not be liable for any loss resulting from any investment, reinvestment or liquidation required to be made under this Indenture other than

by reason of its willful misconduct or gross negligence. Eligible Investments and any other investment required to be made hereunder shall be held to their maturities except that any such investment may be sold (without regard to its maturity) by the Trustee without instructions whenever such sale is necessary to make a distribution required under the Indenture. Uninvested funds held hereunder shall not earn or accrue interest.

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

#### Section 8.14 DEPOSITS TO THE COLLECTION ACCOUNT.

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

#### Section 8.15 CERTAIN PAYMENTS.

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

### ARTICLE 9.

#### DISCHARGE OF INDENTURE

##### Section 9.1 DISCHARGE OF LIABILITY ON NOTES.

(a) When (i) the Company delivers to the Trustee all Outstanding Notes (other than Notes replaced pursuant to Section 2.12) for cancellation or (ii) all Outstanding Notes have become due and payable, whether at maturity or as a result of the mailing of a notice of redemption pursuant to Article 4 hereof and

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

(b) Notwithstanding clause (a) above, the provisions of Sections 2.1 through 2.17, inclusive, 2A.1 through 2A.7, inclusive, 6.1, 8.7 and 8.8 and in this Article 9 shall survive until the Outstanding Notes have been paid in full. Thereafter, the Company's obligations in Sections 6.1, 8.7, 9.3 and 9.4 shall survive.

#### Section 9.2 APPLICATION OF TRUST MONEY.

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

#### Section 9.3 REPAYMENT TO COMPANY.

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

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

#### Section 9.4 REINSTATEMENT.

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

reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the cash held by the Trustee or Paying Agent.

#### ARTICLE 10.

##### AMENDMENTS, SUPPLEMENTS AND WAIVERS

###### Section 10.1 WITHOUT CONSENT OF THE CONTROLLING PARTY OR HOLDERS.

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

(i) to provide for uncertificated Notes of any Series in addition to or in place of certificated Notes of such Series;

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

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

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

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

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

(vii) to provide for any successor Collateral Agent or Trustee with respect to the Notes of one or more Series and to add to or change any of the provisions of the Indenture as shall be necessary or advisable to provide for or facilitate the administration of the trusts hereunder by more than one Trustee;

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

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

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

(a) The Company and the Trustee or the Collateral Agent, as the case may be, may amend or supplement this Indenture, the Notes and the other Operative Documents and, upon request of the Company, the Trustee shall amend or supplement the Support Documents, in each case without notice to or consent of the Liquidity Provider or the Policy Provider and without notice to any Noteholder but with the written consent of the Controlling Party, PROVIDED that (i) Sections 3.5, 3.6, 3.8 and 3.9 of this Indenture may not be modified without the consent of the Liquidity Provider and the Policy Provider, (ii) the Collateral Maintenance Agreement and the Support Documents may not be modified other than in accordance with the provisions thereof, (iii) Sections 3.8(b), 3.8(c) and 7.14 of this Indenture, this clause (iii), the following clause (iv) and the definition of "Event of Default" may not be modified without the consent of the Required Subordinated Holders (it being understood that the foregoing does not affect the right of the Controlling Party to waive an Event of Default) and (iv) an amendment of any defined term used in the definition of "Maximum Subordinated Collateral Ratio" or "Subordinated Collateral Ratio" or in any such defined term will not be effective for purposes of the definitions of "Maximum Subordinated Collateral Ratio" or "Subordinated Collateral Ratio" unless consented to by the Required Subordinated Holders. Subject to Sections 7.4, 7.5 and 7.7, unless any Event of Default has occurred and is continuing, the Controlling Party may authorize the Trustee to, and the Trustee, subject to Section 10.6, upon such authorization shall, waive compliance by the Company with any provision of this Indenture, the Notes or the other Operative Documents, PROVIDED that compliance by the Company with the provisions of the Collateral Maintenance Agreement may not be waived other than in accordance with the provisions thereof. However, an amendment, supplement or waiver, including a waiver pursuant to any provision of Section 7.4, may not without the consent of the Liquidity Provider, the Policy Provider and each Securityholder affected:

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

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

(iii) reduce the amount or extend the time for payment of principal of or Premium, if any or Break Amount, if any, with respect to (in each case, whether on redemption or otherwise) any Security;

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



(v) change the distribution and application of payments as described in Section 3.2 of this Indenture;

(vi) waive a default in the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to any Security;

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

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

In addition, an amendment, supplement or waiver, including a waiver pursuant to any provision of Section 7.4, may not without the consent of each Subordinated Securityholder affected:

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

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

(iii) reduce the amount or extend the time for payment of principal of or Premium, if any or Break Amount, if any, with respect to (in each case, whether on redemption or otherwise) any Subordinated Security;

(iv) change the definitions of "Maximum Subordinated Collateral Ratio" or "Subordinated Collateral Ratio";

(v) increase the principal amount of, or the rate of interest on, the Securities;

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

(vii) change the distribution and application of payments as described in Section 3.2 of this Indenture;

(viii) waive a default in the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to any Subordinated Security;

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

(x) impair the right of any Holder to institute suit for the enforcement of any amount payable on any Subordinated Security when due;

PROVIDED that an amendment, supplement or waiver with respect to the foregoing clauses (i), (ii), (iii), (iv), (vi), (viii) or (x) shall not require the consent of the Controlling Party or of the Liquidity Provider or Policy Provider (if not then the Controlling Party).

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

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

#### Section 10.3 COMPLIANCE WITH TRUST INDENTURE ACT.

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

#### Section 10.4 REVOCATION AND EFFECT OF CONSENTS.

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

(b) After an amendment, supplement or waiver becomes effective, it shall bind every Noteholder, unless it makes a change described in any of clauses (i) through (viii) of the third sentence of Section 10.2(a) or any of clauses (i) through (viii) of the fourth sentence of Section 10.2(a). In that case the amendment, supplement or waiver shall bind (x) each Holder of a Note whose consent was required under Section 10.2(a) and who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note and (y) each other Holder whose consent was not required under Section 10.2(a); PROVIDED, HOWEVER, that no amendment, supplement or waiver relating to any impairment of the right to receive principal, interest, Premium, if any, or Break Amount, if any, when due and payable consented to by a Holder shall be binding upon any subsequent Holder of a Note or a portion of a Note that evidences the same debt as the consenting Holder's Note unless notation with regard thereto is made upon such Note or the Note representing such portion.

Section 10.5 NOTATION ON OR EXCHANGE OF NOTES.

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

Section 10.6 TRUSTEE TO SIGN AMENDMENTS, ETC.

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

Section 10.7 EFFECT OF SUPPLEMENT AND/OR AMENDMENT.

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

ARTICLE 11.

SECURITY

Section 11.1 OTHER OPERATIVE DOCUMENTS.

(a) To secure the due and punctual payment, performance and observance of the Obligations, the Company simultaneously with the execution of the Original Indenture entered into the Security Agreement and has granted a security interest on the Spare Parts Collateral to the Security Agent in the manner and to the extent therein provided and, simultaneously with the execution of this Indenture, the Company has entered into Amendment No. 1 to Security Agreement to secure, among other things, the Company's obligations with respect to the Subordinated Securities. WTC was appointed as Security Agent and authorized and directed to enter into the Security Agreement on the Original Closing Date. Each Noteholder, by accepting a Note, agrees to all of the terms and provisions of

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

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

#### Section 11.2 OPINIONS, CERTIFICATES AND APPRAISALS.

(a) The Company shall furnish to the Trustee promptly after the execution and delivery of the Original Indenture an Opinion of Counsel stating that in the opinion of such counsel the Original Indenture or Security Agreement has been properly recorded and filed so as to make effective the Lien intended to be created thereby and reciting the details of such actions, or stating that, in the opinion of such counsel, no such action is necessary to make such Lien effective. The Company shall furnish to the Trustee promptly after the execution and delivery of this Indenture an Opinion of Counsel stating that in the opinion of such counsel Amendment No. 1 to Security Agreement has been properly filed and recorded with the FAA and reciting the details of such actions.

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

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

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

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

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

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

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

Section 11.5 AGREEMENT AS TO FAIR MARKET VALUE.

The Company and the Trustee acknowledge that the use of Fair Market Value herein or in the other Operative Documents is strictly and solely for convenience in establishing the amount of Collateral and any substitutions therefor under the Operative Documents. Accordingly, the Fair Market Value of any Collateral subjected to the Lien of a Collateral Agreement is not an indication of and shall not be deemed an agreement by the parties as the basis for valuation of such Collateral for purposes of determining the value of the Trustee's secured claim against the Company, adequate protection of the Trustee's interest in the Collateral or for any other purpose in any bankruptcy, receivership or insolvency proceeding involving the Company or any remedial action brought by the Trustee or Collateral Agent, except to the extent such valuations are mandated by applicable law, or any court with jurisdiction over

such proceedings, in either case without regard to the use of the concept of Fair Market Value by the parties hereto.

ARTICLE 12.

MISCELLANEOUS

Section 12.1 CONFLICT WITH TRUST INDENTURE ACT OF 1939.

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

Section 12.2 NOTICES; WAIVERS.

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

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

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

Telecopier No.: (713) 324-2447

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

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

Telecopier No.: (302) 651-8882

(c) the Liquidity Provider shall be sufficient for every purpose hereunder if in writing and sent by personal delivery, by telecopier, by registered or

certified mail or by nationally recognized overnight courier, postage or courier charges, as the case may be, prepaid, to the Liquidity Provider at:

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

Telecopier No.: (212) 761-0350

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

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

Telecopier No.: (914) 765-3163

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

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

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

Section 12.3 COMMUNICATIONS BY HOLDERS WITH OTHER HOLDERS.

Noteholders may communicate pursuant to TIA ss. 312(b) with other Noteholders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and any other person shall have the protection of TIA ss. 312(c).

Section 12.4 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

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

Section 12.5 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

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

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

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



of such counsel, such counsel may rely upon the opinion of counsel qualified in such other jurisdiction or area of law.

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

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

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

#### Section 12.6 RULES BY TRUSTEE, PAYING AGENT, REGISTRAR.

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

#### Section 12.7 EFFECT OF HEADINGS.

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

#### Section 12.8 GOVERNING LAW.

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

Section 12.9 QUIET ENJOYMENT.

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

Section 12.10 NO RECOURSE AGAINST OTHERS.

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

Section 12.11 BENEFITS OF INDENTURE AND THE SECURITIES RESTRICTED.

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

Section 12.12 SUCCESSORS AND ASSIGNS.

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

Section 12.13 COUNTERPART ORIGINALS.

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

Section 12.14 SEVERABILITY.

The provisions of this Indenture are severable, and if any clause or provision shall be held invalid, illegal or unenforceable in whole or in part in

any jurisdiction, then such invalidity or unenforceability shall affect in that jurisdiction only such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Indenture in any jurisdiction, and a Holder shall have no claim therefor against any party hereto.

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

CONTINENTAL AIRLINES, INC.

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

WILMINGTON TRUST COMPANY,  
as Trustee

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

MORGAN STANLEY CAPITAL SERVICES INC.,  
as Liquidity Provider

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

MBIA INSURANCE CORPORATION,  
as Policy Provider

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

Appendix I

DEFINITIONS APPENDIX

SECTION 1. DEFINED TERMS.

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

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

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

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

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

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

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

"AGENT MEMBERS" is defined in Section 2.5(a) of the Indenture.

"AIRCRAFT" means any contrivance invented, used, or designed to navigate, or fly in, the air.

"AMENDMENT NO. 1 TO COLLATERAL MAINTENANCE AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Collateral Maintenance Agreement.

"AMENDMENT NO. 1 TO REFERENCE AGENCY AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Reference Agency Agreement.

"AMENDMENT NO. 1 TO SECURITY AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Security Agreement.

"ANNUAL METHODOLOGY" means, in determining an opinion as to the Fair Market Value of the Spare Parts Collateral, taking at least the following actions: (i) reviewing the Parts Inventory Report

prepared as of the applicable Valuation Date; (ii) reviewing the Independent Appraiser's internal value database for values applicable to Qualified Spare Parts included in the Spare Parts Collateral; (iii) developing a representative sampling of a reasonable number of the different Qualified Spare Parts included in Spare Parts Collateral for which a market check will be conducted; (iv) checking other sources, such as manufacturers, other airlines, U.S. government procurement data and airline parts pooling price lists, for current market prices of the sample parts referred to in clause (iii); (v) establishing an assumed ratio of Serviceable Parts to Unserviceable Parts as of the applicable Valuation Date based upon information provided by the Company and the Independent Appraiser's limited physical review of the Spare Parts Collateral referred to in the following clause (vi); (vi) visiting at least two locations selected by the Independent Appraiser where the Pledged Spare Parts are kept by the Company (neither of which was visited for purposes of the last appraisal under Section 2.1 or 2.2 of the Collateral Maintenance Agreement, whichever was most recent), PROVIDED that at least one such location shall be one of the top three locations at which the Company keeps the largest number of Pledged Spare Parts, to conduct a limited physical inspection of the Spare Parts Collateral; (vii) conducting a limited review of the inventory reporting system applicable to the Pledged Spare Parts, including checking information reported in such system against information determined through physical inspection pursuant to the preceding clause (vi) and (viii) reviewing a sampling of the Spare Parts Documents (including tear-down reports).

"ANNUAL VALUATION DATE" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"APPLIANCE" means an instrument, equipment, apparatus, a part, an appurtenance, or an accessory used, capable of being used, or intended to be used, in operating or controlling Aircraft in flight, including a parachute, communication equipment, and another mechanism installed in or attached to Aircraft during flight, and not a part of an Aircraft, Engine, or Propeller.

"APPLICABLE MARGIN" means 0.90%.

"APPLICABLE PERIOD" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"APPRAISAL COMPLIANCE REPORT" means, as of any date, a report providing information relating to the calculation of the Collateral Ratio, the Subordinated Collateral Ratio, Rotable Ratio and Subordinated Rotable Ratio, which shall be substantially in the form of Appendix II to the Collateral Maintenance Agreement.

"APPRAISED VALUE" means, with respect to any Collateral, the Fair Market Value of such Collateral as most recently determined pursuant to (i) the report attached as Appendix II to the Offering Memo or (ii) Article 2 and, if applicable, Section 3.1 of the Collateral Maintenance Agreement.

"AVAILABLE AMOUNT" means, as of any date, the Maximum Available Commitment (as defined in the Liquidity Facility) on such date.

"AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"BANKRUPTCY CODE" means the United States Bankruptcy Code, 11 U.S.C. Section 101 ET SEQ.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any committee of such board duly authorized to act in respect of any particular matter.

"BREAK AMOUNT" means, as of any date of payment, redemption or acceleration of any Note (the "APPLICABLE DATE"), an amount determined by the Reference Agent on the date that is two Business Days prior to the Applicable Date pursuant to the formula set forth below; PROVIDED, HOWEVER, that no Break Amount will be payable (x) if the Break Amount, as calculated pursuant to the formula set forth below, is equal to or less than zero or (y) on or in respect of any Applicable Date that is an Interest Payment Date (or, if such an Interest Payment Date is not a Business Day, the next succeeding Business Day)

Break Amount = Z-Y

Where:

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

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

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

"BUSINESS DAY" means any day that is a day for trading by and between banks in the London interbank Eurodollar market and that is other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Houston, Texas, New York, New York, or, so long as any Security is outstanding, the city and state in which the Trustee maintains its Corporate Trust Office or, solely with respect to draws under any Policy, the city and state in which the office of the Policy Provider at which notices, presentations, transmissions, deliveries and communications are to be made under the Policy is located, and that, solely with respect to draws under the Liquidity Facility, also is a "Business Day" as defined in the Liquidity Facility.

"CAPPED INTEREST RATE" means a rate per annum equal to 12%.

"CASH COLLATERAL" means cash and/or Investment Securities deposited or to be deposited with the Collateral Agent or an Eligible Institution and subject to the Lien of any Collateral Agreement.

"CASH COLLATERAL ACCOUNT" means an Eligible Deposit Account in the name of the Trustee maintained at an Eligible Institution, which shall be the Trustee if

it shall so qualify, into which all amounts drawn under the Liquidity Facility pursuant to Section 3.5(c), 3.5(d) or 3.5(i) of the Indenture shall be deposited.

"CITIZEN OF THE UNITED STATES" is defined in 49 U.S.C.s.s. 40102(a)(15).

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"CLEARSTREAM" means Clearstream Banking societe anonyme, Luxembourg.

"CLOSING DATE" means the Issuance Date.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" means the Spare Parts Collateral and all other collateral in which the Collateral Agent has a security interest pursuant to the Collateral Agreements.

"COLLATERAL AGENT" means the Security Agent and each other Person acting as agent on behalf of the Holders under any other Collateral Agreement.

"COLLATERAL AGREEMENT" means the Security Agreement and any agreement under which a security interest has been granted pursuant to Section 3.1(a)(ii) of the Collateral Maintenance Agreement.

"COLLATERAL MAINTENANCE AGREEMENT" means the Collateral Maintenance Agreement, dated as of the Issuance Date, between the Company and the Policy Provider.

"COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral), as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"COLLECTION ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13 of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"COMPANY" means the party named as such in the Indenture or any obligor on the Notes until a successor replaces it pursuant to the Indenture and thereafter means the successor.

"CONSENT PERIOD" is defined in Section 3.5(d) of the Indenture.

"CONTINENTAL BANKRUPTCY EVENT" means the occurrence and continuation of an Event of Default under Section 7.1(d), (e) or (f) of the Indenture.

"CONTINENTAL CASH BALANCE" means the sum of (a) the amount of cash and cash equivalents that would have been shown on the balance sheet of Continental and



its consolidated subsidiaries prepared in accordance with GAAP as of any Valuation Date, plus (b) the amount of marketable securities that would have been reflected on such balance sheet which had, as of such Valuation Date, a maturity of less than one year and which, but for their maturity, would have qualified to be reflected on such balance sheet as cash equivalents.

"CONTROLLING PARTY" means the Person entitled to act as such pursuant to the terms of Section 3.8 of the Indenture.

"CORPORATE TRUST OFFICE" when used with respect to the Trustee means the office of the Trustee at which at any particular time its corporate trust business is administered and which, at the Closing Date, is located at Wilmington Trust Company, as Trustee, Rodney Square North 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

"DEBT BALANCE" means 110% of the principal amount of the Outstanding Notes.

"DEBT RATE" means a rate per annum equal, in the case of the first Interest Period for the Securities, to 2.32% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Registration Rights Agreement) occurs on or prior to the 210th day after the Closing Date, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement), PROVIDED that the additional margin added to the Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time, PROVIDED FURTHER that, if a default in the payment of interest on the Securities occurs and is continuing on any Interest Payment Date, then the Debt Rate applicable to the Interest Period ending on such Interest Payment Date shall not exceed the Capped Interest Rate, except that for purposes of any payment made by the Company intended to cure such default, this proviso shall not apply.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"DEFINITIONS APPENDIX" means the Definitions Appendix attached as Appendix I to the Indenture and constituting a part of the Indenture.

"DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"DESIGNATED LOCATIONS" means the locations in the U.S. designated from time to time by the Company at which the Pledged Spare Parts may be maintained by or on behalf of the Company, which initially shall be the locations set forth on Schedule 1 to the Security Agreement and shall include the additional locations designated by the Company pursuant to Section 4.04(d) of the Security Agreement.

"DESIGNATED REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"DISTRIBUTION DATE" means (i) each Scheduled Payment Date (and, if a Payment required to be paid to the Trustee for distribution on such Scheduled Payment Date has not been so paid by 12:30 p.m., New York time, in whole or in part, on such Scheduled Payment Date, the next Business Day on which the Trustee receives some or all of such Payment by 12:30 p.m., New York time, except for a defaulted payment of interest that is not paid within five days after the Scheduled Payment Date therefor), (ii) each day established for payment by the Trustee pursuant to Section 7.10, (iii) the Non-Performance Payment Date, (iv) the Final Legal Maturity Date, (v) the Election Distribution Date, (vi) the Policy Election Distribution Date, (vii) the date established as a Distribution Date pursuant to Section 3.6(f) of the Indenture and (viii) solely for purposes of payments to be made by the Policy Provider pursuant to Section 3.6(d) of the Indenture and not for purposes of any other payment or distribution under the Indenture, the date established for such payment in accordance with the Policy.

"DOWNGRADE DRAWING" is defined in Section 3.5(c) of the Indenture.

"DOWNGRADE EVENT" has the meaning assigned to such term in Section 3.5(c) of the Indenture.

"DOWNGRADED FACILITY" is defined in Section 3.5(c) of the Indenture.

"DRAWING" means an Interest Drawing, a Final Drawing, a Non-Extension Drawing or a Downgrade Drawing, as the case may be.

"DTC" means The Depository Trust Company, its nominees and their respective successors.

"ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"ELIGIBLE ACCOUNT" means an account established by and with an Eligible Institution at the request of the Security Agent, which institution agrees, for all purposes of the New York UCC including Article 8 thereof, that (a) such account shall be a "securities account" (as defined in Section 8-501 of the New York UCC), (b) such institution is a "securities intermediary" (as defined in Section 8-102(a)(14) of the New York UCC), (c) all property (other than cash) credited to such account shall be treated as a "financial asset" (as defined in Section 8-102(9) of the New York UCC), (d) the Security Agent shall be the "entitlement holder" (as defined in Section 8-102(7) of the New York UCC) in respect of such account, (e) it will comply with all entitlement orders issued by the Security Agent to the exclusion of the Company, (f) it will waive or subordinate in favor of the Security Agent all claims (including without limitation, claims by way of security interest, lien or right of set-off or

right of recoupment), and (g) the "securities intermediary jurisdiction" (under Section 8-110(e) of the New York UCC) shall be the State of New York.

"ELIGIBLE DEPOSIT ACCOUNT" means either (a) a segregated account with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent. An Eligible Deposit Account may be maintained with the Liquidity Provider so long as the Liquidity Provider is an Eligible Institution; provided that such Liquidity Provider shall have waived all rights of set-off and counterclaim with respect to such account.

"ELIGIBLE INSTITUTION" means (a) the Security Agent or (b) a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), which has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent.

"ELIGIBLE INVESTMENTS" means (a) investments in obligations of, or guaranteed by, the U.S. Government having maturities no later than 90 days following the date of such investment, (b) investments in open market commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof with a short-term unsecured debt rating issued by Moody's of at least P-1 and a short-term issuer credit rating issued by Standard & Poor's of at least A-1 having maturities no later than 90 days following the date of such investment or (c) investments in negotiable certificates of deposit, time deposits, banker's acceptances, commercial paper or other direct obligations of, or obligations guaranteed by, commercial banks organized under the laws of the United States or of any political subdivision thereof (or any U.S. branch of a foreign bank) with a short-term unsecured debt rating by Moody's of at least P-1 and a short-term issuer credit rating by Standard & Poor's of at least A-1, having maturities no later than 90 days following the date of such investment; PROVIDED, HOWEVER, that (x) all Eligible Investments that are bank obligations shall be denominated in U.S. dollars; and (y) the aggregate amount of Eligible Investments at any one time that are bank obligations issued by any one bank shall not be in excess of 5% of such bank's capital surplus; PROVIDED FURTHER that any investment of the types described in clauses (a), (b) and (c) above may be made through a repurchase agreement in commercially reasonable form with a bank or other financial institution qualifying as an Eligible Institution so long as such investment is held by a third party custodian also qualifying as an Eligible Institution; PROVIDED FURTHER, HOWEVER, that in the case of any Eligible Investment issued by a domestic branch of a foreign bank, the income from such investment shall be from sources within the United States for purposes of the Code. Notwithstanding the foregoing, no investment of the types described in clause (b) above which is issued or guaranteed by the Company or any of its Affiliates, and no investment in the obligations of any one bank in excess of \$10,000,000, shall be an Eligible Investment unless written approval has been obtained from the Policy Provider and a Ratings Confirmation shall have been received with respect to the making of such investment.

"ENGINE" means an engine used, or intended to be used, to propel an Aircraft, including a part, appurtenance, and accessory of the Engine, except a Propeller.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time

"EUROCLEAR" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"EVENT OF DEFAULT" is defined in Section 7.1 of the Indenture.

"EVENT OF LOSS" means (i) the loss of any of the Pledged Spare Parts or of the use thereof due to destruction, damage beyond repair or rendition of any of the Pledged Spare Parts permanently unfit for normal use for any reason whatsoever (other than the use of Expendables in the Company's operations); (ii) any damage to any of the Pledged Spare Parts which results in the receipt of insurance proceeds with respect to such Pledged Spare Parts on the basis of an actual or constructive loss; or (iii) the loss of possession of any of the Pledged Spare Parts by the Company for ninety (90) consecutive days as a result of the theft or disappearance of such Pledged Spare Parts.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"EXCHANGE FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"EXCHANGE FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007" is defined in Section 2A.1(a) of the Indenture.

"EXCHANGE OFFER" means (i) with respect to the Securities, the exchange offer which may be made pursuant to the Registration Rights Agreement to exchange Initial Securities for Exchange Securities and (ii) with respect to the Subordinated Securities, the exchange offer which may be made pursuant to the Subordinated Security Registration Rights Agreement to exchange Initial Subordinated Securities for Exchange Subordinated Securities.

"EXCHANGE OFFER REGISTRATION STATEMENT" means (i) with respect to the Securities, the registration statement that, pursuant to the Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Securities for Exchange Securities and (ii) with respect to Subordinated Securities, the registration statement that, pursuant to the Subordinated Security Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Subordinated Securities for Exchange Subordinated Securities.

"EXCHANGE SECURITIES" means the securities substantially in the form of Exhibit A to the Indenture issued in exchange for the Initial Securities pursuant to the Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCHANGE SUBORDINATED SECURITIES" means the securities substantially in the form of Exhibit D to the Indenture issued in exchange for the Initial Subordinated Securities pursuant to the

Subordinated Security Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCLUDED PARTS" means Spare Parts and Appliances held by the Company at a location not a Designated Location.

"EXPENDABLES" means Qualified Spare Parts other than Rotables.

"EXPENSES" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims, actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation).

"FAA" means the Federal Aviation Administration or similar regulatory authority established to replace it.

"FAA FILED DOCUMENTS" means the Security Agreement and Amendment No. 1 to Security Agreement.

"FACILITY OFFICE" means, with respect to any Liquidity Facility, the office of the Liquidity Provider thereunder, presently located at 1585 Broadway, New York, New York 10036, or such other office as such Liquidity Provider from time to time shall notify the Trustee as its "Facility Office" under any such Liquidity Facility; provided that such Liquidity Provider shall not change its Facility Office to another Facility Office outside the United States of America except in accordance with Sections 3.01, 3.02 or 3.03 of any such Liquidity Facility.

"FAIR MARKET VALUE" means, with respect to any Collateral, its fair market value determined on the basis of a hypothetical sale negotiated in an arm's length free market transaction between a willing and able seller and a willing and able buyer, neither of whom is under undue pressure to complete the transaction, under then current market conditions, provided that cash shall be valued at its Dollar amount.

"FEDERAL AVIATION ACT" means Title 49 of the United States Code, "Transportation", as amended from time to time, or any similar legislation of the United States enacted in substitution or replacement thereof.

"FEE LETTERS" means, collectively, (i) the Fee Letter dated as of the Closing Date between the Trustee and the initial Liquidity Provider with respect to the initial Liquidity Facility and (ii) any fee letter entered into between the Trustee and any Replacement Liquidity Provider in respect of any Replacement Liquidity Facility.

"FINAL DRAWING" is defined in Section 3.5(i) of the Indenture.

"FINAL LEGAL MATURITY DATE" means December 6, 2009.

"FINAL ORDER" has the meaning assigned to such term in the Policy.

"FINAL SCHEDULED PAYMENT DATE" means December 6, 2007.

"FINANCING STATEMENTS" means, collectively, UCC-1 financing statements covering the Spare Parts Collateral, by the Company, as debtor, showing the Security Agent as secured party, for filing in Delaware, Guam and each other jurisdiction that, in the opinion of the Security Agent, is necessary to perfect its Lien on the Spare Parts Collateral.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"GLOBAL EXCHANGE SECURITY" is defined in Section 2.1(f) of the Indenture.

"GLOBAL EXCHANGE SUBORDINATED SECURITY" is defined in Section 2A.1(f) of the Indenture.

"GLOBAL SECURITIES" is defined in Section 2.1(d) of the Indenture.

"GLOBAL SUBORDINATED SECURITIES" is defined in Section 2A.1(d) of the Indenture.

"GOVERNMENT ENTITY" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Documents or relating to the observance or performance of the obligations of any of the parties to the Operative Documents.

"HOLDER" or "NOTEHOLDER" means the Person in whose name a Note is registered on the Registrar's books.

"INDEMNITEE" means (i) WTC, the Trustee and the Collateral Agent, (ii) each separate or additional trustee or security agent appointed pursuant to the Indenture, (iii) each Liquidity Provider, (iv) the Policy Provider, and (v) each of the respective directors, officers, employees, agents and servants of each of the persons described in clauses (i) through (iv) inclusive above.

"INDENTURE" means the Amended and Restated Indenture dated as of May 9, 2003, among the Company, the Trustee, the Liquidity Provider and the Policy Provider under which the Notes are issued.

"INDENTURE DISCHARGE DATE" means the date of the termination of the effectiveness of the Indenture pursuant to Section 9.1(a) thereof (without giving effect to Section 9.1(b) thereof).

"INDENTURE TRUSTEE" means the Trustee.

"INDEPENDENT APPRAISER" means Simat, Helliesen & Eichner, Inc. or any other Person (i) engaged in a business which includes appraising Aircraft and assets related to the operation and maintenance of Aircraft from time to time and (ii) who does not have any material financial interest in the Company and is not connected with the Company or any of its Affiliates as an officer, director, employee, promoter, underwriter, partner or person performing similar functions.

"INDEPENDENT APPRAISER'S CERTIFICATE" means a certificate signed by an Independent Appraiser and attached as Appendix II to the Offering Memo or delivered thereafter pursuant to Article 2 or Section 3.1 of the Collateral Maintenance Agreement.

"INITIAL CASH COLLATERAL" shall mean cash in the amount of \$13,056,950.

"INITIAL FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"INITIAL FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007" is defined in Section 2A.1(a) of the Indenture.

"INITIAL PURCHASER" means Morgan Stanley & Co. Incorporated.

"INITIAL SECURITIES" mean the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit A thereto, other than the Exchange Securities.

"INITIAL SUBORDINATED SECURITIES" means the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit D thereto, other than the Exchange Subordinated Securities.

"INSTITUTIONAL ACCREDITED INVESTOR" means an institutional investor that is an "accredited investor" within the meaning set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"INTEREST DRAWING" is defined in Section 3.5(a) of the Indenture.

"INTEREST PAYMENT DATE" means March 6, June 6, September 6 and December 6 of each year so long as any Note is Outstanding (commencing March 6, 2003 in the case of the Securities and June 6, 2003 in the case of the Subordinated Securities), PROVIDED that if any such day is not a Business Day, then the relevant Interest Payment Date shall be the next succeeding Business Day.

"INTEREST PERIOD" means (i) in the case of the first Interest Period, the period commencing on (and including) the Closing Date (in the case of the Securities) or the Subordinated Closing Date (in the case of the Subordinated Securities) and ending on (but excluding) the first Interest Payment Date following such date and (ii) in the case of each subsequent Interest Period, the period commencing on (and including) the last day of the immediately preceding Interest Period, and ending on (but excluding) the next Interest Payment Date.

"INVESTMENT EARNINGS" means investment earnings on funds on deposit in the Trust Accounts net of losses and investment expenses of the Trustee in making such investments.

"INVESTMENT SECURITY" means (a) any bond, note or other obligation which is a direct obligation of or guaranteed by the U.S. or any agency thereof; (b) any obligation which is a direct obligation of or guaranteed by any state of the U.S. or any subdivision thereof or any agency of any such state or subdivision, and which has the highest rating published by Moody's or Standard & Poor's; (c) any commercial paper issued by a U.S. obligor and rated at least P-1 by Moody's or A-1 by Standard & Poor's; (d) any money market investment instrument relying upon the credit and backing of any bank or trust company which is a member of the Federal Reserve System and which has a combined capital (including capital reserves to the extent not included in capital) and surplus and undivided profits of not less than \$250,000,000 (including the Collateral Agent and its Affiliates if such requirements as to Federal Reserve System membership and combined capital and surplus and undivided profits are satisfied), including, without limitation, certificates of deposit, time and other interest-bearing deposits, bankers' acceptances, commercial paper, loan and mortgage participation certificates and documented discount notes accompanied by irrevocable letters of credit and money market fund investing solely in securities backed by the full faith and credit of the United States; or (e) repurchase agreements collateralized by any of the foregoing.

"ISSUANCE DATE" means the date of initial issuance of the Initial Securities.

"LAW" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"LIBOR" has the meaning specified in the Reference Agency Agreement.

"LIBOR ADVANCE" has the meaning provided in the Liquidity Facility.

"LIEN" means any mortgage, pledge, lease, security interest, encumbrance, lien or charge of any kind affecting title to or any interest in property.

"LIQUIDITY EVENT OF DEFAULT" has the meaning assigned to such term in the Liquidity Facility.

"LIQUIDITY EXPENSES" means all Liquidity Obligations other than (i) the principal amount of any Drawings under the Liquidity Facility and (ii) any interest accrued on any Liquidity Obligations.

"LIQUIDITY FACILITY" means, initially, the Revolving Credit Agreement dated as of the Issuance Date, between the Trustee and the initial Liquidity Provider, and from and after the replacement of such Revolving Credit Agreement pursuant hereto, the Replacement Liquidity Facility therefor, if any, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms.



"LIQUIDITY GUARANTEE" means the Guarantee Agreement, dated as of the date of the Original Indenture, providing for the guarantee by the Liquidity Guarantor of the obligations of the Liquidity Provider under the Liquidity Facility.

"LIQUIDITY GUARANTOR" means Morgan Stanley.

"LIQUIDITY OBLIGATIONS" means all principal, interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility or the Fee Letter.

"LIQUIDITY PROVIDER" means Morgan Stanley Capital Services Inc., together with any Replacement Liquidity Provider which has issued a Replacement Liquidity Facility to replace any Liquidity Facility pursuant to Section 3.5(e) of the Indenture.

"LIQUIDITY PROVIDER REIMBURSEMENT DATE" is defined in Section 3.6(d) of the Indenture.

"LOANS" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MATERIAL ADVERSE CHANGE" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Documents.

"MAXIMUM COLLATERAL RATIO" means 45%.

"MAXIMUM SUBORDINATED COLLATERAL RATIO" means 67.5%.

"MINIMUM ROTABLE RATIO" means 150%.

"MINIMUM SUBORDINATED ROTABLE RATIO" means 100%.

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

"MOVES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MSCS" has the meaning specified in the first paragraph of the Indenture.

"NEW YORK UCC" is defined in Section 1.01 of the Security Agreement.

"NONAPPRAISAL COMPLIANCE REPORT" means a report providing information relating to compliance by the Company with Section 3.2 of the Collateral Maintenance Agreement, which shall be substantially in the form of Appendix III to the Collateral Maintenance Agreement.

"NON-CONTROLLING PARTY" means, at any time, the Securityholders, the Subordinated Securityholders, the Liquidity Provider and the Policy Provider, excluding whichever is the Controlling Party at such time.

"NON-EXTENDED FACILITY" is defined in Section 3.5(d) of the Indenture.

"NON-EXTENSION DRAWING" is defined in Section 3.5(d) of the Indenture.

"NON-PERFORMANCE DRAWING" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMANCE PAYMENT DATE" is defined in Section 3.6(c) of the Indenture.

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

"NON-PERFORMING PERIOD" is defined in Section 3.6(c) of the Indenture.

"NON-U.S. PERSON" means any Person other than a U.S. person, as defined in Regulation S.

"NOTES" means the Securities and the Subordinated Securities.

"NOTEHOLDER" means any holder of one or more Notes.

"NOTICE OF AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"NOTICE FOR PAYMENT" means a Notice of Nonpayment as such term is defined in the Policy.

"OBLIGATIONS" is defined in Section 2.01 of the Security Agreement.

"OFFERING MEMO" means the Offering Memorandum, dated December 2, 2002, of the Company relating to the offering of the Securities.

"OFFICER" means the Chairman of the Board, the President, any Vice President of any grade, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary or the Controller of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers satisfying the requirements of Sections 12.4 and 12.5 of the Indenture.

"OPERATIVE DOCUMENTS" means the Indenture, the Collateral Agreements, the Collateral Maintenance Agreement and the Reference Agency Agreement.

"OPINION OF COUNSEL" means a written opinion from the General Counsel of the Company, legal counsel to the Company or another legal counsel who is reasonably acceptable to the Trustee, which Opinion of Counsel shall comply with Sections 12.4 and 12.5 of the Indenture. The counsel may be an employee of the Company. The acceptance by the Trustee (without written objection to the Company during the fifteen (15) Business Days following receipt) of, or its action on,

an opinion of counsel not specifically referred to above shall be sufficient evidence that such counsel is acceptable to the Trustee.

"OUTSTANDING" or "OUTSTANDING" when used with respect to Notes or a Note, means all Notes theretofore authenticated and delivered under the Indenture, except:

(a) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Notes, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Holders of such Notes, PROVIDED that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Notes for which payment has been deposited with the Trustee or any Paying Agent in trust pursuant to Article 9 of the Indenture (except to the extent provided therein); and

(d) Notes which have been paid, or for which other Notes shall have been authenticated and delivered in lieu thereof or in substitution therefor pursuant to the terms of Section 2.12 of the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by bona fide purchasers in whose hands the Notes are valid obligations of the Company.

A Note does not cease to be Outstanding because the Company or one of its Affiliates holds the Note; PROVIDED, HOWEVER, that in determining whether the Holders of the requisite aggregate principal amount of Notes Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or any other Operative Document, Section 2.13 of the Indenture shall be applicable.

"ORIGINAL INDENTURE" has the meaning set forth in the introductory paragraph of the Indenture.

"OUTSTANDING AMOUNT" is defined in Section 3.6(b) of the Indenture.

"OVERDUE SCHEDULED PAYMENT" means any Payment of accrued interest on any Notes which is not in fact received by the Trustee (whether from the Company, the Liquidity Provider, the Policy Provider or otherwise) on or within five days after the Scheduled Payment Date relating thereto and which is not subsequently paid in connection with the redemption or final maturity of a Note.

"PARTS INVENTORY REPORT" means, as of any date, a list identifying the Pledged Spare Parts by manufacturer's part number and brief description and stating the quantity of each such part included in the Pledged Spare Parts as of such specified date.

"PAYING AGENT" has the meaning provided in Section 2.8 of the Indenture.

"PAYMENT" means (i) any payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to the Notes from the Company, (ii) any payment of interest on the Securities with funds drawn under the Liquidity Facility or from a Cash Collateral Account or (iii) any payment of interest on or principal of Securities with funds drawn under the Policy, or (iv) any payment received or amount realized by the Trustee from the exercise of remedies after the occurrence of an Event of Default.

"PAYMENT DEFAULT" means a Default referred to in Section 7.1(a) of the Indenture.

"PAYMENT DUE RATE" means (a) the Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"PERMITTED DAYS" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"PERMITTED LESSEE" has the meaning provided in Section 3.6(b) of the Collateral Maintenance Agreement.

"PERMITTED LIEN" means (a) the rights of Security Agent under the Operative Documents; (b) Liens attributable to Security Agent (both in its capacity as Security Agent and in its individual capacity); (c) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 3.6 of the Collateral Maintenance Agreement; (d) Liens for Taxes of the Company (and its U.S. federal tax law consolidated group), either not yet due or being contested in good faith by appropriate proceedings so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (e) materialmen's, mechanics', workers', repairers', employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent for more than 60 days or is being contested in good faith by appropriate proceedings, so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (f) Liens arising out of any judgment or award against the Company, so long as such judgment shall, within 60 days after the entry thereof, have been discharged or vacated, or execution thereof stayed pending appeal or shall have been discharged, vacated or reversed within 60 days after the expiration of such stay, and so long as during any such 60 day period there is not as a result, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or any impairment of the Lien of the Security Agreement; (g) any other Lien with respect to which the Company shall have provided a bond, cash collateral or other security adequate in the reasonable opinion of Security Agent.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, trustee, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"PLEGGED SPARE PARTS" has the meaning set forth in clause (1) of the first paragraph of Section 2.01 of the Security Agreement.

"POLICY" means MBIA Insurance Corporation Financial Guaranty Insurance Policy No. 39753, issued as of the Closing Date, as amended, supplemented or otherwise modified from time to time in accordance with its respective terms.

"POLICY ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13(a) of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"POLICY DRAWING" means any payment of a claim under the Policy.

"POLICY ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

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

"POLICY FEE LETTER" means the fee letter, dated as of the Closing Date, from the Policy Provider to the Company and acknowledged by the Trustee, setting forth the fees and premiums payable with respect to the Policy.

"POLICY PROVIDER" means MBIA Insurance Corporation, a New York insurance company, and its successors and permitted assigns.

"POLICY PROVIDER AGREEMENT" means the Insurance and Indemnity Agreement dated as of the Closing Date, among the Trustee, the Company and the Policy Provider, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"POLICY PROVIDER DEFAULT" shall mean the occurrence of any of the following events: (a) the Policy Provider fails to make a payment required under the Policy in accordance with its terms and such failure remains unremedied for two Business Days following the delivery of Written Notice of such failure to the Policy Provider or (b) the Policy Provider (i) files any petition or commences any case or proceeding under any provisions of any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization, (ii) makes a general assignment for the benefit of its creditors or (iii) has an order for relief entered against it under any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization that is final and nonappealable, or (c) a court of competent jurisdiction, the New York Department of Insurance or another competent regulatory authority enters a final and nonappealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for the Policy Provider or for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent or receiver of the Policy Provider (or taking of possession of all or any material portion of the Policy Provider's property).

"POLICY PROVIDER ELECTION" is defined in Section 3.6(c) of the Indenture.

"POLICY PROVIDER INTEREST OBLIGATIONS" means any interest on any Policy Drawing made to cover any shortfall attributable to any failure of the Liquidity Provider to honor any Interest Drawing in accordance with Section 2.02(e) of the Liquidity Facility in an amount equal to the amount of interest that would have accrued on such Interest Drawing if such Interest Drawing had been made in accordance with Section 2.02(e) of the Liquidity Facility at the interest rate applicable to such Interest Drawing until such Policy Drawing has been repaid in full.

"POLICY PROVIDER OBLIGATIONS" means all reimbursement and other amounts, including, without limitation, fees and indemnities (to the extent not included in Policy Expenses), due to the Policy Provider under the Policy Provider Agreement but shall not include any interest on Policy Drawings other than Policy Provider Interest Obligations.

"PREMIUM" means, with respect to any Note redeemed pursuant to Article 4 of the Indenture, the following percentage of the principal amount of such Note: (a) with respect to a Security, (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%; and (b) with respect to a Subordinated Security, (i) if redeemed before the second anniversary of the Subordinated Issuance Date, 3.0%; (ii) if redeemed on or after such second anniversary and before the third anniversary of the Subordinated Issuance Date, 2.0%; and (iii) if redeemed on or after such third anniversary and before the fourth anniversary of the Subordinated Issuance Date, 1.0%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Collateral Ratio, Maximum Subordinated Collateral Ratio, Minimum Rotable Ratio or Minimum Subordinated Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement.

"PRIOR FUNDS" means, on any Distribution Date, any Drawing paid under the Liquidity Facility on such Distribution Date and any funds withdrawn from the Cash Collateral Account on such Distribution Date in respect of accrued interest on the Securities.

"PROCEEDS DEFICIENCY DRAWING" is defined in Section 3.6(b) of the Indenture.

"PROPELLER" includes a part, appurtenance, and accessory of a propeller.

"PROVIDER INCUMBENCY CERTIFICATE" is defined in Section 3.7(b) of the Indenture.

"PROVIDER REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"PURCHASE AGREEMENT" means the Purchase Agreement dated December 2, 2002 by and between the Initial Purchaser and the Company.

"QIB" means a qualified institutional buyer as defined in Rule 144A.

"QUALIFIED SPARE PARTS" has the meaning provided in clause (1) of the first paragraph in Section 2.01 of the Security Agreement.

"RATING AGENCIES" means, collectively, at any time, and with respect to a Series of Notes, each nationally recognized rating agency which shall have been

requested by the Company to rate such Series of Notes and which shall then be rating such Series of Notes. The initial Rating Agency will be Moody's, in the case of the Securities, and Moody's and Standard & Poor's, in the case of the Subordinated Securities.

"RATINGS CONFIRMATION" means, with respect to any action proposed to be taken, a written confirmation from each of the Rating Agencies with respect to the applicable Series of Notes that such action would not result in (i) a reduction of the rating for such Series of Notes below the then current rating for such Series of Notes (such rating, in the case of the Securities, as determined without regard to the Policy) or (ii) a withdrawal or suspension of the rating of such Series of Notes.

"RECORD DATE" means the fifteenth (15th) day preceding any Scheduled Interest Payment Date, whether or not a Business Day.

"REDEMPTION DATE", when used with respect to any Note to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture and such Note.

"REFERENCE AGENCY AGREEMENT" means the Reference Agency Agreement, dated as of the Issuance Date, among the Company, WTC, as the reference agent thereunder, and the Trustee.

"REGISTER" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRAR" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of December 6, 2002, by and between the Company and the Initial Purchaser.

"REGULATION S" means Regulation S under the Securities Act.

"REGULATION S DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"REGULATION S DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"REGULATION S GLOBAL SECURITY" is defined in Section 2.1(d) of the Indenture.

"REGULATION S GLOBAL SUBORDINATED SECURITY" is defined in Section 2A.1(d) of the Indenture.

"RELEVANT DATE" is defined in Section 3.6(c) of the Indenture.

"REPLACEMENT LIQUIDITY FACILITY" means an irrevocable revolving credit agreement (or agreements) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies with respect to the Securities to confirm in writing their respective ratings then in effect for the Securities (before downgrading of such ratings, if any, as a result of the downgrading of the Liquidity Provider), and be consented to by the Policy Provider, which consent shall not be unreasonably withheld or delayed, in a face

amount (or in an aggregate face amount) equal to the amount of interest payable on the Securities (at the Capped Interest Rate, and without regard to expected future principal payments) on the eight Interest Payment Dates following the date of replacement of such Liquidity Facility (or if such date is an Interest Payment Date, on such day and the seven Interest Payment Dates following the date of replacement of such Liquidity Facility) and issued by a Person (or Persons) having unsecured short-term debt rating or issuer credit rating, as the case may be, issued by Moody's and Standard & Poor's which are equal to or higher than the Threshold Rating. Without limitation of the form that a Replacement Liquidity Facility otherwise may have pursuant to the preceding sentence, a Replacement Liquidity Facility for the Securities may have a stated expiration date earlier than 15 days after the Final Legal Maturity Date so long as such Replacement Liquidity Facility provides for a Non-Extension Drawing as contemplated by Section 3.5(d) of the Indenture.

"REQUEST" means a written request for the action therein specified signed on behalf of the Company by any Officer and delivered to the Trustee. Each Request shall be accompanied by an Officers' Certificate if and to the extent required by Section 12.4 of the Indenture.

"REQUIRED AMOUNT" means, for any day, the sum of the aggregate amount of interest, calculated at the Capped Interest Rate, that would be payable on the Securities on each of the eight successive Interest Payment Dates immediately following such day or, if such day is an Interest Payment Date, on such day and the succeeding seven Interest Payment Dates, in each case calculated on the basis of the outstanding principal amount of the Securities on such date and without regard to expected future payments of principal on the Securities.

"REQUIRED HOLDERS" means from time to time the Holders of more than 50% in aggregate unpaid principal amount of the Securities then Outstanding.

"REQUIRED SUBORDINATED HOLDERS" means from time to time the holders of more than 50% in aggregate unpaid principal amount of the Subordinated Securities then Outstanding.

"RESPONSIBLE OFFICER" means (i) with respect to the Trustee, any officer in the corporate trust administration department of the Trustee or any other officer customarily performing functions similar to those performed by the Persons who at the time shall be such officers or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject, (ii) with respect to the Liquidity Provider, any authorized officer of the Liquidity Provider, and (iii) with respect to the Policy Provider, any authorized officer of the Policy Provider.

"RESTRICTED DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"RESTRICTED DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"RESTRICTED GLOBAL SECURITY" is defined in Section 2.1(c) of the Indenture.

"RESTRICTED GLOBAL SUBORDINATED SECURITY" is defined in Section 2A.1(c) of the Indenture.

"RESTRICTED LEGEND" is defined in Section 2.2 of the Indenture.



"RESTRICTED PERIOD" is defined in Section 2.1(d) of the Indenture for purposes of the Securities and in Section 2A.1(d) for purposes of the Subordinated Securities.

"RESTRICTED SECURITIES" are defined in Section 2.2 of the Indenture.

"RESTRICTED SUBORDINATED SECURITIES" are defined in Section 2A.2 of the Indenture.

"ROTABLE" means a Qualified Spare Part that wears over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which it relates.

"ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"RULE 144A" means Rule 144A under the Securities Act.

"SALES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"SCHEDULED INTEREST PAYMENT DATE" means each Interest Payment Date, without giving effect to the proviso to the definition of Interest Payment Date.

"SCHEDULED PAYMENT DATE" means (i) with respect to any payment of interest, the Interest Payment Date applicable thereto, (ii) with respect to any payment of defaulted interest, the payment date established pursuant to Section 2.16, (iii) with respect to amounts due on the redemption of any Note, the Redemption Date applicable thereto, and (iv) with respect to the final maturity of the Notes, December 6, 2007.

"SEC" means the Securities and Exchange Commission and any government agency succeeding to its functions.

"SECTION 1110" means Section 1110 of the Bankruptcy Code.

"SECTION 1110 PERIOD" means the continuous period of (i) 60 days specified in Section 1110(a)(2)(A) of the Bankruptcy Code (or such longer period, if any, agreed to under Section 1110(b) of the Bankruptcy Code), plus (ii) an additional period, if any, commencing with the trustee or debtor-in-possession in such proceeding agreeing, with court approval, to perform its obligations under the Operative Documents within such 60 days (or longer period as agreed) and continuing until such time as such trustee or debtor-in-possession ceases to fully perform its obligations thereunder with the result that the period during which the Collateral Agent is prohibited from repossessing the collateral under any Collateral Agreement comes to an end.

"SECURITIES" means the Initial Securities and the Exchange Securities.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY AGENT" means the Trustee acting in the capacity of security agent on behalf of the Holders under the Security Agreement until a successor replaces it in accordance with the provisions of the Security Agreement and thereafter means the successor.

"SECURITY AGREEMENT" means the Spare Parts Security Agreement dated as of the Issuance Date between the Company and the Security Agent.

"SECURITYHOLDER" means any holder of one or more Securities.

"SEMIANNUAL METHODOLOGY" means the Annual Methodology, excluding actions referred to in clauses (iii) and (iv) of the definition of Annual Methodology.

"SEMIANNUAL VALUATION DATE" is defined in Section 2.2 of the Collateral Maintenance Agreement.

"SERIES" means each of the Securities and the Subordinated Securities, considered as a separate class.

"SERVICEABLE PARTS" means Pledged Spare Parts in condition satisfactory for incorporation in, installation on, attachment or appurtenance to or use in an Aircraft, Engine or other Qualified Spare Part.

"SHELF REGISTRATION STATEMENT" means the shelf registration statement which may be required to be filed by the Company with the SEC pursuant to (i) with respect to Securities, the Registration Rights Agreement, other than an Exchange Offer Registration Statement, and (ii) with respect to Subordinated Securities, the Subordinated Securities Registration Rights Agreement, other than an Exchange Offer Registration Statement.

"SPARE PART" means an accessory, appurtenance, or part of an Aircraft (except an Engine or Propeller), Engine (except a Propeller), Propeller, or Appliance, that is to be installed at a later time in an Aircraft, Engine, Propeller or Appliance.

"SPARE PARTS COLLATERAL" has the meaning specified in Section 2.01 of the Security Agreement.

"SPARE PARTS DOCUMENTS" has the meaning set forth in clause (6) of the first paragraph of Section 2.01 of the Security Agreement.

"SPECIAL DEFAULT" means a Payment Default or a Continental Bankruptcy Event.

"SPECIAL RECORD DATE" has the meaning provided in Section 2.10 of the Indenture.

"SPECIAL VALUATION DATE" is defined in Section 2.4 of the Collateral Maintenance Agreement.

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

"STATED AMOUNT" means the Maximum Commitment (as defined in the Liquidity Facility).

"STATED EXPIRATION DATE" is defined in Section 3.5(d) of the Indenture.

"SUBORDINATED APPLICABLE MARGIN" means 7.50%.

"SUBORDINATED CLOSING DATE" means the Subordinated Issuance Date.

"SUBORDINATED COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Notes Outstanding minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral), as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"SUBORDINATED DEBT RATE" means a rate per annum equal, in the case of the first Interest Period for the Subordinated Securities, to 8.78% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Subordinated Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Subordinated Security Registration Rights Agreement) occurs on or prior to the 210th day after the Subordinated Closing Date, the Subordinated Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Subordinated Security Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Subordinated Security Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Subordinated Security Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Subordinated Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Subordinated Security Registration Rights Agreement), PROVIDED that the additional margin added to the Subordinated Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time.

"SUBORDINATED DOCUMENTS" means the Indenture, Amendment No. 1 to Collateral Maintenance Agreement, Amendment No. 1 to Reference Agency Agreement and Amendment No. 1 to Security Agreement.

"SUBORDINATED ISSUANCE DATE" means the date of initial issuance of the Initial Subordinated Securities.

"SUBORDINATED PAYMENT DUE RATE" means (a) the Subordinated Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"SUBORDINATED ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Notes Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"SUBORDINATED SECURITIES" means the Initial Subordinated Securities and the Exchange Subordinated Securities.

"SUBORDINATED SECURITY OFFERING MEMO" means the Offering Memorandum, dated May 2, 2003 of the Company relating to the offering of the Subordinated Securities.

"SUBORDINATED SECURITY PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"SUBORDINATED SECURITY PURCHASE AGREEMENT" means the Purchase Agreement, dated as of May 2, 2003, by and between the Initial Purchaser and the Company.

"SUBORDINATED SECURITY REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of the Subordinated Issuance Date, by and between the Company and the Initial Purchaser.

"SUBORDINATED SECURITYHOLDER" means any holder of one or more Subordinated Securities.

"SUCCESSOR COMPANY" is defined in Section 5.4(a)(i) of the Indenture.

"SUPPLEMENTAL SECURITY AGREEMENT" means a supplement to the Security Agreement substantially in the form of Exhibit A to the Security Agreement.

"SUPPORT DOCUMENTS" means the Liquidity Facility, the Policy, the Policy Provider Agreement and the Fee Letters.

"TAX" and "TAXES" mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, loss, damage, liability, expense, additions to tax and additional amounts or costs incurred or imposed with respect thereto) imposed or otherwise assessed by the United States of America or by any state, local or foreign government (or any subdivision or agency thereof) or other taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth and similar charges; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, taxes on goods and services, gains taxes, license, registration and documentation fees, customs duties, tariffs, and similar charges.

"TERMINATION NOTICE" has the meaning assigned to such term in the Liquidity Facility.

"THRESHOLD AMOUNT" means \$2,000,000.

"THRESHOLD RATING" means the short-term unsecured debt rating of P-1 by Moody's and A-1 by Standard & Poor's; PROVIDED that so long as the initial Liquidity Provider is the Liquidity Provider, the Threshold Rating shall apply to the Liquidity Guarantor.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb) as in effect on the date of the Indenture; PROVIDED, HOWEVER, that in the event the TIA is amended after such date, "TIA" means, to the extent required by any such amendment, the TIA as so amended.

"TRUST ACCOUNTS" is defined in Section 8.13(a) of the Indenture.

"TRUST OFFICER" means any officer in the corporate trust department of the Trustee, or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUSTEE" means the party named as such in the Indenture until a successor replaces it in accordance with the provisions of the Indenture and thereafter means the successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Notes of any Series shall mean the Trustee with respect to the Notes of that Series.

"TRUSTEE INCUMBENCY CERTIFICATE" is defined in Section 3.7(a) of the Indenture.

"TRUSTEE PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"TRUSTEE REPRESENTATIVES" is defined in Section 3.7(a) of the Indenture.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"UNAPPLIED PROVIDER ADVANCE" is defined in the Liquidity Facility.

"UNSERVICEABLE PARTS" means Pledged Spare Parts that are not Serviceable Parts.

"U.S." or "UNITED STATES" means the United States of America.

"U.S. AIR CARRIER" means any United States air carrier that is a Citizen of the United States holding an air carrier operating certificate issued pursuant to chapter 447 of title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6000 pounds or more of cargo.

"U.S. GOVERNMENT" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the option of the issuer thereof.

"U.S. PERSON" means any Person described in Section 7701(a)(30) of the Code.

"VALUATION DATES" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"WARRANTIES" is defined in clause (2) of Section 2.01 of the Security Agreement.

"WRITTEN NOTICE" means, from the Trustee, the Liquidity Provider or the Policy Provider, a written instrument executed by the Designated Representative of such Person. An invoice delivered by the Liquidity Provider pursuant to Section 3.1 of the Indenture in accordance with its normal invoicing procedures shall constitute Written Notice under such Section.

"WTC" has the meaning specified in the first paragraph of the Indenture.

SECTION 2. RULES OF CONSTRUCTION. Unless the context otherwise requires, the following rules of construction shall apply for all purposes of the Operative Documents (including this appendix) and of such agreements as may incorporate this appendix by reference.

(a) In each Operative Document, unless otherwise expressly provided, a reference to:

- (i) each of the Company, the Trustee, the Collateral Agent, the Security Agent or any other person includes, without prejudice to the provisions of any Operative Document, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;
- (ii) words importing the plural include the singular and words importing the singular include the plural;
- (iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Document, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Documents, and any agreement, instrument or document entered into in substitution or replacement therefor;
- (iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Closing Date, and thereafter from time to time;
- (v) the words "Agreement", "this Agreement", "hereby", "herein", "hereto", "hereof" and "hereunder" and words of similar import when used in any Operative Document refer to such Operative Document as a whole and not to any particular provision of such Operative Document;
- (vi) the words "including", "including, without limitation", "including, but not limited to", and terms or phrases of similar import when used in any Operative Document, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section", an "Exhibit", an "Annex", an "Appendix" or a "Schedule" in any Operative Document, or in any annex thereto, is a reference to a section of, or an exhibit, an annex, an appendix or a schedule to, such Operative Document or such annex, respectively.

(b) Each exhibit, annex, appendix and schedule to each Operative Document is incorporated in, and shall be deemed to be a part of, such Operative Document.

(c) Unless otherwise defined or specified in any Operative Document, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Document are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Document.

(e) For purposes of each Operative Document, the occurrence and continuance of a Default or Event of Default referred to in Section 7.1(d), (e) or (f) of the Indenture shall not be deemed to prohibit the Company from taking any action or exercising any right that is conditioned on no Special Default, Default or Event of Default having occurred and be continuing if such Special Default, Default or Event of Default consists of the institution of reorganization proceedings with respect to the Company under Chapter 11 of the Bankruptcy Code and the trustee or debtor-in-possession in such proceedings shall have agreed to perform its obligations under the Operative Documents with the approval of the applicable court and thereafter shall have continued to perform such obligations in accordance with Section 1110.

## [FORM OF SECURITY]

[THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC. RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO CONTINENTAL AIRLINES, INC., (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; AND (3) AGREES THAT IF IT SHOULD RESELL OR OTHERWISE TRANSFER THIS SECURITY IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC., THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO CONTINENTAL AIRLINES, INC. OR ITS AGENT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE



SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS.]\*

[UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO CONTINENTAL AIRLINES, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IN EXCHANGE FOR THIS SECURITY IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

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

- - - - -

\* To be included on the face of each Restricted Security.

\*\* To be included on the face of each Global Security.

No. [ ]

CUSIP/Common Code No. [ ]  
\$ [ ]

[[REGULATION S] GLOBAL SECURITY]\*

[INITIAL] [EXCHANGE] FLOATING RATE SECURED NOTE DUE 2007

CONTINENTAL AIRLINES, INC., a Delaware corporation (the "Company"), promises to pay to [ ], or the registered assignee thereof, the principal sum of \$[ ] Dollars (the "Principal Amount") on December 6, 2007, subject to earlier payment as provided in the Indenture referred to herein. This Security shall bear interest on the unpaid Principal Amount from time to time outstanding from the most recent Interest Payment Date to which interest has been paid (or, if no interest has been paid under the Indenture, from December 6, 2002) at a rate per annum for each Interest Period equal to the Debt Rate for such Interest Period (calculated on the basis of a year of 360 days and actual days elapsed during the period for which such amount accrues). The Company shall pay accrued interest in arrears on each March 6, June 6, September 6 and December 6 of each year, commencing March 6, 2003 (or, if not a Business Day, the next succeeding Business Day) (an "Interest Payment Date") until the Principal Amount has been paid in full, PROVIDED that if such payment in full is not made on an Interest Payment Date, accrued interest shall be paid on the date of such payment in full rather than the next Interest Payment Date. Interest shall accrue with respect to the first but not the last day of each Interest Period. This Security shall bear interest, payable on demand, at the Payment Due Rate (calculated on the basis of a year of 360 days and actual days elapsed during the period for which such amount accrues) on any part of the Principal Amount and, to the extent permitted by applicable Law, interest and any other amounts payable hereunder not paid when due, in each case for the period the same is overdue. Amounts shall be overdue if not paid when due (whether at stated maturity, by acceleration or otherwise). Notwithstanding anything to the contrary contained herein, if any date on which a payment under this Security becomes due and payable is not a Business Day, then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest payable.

1. GENERAL. This Security is one of a duly authorized issue of securities of the Company designated as "[Initial] [Exchange] Floating Rate Secured Notes due 2007" (herein, called the "Securities"), limited in aggregate principal amount to \$200,000,000, issued, authenticated and delivered pursuant to the Indenture, dated as of December 6, 2002 (the "Indenture"), among the Company, Wilmington Trust Company, as Trustee (the "Trustee"), Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider. To the extent not otherwise defined herein, the capitalized terms used herein have the meanings assigned to them in the Indenture. This Security is subject to the terms, provisions and conditions of the Indenture and those made

- - - - -

\* To be included on the face of each Global Security.

applicable to the Indenture by the TIA. To the extent any provision of this Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. Reference is hereby made to the Indenture, the TIA, the Security Agreement, the other Operative Documents and the Support Documents for a complete statement of the rights and obligations of the holders of, and the nature and extent of the security for, this Security. By virtue of its acceptance hereof the Securityholder of this Security assents to and agrees to be bound by the provisions of the Indenture.

2. RECORD DATES. The Person in whose name any Security is registered at the close of business on the fifteenth day preceding a Scheduled Interest Payment Date shall be entitled to receive the interest payable on the applicable Interest Payment Date to the extent provided by such Security, except if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, in which case defaulted interest shall be paid to the Person in whose name the Security is registered at the close of business on the subsequent record date established by notice given by mail by or on behalf of the Company to the Holders of Securities pursuant to the Indenture.

3. OPTIONAL REDEMPTION. The Company may redeem the Securities at any time in whole or (so long as no Payment Default has occurred and is continuing) in part (in any integral multiple of \$1,000) at its sole option at a redemption price equal to the sum of 100% of the principal amount of, accrued and unpaid interest on, and Premium, if any, and Break Amount, if any, with respect to, the redeemed Securities to and including the Redemption Date. "Premium" means, with respect to any Security redeemed pursuant to the Indenture, the following percentage of the principal amount of such Security: (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Collateral Ratio or Minimum Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement. The Trustee shall mail a notice of any redemption at least 15 days but not more than 60 days before the Redemption Date to each Holder whose Securities are to be redeemed at his registered address. If the Trustee gives notice of redemption but the Company fails to pay when due all amounts necessary to effect such redemption, such redemption shall be deemed revoked and no amount shall be due as a result of notice of redemption having been given. Securities called for redemption shall cease to bear interest on and after the Redemption Date (unless the Company shall fail to pay the redemption price). Upon surrender to the Paying Agent, such Securities shall be paid the redemption price.

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

respect of this Security, this Security shall be surrendered to the Paying Agent for cancellation against receipt of such payment.

5. CREDIT SUPPORT. The Company's obligations with respect to the Securities are secured by a lien on the Pledged Spare Parts and certain other property of the Company. In addition, the Trustee has entered into a Liquidity Facility under which the Liquidity Provider is obligated to make advances to the Trustee in an aggregate amount sufficient to pay interest on the Securities up to eight successive quarterly Interest Payment Dates. The Trustee is also the beneficiary of the Policy under which the Policy Provider is obligated to honor drawings to cover interest on the Securities when due and principal of the Securities no later than 24 months after the Final Scheduled Payment Date of the Securities.

6. REGISTRAR AND PAYING AGENT. The Company shall maintain an office or agency where Securities eligible for transfer or exchange may be presented for registration of transfer or for exchange, and an office or agency where Securities may be presented for payment. Initially, the Trustee will act as Registrar and Paying Agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

7. DENOMINATIONS, TRANSFER AND EXCHANGE. The Securities shall be issued only in fully registered form without coupons and [only in denominations of \$100,000 or integral multiples of \$1,000 in excess thereof,]\* [in denominations of \$1,000 or integral multiples thereof]\*\* except that one Security may be issued in a different denomination. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. No transfer shall be effected until, and such transferee shall succeed to the rights of a Securityholder only upon, final acceptance and registration of the transfer by the Registrar in the Register. No service charge shall be made to a Securityholder for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Securities.

8. PERSONS DEEMED OWNERS. Prior to the registration of any transfer of a Security by a Securityholder as provided in the Indenture, the Company, the Registrar, the Paying Agent and the Trustee shall deem and treat the person in whose name the Security is registered on the Register as the absolute owner and holder thereof for the purpose of receiving payment of all amounts payable with respect to such Security and for all other purposes, and none of the Company, the Registrar, the Paying Agent or the Trustee shall be affected by any notice to the contrary.

9. AMENDMENTS AND WAIVERS. The Company and the Trustee or the Collateral Agent, as the case may be, may amend or supplement the Indenture, the

- - - - -

\* To be used for Initial Securities.

\*\* To be used for Exchange Securities.

Securities, or any of the other Operative Documents and, upon request of the Company, the Trustee shall amend or supplement the Support Documents, in each case only with the written consent of the Controlling Party, PROVIDED that certain amendments, supplements and waivers may not be made without the consent of each Securityholder affected thereby. Any consent by the Securityholder of this Security shall be conclusive and binding on such Securityholder and upon all future Securityholders of this Security and of any Security issued upon the transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent is made upon such Security. Without the consent of the Controlling Party or any Holder, the Indenture, the Securities, any of the Operative Documents and any of the Support Documents may be amended to, among other things, cure any ambiguity, defect or inconsistency or to make any other change not inconsistent with the provisions of the Indenture, provided that such action does not materially adversely affect the interests of any Securityholder.

10. DEFAULTS AND REMEDIES. Events of Default under the Indenture include the following: (a) failure by the Company to pay (1) principal of, interest on, Premium, if any, or Break Amount, if any, with respect to any Security when due, and such failure shall continue unremedied for a period of 10 Business Days thereafter (it being understood that any amount distributed to Securityholders in respect of the foregoing from funds provided by the Policy Provider, the Liquidity Provider or a Cash Collateral Account shall not be deemed to cure such Default) or (2) any other amount payable by it to the Holders under the Indenture or any Operative Document when due, and such failure shall continue for a period in excess of 10 Business Days after the Company has received written notice from the Trustee of the failure to make such payment when due; (b) failure by the Company to observe and perform in any material respect any other covenant, agreement or obligation set forth in the Indenture or in any other Operative Documents, with such failure continuing after notice and specified cure periods; (c) any representation or warranty made by the Company in the Indenture or any other Operative Document (1) shall prove to have been untrue or inaccurate in any material respect as of the date made, (2) such untrue or inaccurate representation or warranty is material at the time in question and (3) the same shall remain uncured following notice; and (d) the occurrence of certain events of bankruptcy, reorganization or insolvency of the Company. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Controlling Party may, by notice to Company and the Trustee, and the Trustee shall, upon the request of the Controlling Party, declare all unpaid principal of, accrued interest on, Premium, if any, and Break Amount, if any, with respect to the Securities Outstanding and other amounts otherwise payable under the Indenture, if any, to be due and payable immediately. In the case of an Event of Default arising from certain events of bankruptcy, reorganization or insolvency, such amounts shall automatically become and be immediately due and payable without further action or notice. Under certain circumstance, the Controlling Party by notice to the Trustee may rescind an acceleration and its consequences.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, the Securities or other amounts otherwise payable under the Indenture, if any. Subject to the Indenture, so long as an Event of Default has occurred and is continuing, the Controlling Party by notice to the Trustee may authorize the Trustee to waive an existing Default or Event of Default and its consequences. The Controlling Party may direct the time, method and place of

conducting any proceeding for any remedy available to the Trustee (as Trustee or Collateral Agent, subject, in the case of any actions based on the status of the Trustee as Collateral Agent, to any limitations otherwise expressly provided for in the Operative Documents) or exercising any trust or power conferred on it; provided that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. The Trustee may withhold from Securityholders notice of any continuing default (except a default in payment of principal, interest, Premium or Break Amount) if it determines in good faith that withholding notice is in their interests. The above description of Events of Default and remedies is qualified by reference, and subject in its entirety to the more complete description thereof contained in the Indenture.

11. NO RECOURSE AGAINST OTHERS. A director, officer, employee or stockholder, as such, of the Company shall not have any personal liability for any obligations of the Company under the Securities, the Indenture or the other Operative Documents by reason of his or her status as such director, officer, employee or stockholder. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

12. AUTHENTICATION. This Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose until the certificate of authentication attached hereto has been executed by the manual signature of an authorized signatory of the Trustee or an authenticating agent appointed by the Trustee.

13. UNCLAIMED MONEY. If money deposited with the Trustee or any Paying Agent in trust for the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Security and unclaimed for two (2) years after such principal, interest, Premium, if any, or Break Amount, if any, has become due and payable shall be paid to the Company on its request, subject to any applicable abandoned property law, and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof.

14. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

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

[16. REGISTRATION. The Holder of this Security is entitled to the benefits of the Registration Rights Agreement. In the event that no Registration Event (as defined in the Registration Rights Agreement) occurs on or prior to the 210th day after the Issuance Date, the Debt Rate shall be increased by an additional margin equal to 0.50%, from and including such 210th day to and excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Registration Rights Agreement); or if the Shelf Registration Statement (as defined in the Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Debt Rate shall be increased by an additional margin equal to 0.50% from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement); PROVIDED that the additional margin added to the Debt Rate pursuant to this section shall never exceed 0.50% at any time.]\*

[17. HOLDERS' COMPLIANCE WITH REGISTRATION RIGHTS AGREEMENT. Each Holder of a Security, by acceptance hereof, acknowledges and agrees to the provisions of the Registration Rights Agreement, including, without limitation, the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.]\*

18. GOVERNING LAW. THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company will furnish to any Holder of this Security, upon written request and without charge, a copy of the Indenture. Request may be made to: Continental Airlines, Inc., 1600 Smith Street, Houston, Texas 77002, Attention: Corporate Secretary.

- -----

\* To be included only on each Initial Security.

\* To be included only on each Initial Security.

IN WITNESS WHEREOF, the Company has caused this Security to be duly executed in its corporate name by its officer thereunto duly authorized on the date hereof.

Dated:

CONTINENTAL AIRLINES, INC.

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

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



[FORM OF THE TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Securities referred  
to in the Indenture.

WILMINGTON TRUST COMPANY,  
not in its individual capacity  
but solely as Trustee

By: -----  
Authorized Officer

FORM OF TRANSFER NOTICE

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

INSERT TAXPAYER IDENTIFICATION NO.

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

please print or typewrite name and address including zip code of assignee

- -----  
the within Security and all rights thereunder, hereby irrevocably constituting and appointing

- -----  
attorney to transfer said Security on the books of the Registrar with full power of substitution in the premises.

[THE FOLLOWING PROVISION TO BE INCLUDED

ON ALL SECURITIES,

EXCEPT REGULATION S GLOBAL,

REGULATION S DEFINITIVE SECURITIES AND EXCHANGE SECURITIES]

In connection with any transfer of this Certificate occurring prior to the date that is the earlier of the date of an effective Registration Statement or the date two years after the later of the original issuance of this Security or the last date on which this Security was held by Continental Airlines, Inc. or any affiliate of Continental Airlines, Inc., the undersigned confirms that without utilizing any general solicitation or general advertising that:

[CHECK ONE]

(a) this Security is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

OR

(b) this Security is being transferred other than in accordance with (a) above and documents are being furnished that comply with the conditions of transfer set forth in this Security and the Indenture.

If neither of the foregoing boxes is checked, the Registrar shall not be obligated to register this Security in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.6 of the Indenture shall have been satisfied.

Date: [\_\_\_\_\_, \_\_\_\_] [NAME OF TRANSFEROR]  
-----

NOTE: The signature must correspond with the name as written upon the face of the within- mentioned instrument in every particular without alteration or any change whatsoever.

Signature Guarantee: -----

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: [\_\_\_\_\_, \_\_\_\_] -----

NOTE: To be executed by an executive officer.

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION WITH  
TRANSFERS OF NOTES PURSUANT TO REGULATION S

[\_\_\_\_\_, \_\_\_\_]

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, DE 19890-0001  
Attention: Corporate Trust Administration

Re: FLOATING RATE SECURED [SUBORDINATED] NOTES DUE 2007  
(THE "SECURITIES")

Ladies and Gentlemen:

In connection with our proposed sale of US \$[\_\_\_] of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended, and, accordingly, we represent that:

(1) the offer of the Securities was not made to a person in the United States;

(2) either (a) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(3) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(a) or Rule 904(a) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

In addition, if the sale is made during a restricted period and the provisions of Rule 903(b)(2) or Rule 904(b)(1) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 903(b)(2) or Rule 904(b)(1), as the case may be.

You and Continental Airlines, Inc. are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION  
WITH TRANSFERS OF NOTES TO  
NON-QIB INSTITUTIONAL ACCREDITED INVESTORS

[\_\_\_\_\_, \_\_\_\_]

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, DE 19890-0001  
Attention: Corporate Trust Administration

Continental Airlines, Inc.  
1600 Smith Street  
Houston, Texas 77002

CONTINENTAL AIRLINES  
Floating Rate Secured [Subordinated] Notes due 2007 (the "Securities")

-----

Ladies and Gentlemen:

In connection with our proposed purchase of U.S. \$[\_\_\_\_\_] of Securities (the "Purchased Securities"), we confirm that:

1. We understand that any subsequent transfer of the Purchased Securities is subject to certain restrictions and conditions set forth in the Amended and Restated Indenture, dated as of [\_\_\_\_\_] , 2003, among Continental Airlines, Inc. (the "Company"), Wilmington Trust Company (the "Trustee"), Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider, relating to the Securities, and we agree to be bound by, and not to resell, pledge or otherwise transfer the Purchased Securities except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act").

2. We are purchasing Securities having an aggregate principal amount of not less than \$100,000 and each account (if any) for which we are purchasing Securities is purchasing Securities having an aggregate principal amount of not less than \$100,000.

3. We understand that the Purchased Securities have not been registered under the Securities Act, that the Purchased Securities are being sold to us in a transaction that is exempt from the registration requirements of the Securities Act and that the Purchased Securities may not be offered or resold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that, if we should sell any Purchased Securities within two years after the later of the original issuance of such Purchased Securities and the last date on which such Purchased Securities are owned by the Company or any affiliate of the Company, we will do so only (A) to the Company, (B) in accordance with Rule 144A under

the Securities Act to a "qualified institutional buyer" (as defined therein), (C) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act or (E) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any person purchasing any of the Purchased Securities from us a notice advising such purchaser that resales of the Purchased Securities are restricted as stated herein.

4. We understand that, on any proposed resale of any Purchased Securities, we will be required to furnish to the Company and the Trustee such certifications, legal opinions and other information as the Company and the Trustee may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Purchased Securities purchased by us will bear a legend to the foregoing effect.

5. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Purchased Securities, and we and any accounts for which we are acting are each able to bear the economic risk of our or their investments.

6. We are acquiring the Purchased Securities for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion and not with a view to any distribution of the Purchased Securities, subject, nevertheless to the understanding that the disposition of our property shall at all times be and remain within our control.

You are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy thereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

By:

-----  
Name:  
Title:

## [FORM OF SUBORDINATED SECURITY]

[THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC. RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO CONTINENTAL AIRLINES, INC., (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; AND (3) AGREES THAT IF IT SHOULD RESELL OR OTHERWISE TRANSFER THIS SECURITY IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY OR THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY CONTINENTAL AIRLINES, INC. OR ANY AFFILIATE OF CONTINENTAL AIRLINES, INC., THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO CONTINENTAL AIRLINES, INC. OR ITS AGENT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS.]\*

- - - - -

\* To be included on the face of each Restricted Subordinated Security.



[UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO CONTINENTAL AIRLINES, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IN EXCHANGE FOR THIS SECURITY IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 2A.5 AND 2A.6 OF THE INDENTURE REFERRED TO HEREIN.]\*\*

- - - - -

\*\* To be included on the face of each Global Subordinated Security.

No. [ ]

CUSIP/Common Code No. [ ]  
\$[ ]

[[REGULATION S] GLOBAL SUBORDINATED SECURITY]\*

[INITIAL] [EXCHANGE] FLOATING RATE SECURED SUBORDINATED NOTE  
DUE 2007

This note was issued with "original issue discount." The total amount of original issue discount is 5% of its principal amount, the issue date is May 9, 2003, and the yield to maturity on the issue date would be 10.143%, compounded quarterly, assuming LIBOR remains at 1.28% throughout the term of the note.

CONTINENTAL AIRLINES, INC., a Delaware corporation (the "Company"), promises to pay to [ ], or the registered assignee thereof, the principal sum of \$[ ] Dollars (the "Principal Amount") on December 6, 2007, subject to earlier payment as provided in the Indenture referred to herein. This Subordinated Security shall bear interest on the unpaid Principal Amount from time to time outstanding from the most recent Interest Payment Date to which interest has been paid (or, if no interest has been paid under the Indenture, from May 9, 2003) at a rate per annum for each Interest Period equal to the Subordinated Debt Rate for such Interest Period (calculated on the basis of a year of 360 days and actual days elapsed during the period for which such amount accrues). The Company shall pay accrued interest in arrears on each March 6, June 6, September 6 and December 6 of each year, commencing June 6, 2003 (or, if not a Business Day, the next succeeding Business Day) (an "Interest Payment Date") until the Principal Amount has been paid in full, PROVIDED that if such payment in full is not made on an Interest Payment Date, accrued interest shall be paid on the date of such payment in full rather than the next Interest Payment Date. Interest shall accrue with respect to the first but not the last day of each Interest Period. This Subordinated Security shall bear interest, payable on demand, at the Subordinated Payment Due Rate (calculated on the basis of a year of 360 days and actual days elapsed during the period for which such amount accrues) on any part of the Principal Amount and, to the extent permitted by applicable Law, interest and any other amounts payable hereunder not paid when due, in each case for the period the same is overdue. Amounts shall be overdue if not paid when due (whether at stated maturity, by acceleration or otherwise). Notwithstanding anything to the contrary contained herein, if any date on which a payment under this Subordinated Security becomes due and payable is not a Business Day, then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest payable.

1. GENERAL. This Subordinated Security is one of a duly authorized issue of securities of the Company designated as "[Initial] [Exchange] Floating Rate

- - - - -

\* To be included on the face of each Global Subordinated Security.

Secured Subordinated Notes due 2007" (herein, called the "Subordinated Securities"), limited in aggregate principal amount to \$100,000,000, issued, authenticated and delivered pursuant to the Amended and Restated Indenture, dated as of May 9, 2003 (the "Indenture"), among the Company, Wilmington Trust Company, as Trustee (the "Trustee"), Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider. To the extent not otherwise defined herein, the capitalized terms used herein have the meanings assigned to them in the Indenture. This Subordinated Security is subject to the terms, provisions and conditions of the Indenture and those made applicable to the Indenture by the TIA. The indebtedness evidenced by this Subordinated Security is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of the Securities, and this Subordinated Security is issued subject to such provisions. To the extent any provision of this Subordinated Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. Reference is hereby made to the Indenture, the TIA, the Security Agreement and the other Operative Documents for a complete statement of the rights and obligations of the holders of, and the nature and extent of the security for, this Subordinated Security. By virtue of its acceptance hereof the Subordinated Securityholder of this Subordinated Security assents to and agrees to be bound by the provisions of the Indenture.

2. RECORD DATES. The Person in whose name any Subordinated Security is registered at the close of business on the fifteenth day preceding a Scheduled Interest Payment Date shall be entitled to receive the interest payable on the applicable Interest Payment Date to the extent provided by such Subordinated Security, except if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, in which case defaulted interest shall be paid to the Person in whose name the Subordinated Security is registered at the close of business on the subsequent record date established by notice given by mail by or on behalf of the Company to the Holders of Subordinated Securities pursuant to the Indenture.

3. OPTIONAL REDEMPTION. The Company may not redeem the Subordinated Securities prior to May 9, 2004. The Company may redeem the Subordinated Securities on or after such date at any time in whole or (so long as no Payment Default has occurred and is continuing) in part (in any integral multiple of \$1,000) at its sole option at a redemption price equal to the sum of 100% of the principal amount of, accrued and unpaid interest on, and Premium, if any, and Break Amount, if any, with respect to, the redeemed Subordinated Securities to and including the Redemption Date. "Premium" means, with respect to any Subordinated Security redeemed pursuant to the Indenture, the following percentage of the principal amount of such Subordinated Security: (i) if redeemed before the second anniversary of the Subordinated Issuance Date, 3.0%; (ii) if redeemed on or after such second anniversary and before the third anniversary of the Subordinated Issuance Date, 2.0%; and (iii) if redeemed on or after such third anniversary and before the fourth anniversary of the Subordinated Issuance Date, 1.0%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Subordinated Collateral Ratio or the Minimum Subordinated Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement. The Trustee shall mail a notice of any redemption at least 15 days but not more than 60 days before the Redemption Date to each Holder whose Subordinated Securities are to be redeemed at his registered address. If the Trustee gives notice of redemption but the Company fails to pay when due all amounts necessary to effect such redemption, such redemption shall be deemed revoked and no amount shall be due as a result of notice of redemption having been given. Subordinated

Securities called for redemption shall cease to bear interest on and after the Redemption Date (unless the Company shall fail to pay the redemption price). Upon surrender to the Paying Agent, such Subordinated Securities shall be paid the redemption price.

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

5. COLLATERAL. The Company's obligations with respect to the Securities and the Subordinated Securities are secured by a lien on the Pledged Spare Parts and certain other property of the Company.

6. REGISTRAR AND PAYING AGENT. The Company shall maintain an office or agency where Subordinated Securities eligible for transfer or exchange may be presented for registration of transfer or for exchange, and an office or agency where Subordinated Securities may be presented for payment. Initially, the Trustee will act as Registrar and Paying Agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

7. DENOMINATIONS, TRANSFER AND EXCHANGE. The Subordinated Securities shall be issued only in fully registered form without coupons and [only in denominations of \$100,000 or integral multiples of \$1,000 in excess thereof,]\* [in denominations of \$1,000 or integral multiples thereof,] \*\* except that one Subordinated Security may be issued in a different denomination. The transfer of Subordinated Securities may be registered and Subordinated Securities may be exchanged as provided in the Indenture. No transfer shall be effected until, and such transferee shall succeed to the rights of a Subordinated Securityholder only upon, final acceptance and registration of the transfer by the Registrar in the Register. No service charge shall be made to a Subordinated Securityholder for any registration of transfer or exchange of Subordinated Securities, but the Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Subordinated Securities.

- - - - -

\* To be used for Initial Subordinated Securities.

\*\* To be used for Exchange Subordinated Securities.

8. PERSONS DEEMED OWNERS. Prior to the registration of any transfer of a Subordinated Security by a Subordinated Securityholder as provided in the Indenture, the Company, the Registrar, the Paying Agent and the Trustee shall deem and treat the person in whose name the Subordinated Security is registered on the Register as the absolute owner and holder thereof for the purpose of receiving payment of all amounts payable with respect to such Subordinated Security and for all other purposes, and none of the Company, the Registrar, the Paying Agent or the Trustee shall be affected by any notice to the contrary.

9. AMENDMENTS AND WAIVERS. The Company and the Trustee or the Collateral Agent, as the case may be, may amend or supplement the Indenture, the Subordinated Securities, or any of the other Operative Documents, in each case only with the written consent of the Controlling Party, PROVIDED that certain amendments, supplements and waivers relating to the Subordinated Securities may not be made without the consent of each Subordinated Securityholder affected thereby and, in certain cases, may be made without the consent of the Controlling Party. Any consent by the Subordinated Securityholder of this Subordinated Security shall be conclusive and binding on such Subordinated Securityholder and upon all future Subordinated Securityholders of this Subordinated Security and of any Subordinated Security issued upon the transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent is made upon such Subordinated Security. Without the consent of the Controlling Party or any Holder, the Indenture, the Subordinated Securities and any of the Operative Documents may be amended to, among other things, cure any ambiguity, defect or inconsistency or to make any other change not inconsistent with the provisions of the Indenture, provided that such action does not materially adversely affect the interests of any Subordinated Securityholder.

10. DEFAULTS AND REMEDIES. Events of Default under the Indenture include the following: (a) failure by the Company to pay (1) principal of, interest on, Premium, if any, or Break Amount, if any, with respect to any Note when due, and such failure shall continue unremedied for a period of 10 Business Days thereafter (it being understood that any amount distributed to Securityholders in respect of the foregoing from funds provided by the Policy Provider, the Liquidity Provider or a Cash Collateral Account shall not be deemed to cure such Default) or (2) any other amount payable by it to the Holders under the Indenture or any Operative Document when due, and such failure shall continue for a period in excess of 10 Business Days after the Company has received written notice from the Trustee of the failure to make such payment when due; (b) failure by the Company to observe and perform in any material respect any other covenant, agreement or obligation set forth in the Indenture or in any other Operative Documents, with such failure continuing after notice and specified cure periods; (c) any representation or warranty made by the Company in the Indenture or any other Operative Document (1) shall prove to have been untrue or inaccurate in any material respect as of the date made, (2) such untrue or inaccurate representation or warranty is material at the time in question and (3) the same shall remain uncured following notice; and (d) the occurrence of certain events of bankruptcy, reorganization or insolvency of the Company. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Controlling Party may, by notice to Company and the Trustee, and the Trustee shall, upon the request of the Controlling Party, declare all unpaid principal of, accrued interest on, Premium, if any, and Break Amount, if any, with respect to the Notes Outstanding and other amounts otherwise payable under the Indenture, if any, to be due and payable immediately. In the case of an Event of Default arising from certain events of

bankruptcy, reorganization or insolvency, such amounts shall automatically become and be immediately due and payable without further action or notice. Under certain circumstances, the Controlling Party by notice to the Trustee may rescind an acceleration and its consequences.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, the Notes or other amounts otherwise payable under the Indenture, if any. Subject to the Indenture, so long as an Event of Default has occurred and is continuing, the Controlling Party by notice to the Trustee may authorize the Trustee to waive an existing Default or Event of Default and its consequences. The Controlling Party may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee (as Trustee or Collateral Agent, subject, in the case of any actions based on the status of the Trustee as Collateral Agent, to any limitations otherwise expressly provided for in the Operative Documents) or exercising any trust or power conferred on it; provided that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. Noteholders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. The Trustee may withhold from Noteholders notice of any continuing default (except a default in payment of principal, interest, Premium or Break Amount) if it determines in good faith that withholding notice is in their interests. The above description of Events of Default and remedies is qualified by reference, and subject in its entirety to the more complete description thereof contained in the Indenture.

11. NO RECOURSE AGAINST OTHERS. A director, officer, employee or stockholder, as such, of the Company shall not have any personal liability for any obligations of the Company under the Securities, the Subordinated Securities, the Indenture or the other Operative Documents by reason of his or her status as such director, officer, employee or stockholder. Each Subordinated Securityholder by accepting a Subordinated Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Subordinated Securities.

12. AUTHENTICATION. This Subordinated Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose until the certificate of authentication attached hereto has been executed by the manual signature of an authorized signatory of the Trustee or an authenticating agent appointed by the Trustee.

13. UNCLAIMED MONEY. If money deposited with the Trustee or any Paying Agent in trust for the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Subordinated Security and unclaimed for two (2) years after such principal, interest, Premium, if any, or Break Amount, if any, has become due and payable shall be paid to the Company on its request, subject to any applicable abandoned property law, and the Holder of such Subordinated Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof.

14. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (=

tenants by the entirety), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

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

[16. REGISTRATION. The Holder of this Subordinated Security is entitled to the benefits of the Subordinated Security Registration Rights Agreement. In the event that no Registration Event (as defined in the Subordinated Security Registration Rights Agreement) occurs on or prior to the 210th day after the Subordinated Issuance Date, the Subordinated Debt Rate shall be increased by an additional margin equal to 0.50%, from and including such 210th day to and excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Subordinated Security Registration Rights Agreement); or if the Shelf Registration Statement (as defined in the Subordinated Security Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Subordinated Security Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Subordinated Debt Rate shall be increased by an additional margin equal to 0.50% from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Subordinated Security Registration Rights Agreement); PROVIDED that the additional margin added to the Subordinated Debt Rate pursuant to this section shall never exceed 0.50% at any time.]\*

[17. HOLDERS' COMPLIANCE WITH REGISTRATION RIGHTS AGREEMENT. Each Holder of a Subordinated Security, by acceptance hereof, acknowledges and agrees to the provisions of the Subordinated Security Registration Rights Agreement, including, without limitation, the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.]\*

18. GOVERNING LAW. THIS SUBORDINATED SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

- - - - -

\* To be included only on each Initial Subordinated Security.

\* To be included only on each Initial Subordinated Security.

The Company will furnish to any Holder of this Subordinated Security, upon written request and without charge, a copy of the Indenture. Request may be made to: Continental Airlines, Inc., 1600 Smith Street, Houston, Texas 77002, Attention: Corporate Secretary.



IN WITNESS WHEREOF, the Company has caused this Subordinated Security to be duly executed in its corporate name by its officers thereunto duly authorized on the date hereof.

Dated: May \_\_, 2003

CONTINENTAL AIRLINES, INC.

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

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

[FORM OF THE TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Subordinated Securities referred  
to in the Indenture.

WILMINGTON TRUST COMPANY,  
not in its individual capacity  
but solely as Trustee

By: -----  
Authorized Officer

FORM OF TRANSFER NOTICE

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

INSERT TAXPAYER IDENTIFICATION NO.

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

please print or typewrite name and address including zip code of assignee

- -----

the within Subordinated Security and all rights thereunder, hereby irrevocably constituting and appointing

- -----

attorney to transfer said Subordinated Security on the books of the Registrar with full power of substitution in the premises.

[THE FOLLOWING PROVISION TO BE INCLUDED

ON ALL SUBORDINATED SECURITIES,

EXCEPT REGULATION S GLOBAL,

REGULATION S DEFINITIVE SUBORDINATED SECURITIES AND  
EXCHANGE SUBORDINATED SECURITIES]

In connection with any transfer of this Certificate occurring prior to the date that is the earlier of the date of an effective Registration Statement or the date two years after the later of the original issuance of this Subordinated Security or the last date on which this Subordinated Security was held by Continental Airlines, Inc. or any affiliate of Continental Airlines, Inc., the undersigned confirms that without utilizing any general solicitation or general advertising that:

[CHECK ONE]

(a) this Subordinated Security is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

OR

(b) this Subordinated Security is being transferred other than in accordance with (a) above and documents are being furnished that comply with the conditions of transfer set forth in this Subordinated Security and the Indenture.

If neither of the foregoing boxes is checked, the Registrar shall not be obligated to register this Subordinated Security in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2A.6 of the Indenture shall have been satisfied.

Date: [\_\_\_\_\_, \_\_] [NAME OF TRANSFEROR]  
-----

NOTE: The signature must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee: -----

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Subordinated Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: [\_\_\_\_\_, \_\_] -----

NOTE: To be executed by an executive officer.

AMENDMENT NO. 1 TO  
COLLATERAL MAINTENANCE AGREEMENT

AMENDMENT NO. 1, dated as of May 9, 2003 (this "AMENDMENT"), to Collateral Maintenance Agreement, dated as of December 6, 2002 (the "AGREEMENT"), between CONTINENTAL AIRLINES, INC., a Delaware corporation (the "COMPANY"), and MBIA INSURANCE CORPORATION, a New York insurance company (the "POLICY PROVIDER"). Certain terms used herein have the defined meanings referred to in Section 1 hereof.

W I T N E S S E T H :  
- - - - -

WHEREAS, in connection with the issuance and sale of the Company's Floating Rate Secured Notes due 2007 pursuant to the Original Indenture, the Company and the Security Agent entered into the Agreement to set forth certain agreements relating to the Spare Parts Collateral; and

WHEREAS, in connection with the issuance and sale of the Company's Floating Rate Secured Subordinated Notes due 2007 pursuant to the Indenture, the Company has requested that the Agreement be amended to provide, among other things, for certain matters with respect to such Subordinated Securities; and

WHEREAS, the Original Indenture, as amended and restated to provide for the issuance of the Subordinated Securities, provides for the issuance of \$300,000,000 aggregate principal amount of the Notes.

NOW, THEREFORE, in consideration of the premises and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined or provided herein, terms used herein that are defined in the Agreement, as amended by this Amendment, have such respective defined meanings.

SECTION 2. AMENDMENTS. Effective as of the date hereof, the Agreement is hereby amended as follows:

Section 2.1 CERTAIN REFERENCES TO SECURITIES. Each reference to "Securities" in the first sentence of Section 2.1 and the first sentence of Section 2.2 is deleted and replaced with "Notes".

Section 2.2 ANNUAL APPRAISAL. Section 2.1 is amended as follows:

(a) The second sentence of the second paragraph is amended to delete the phrase "and the Rotable Ratio" and to replace it with the following: ", the Subordinated Collateral Ratio, the Rotable Ratio and the Subordinated Rotable Ratio".

(b) The second sentence of the second paragraph is further amended to delete "and" before the phrase "the principal amount of the Securities Outstanding" and to insert following such phrase the following: "and the principal amount of the Subordinated Securities Outstanding".

Section 2.3 SEMIANNUAL APPRAISAL. Section 2.2 is amended as follows:

(a) The first sentence of the second paragraph is amended to delete the phrase "and Minimum Rotable Ratio" and to replace it with the following: ", the Maximum Subordinated Collateral Ratio, Minimum Rotable Ratio and Minimum Subordinated Rotable Ratio".

(b) The second sentence of the second paragraph is amended to delete the phrase "and the Rotable Ratio" in the two instances where such phrase appears and to replace it with the following: ", the Subordinated Collateral Ratio, the Rotable Ratio and the Subordinated Rotable Ratio".

(c) The second sentence of the second paragraph is further amended to delete "and" before the phrase "the principal amount of the Securities Outstanding" and to insert following such phrase the following: "and the principal amount of the Subordinated Securities Outstanding".

Section 2.4 INFORMATION FROM THE TRUSTEE. Section 2.5 is amended to insert in the second sentence after "Securities Outstanding" the following: ", the principal amount of the Subordinated Securities Outstanding".

Section 2.5 COLLATERAL RATIO. Subsections (a) and (b) of Section 3.1 are amended and restated to read in their entirety as follows:

"(a) If the Collateral Ratio, as most recently determined pursuant to an Appraisal Compliance Report, is greater than the Maximum Collateral Ratio or the Subordinated Collateral Ratio, as most recently determined pursuant to an Appraisal Compliance Report, is greater than the Maximum Subordinated Collateral Ratio, the Company shall within 90 days after the date of the Appraisal Compliance Report setting forth the calculation of such Collateral Ratio or Subordinated Collateral Ratio:

(i) subject additional Qualified Spare Parts (the "ADDITIONAL PARTS") to the Lien of the Security Agreement in accordance with Section 3.1(c);

(ii) grant a security interest to a Collateral Agent in other property to secure the Obligations for the benefit of the Holders and the Indemnitees, provided that the Company shall have received, with respect to the use for purposes of this Section 3.1(a) of such

additional collateral and the applicable Collateral Agreement, (x) approval of the Policy Provider and (y) Rating Agency Confirmation with respect to the Securities and the Subordinated Securities;

(iii) provide additional cash and/or Investment Securities to the Collateral Agent under the Security Agreement, provided that if the

Continental Cash Balance as of the applicable Valuation Date was less than \$600,000,000, then the amount of Cash Collateral included in the Collateral, after giving effect to the action taken pursuant to Sections 3.1(a) and 3.1(b) with respect to such Valuation Date, shall not exceed \$20,000,000;

(iv) deliver Notes to the Trustee for cancellation;

(v) redeem some or all of the Notes pursuant to Article 4 of the Indenture; or

(vi) any combination of the foregoing;

such that, the Collateral Ratio and the Subordinated Collateral Ratio, as recalculated giving effect to such action taken pursuant to this Section 3.1(a) and, in the case of clauses (i), (ii) and (iii) of this Section 3.1(a), using the Fair Market Value of any such additional Collateral determined pursuant to Section 3.1(d) (but otherwise using the information used to determine the Collateral Ratio and the Subordinated Collateral Ratio as most recently determined pursuant to Article 2), would not be greater than the Maximum Collateral Ratio or the Maximum Subordinated Collateral Ratio, respectively.

(b) If the Rotable Ratio, as most recently determined pursuant to an Appraisal Compliance Report, is less than the Minimum Rotable Ratio or the Subordinated Rotable Ratio, as most recently determined pursuant to an Appraisal Compliance Report, is less than the Minimum Subordinated Rotable Ratio, the Company shall within 90 days after the date of the Appraisal Compliance Report setting forth the calculation of such Rotable Ratio or Subordinated Rotable Ratio:

(i) subject additional Rotables (the "ADDITIONAL ROTABLES") to the Lien of the Security Agreement in accordance with Section 3.1(c);

(ii) provide additional cash and/or Investment Securities to the Collateral Agent under the Security Agreement; PROVIDED that if the Continental Cash Balance as of the applicable Valuation Date was less than \$600,000,000, then the amount of Cash Collateral included in the Collateral, after giving effect to the action taken pursuant to Sections 3.1(a) and 3.1(b) with respect to such Valuation Date, shall not exceed \$20,000,000;

(iii) deliver Notes to the Trustee for cancellation;

(iv) redeem some or all of the Notes pursuant to Article 4 of the Indenture; or

(v) any combination of the foregoing.

such that, the Rotable Ratio and the Subordinated Rotable Ratio, as recalculated giving effect to such action taken pursuant to this Section 3.1(b) and, in the case of clauses (i) and (ii) of this Section 3.1(b), using the Fair Market Value of any such additional Collateral determined pursuant to Section 3.1(d) (but otherwise using the information used to determine the Rotable Ratio and the

Subordinated Rotable Ratio as most recently determined pursuant to Article 2), would not be less than the Minimum Rotable Ratio or the Minimum Subordinated Rotable Ratio, respectively."

Section 2.6 FLEET REDUCTION. Section 3.3 is amended to insert after the first sentence the following:

"If at any time after the Subordinated Closing Date so long as any Subordinated Securities are Outstanding the total number of Aircraft of any Aircraft Model (as defined below) in the Company's in-service fleet during any period of 60 consecutive days is less than the Specified Minimum (as defined below) for such Aircraft Model (other than due to restrictions on operating such Aircraft imposed by the FAA or any other instrumentality or agency of the United States), then within 90 days after such occurrence the Company shall redeem Subordinated Securities pursuant to Article 4 of the Indenture or deliver Subordinated Securities to the Trustee for cancellation, or a combination of the foregoing, in an aggregate principal amount not less than the principal amount of the Subordinated Securities Outstanding at the end of such 60 day period multiplied by a fraction, the numerator of which shall be the Appraised Value of the Pledged Spare Parts that are appropriate for incorporation in, installation on, attachment or appurtenance to, or use in only Aircraft of such Aircraft Model or Engines utilized only on such Aircraft, and the denominator of which shall be the Appraised Value of the Collateral."

Section 2.7 BENEFITS OF AGREEMENT RESTRICTED. Section 4.1 is amended to insert at the end of the first sentence the following:

", PROVIDED, FURTHER, that the Trustee on behalf of the Subordinated Securityholders is an intended third-party beneficiary of the following provisions of this Agreement (collectively, the "SUBORDINATED SECURITY PROVISIONS"): (i) the requirement that appraisals of the Collateral be obtained for purposes of determining the Maximum Subordinated Collateral Ratio by the fifth Business Day of February and the fifth Business Day of August in each year, commencing in August 2003; (ii) the requirement that the Maximum Subordinated Collateral Ratio be complied with in connection with such appraisals; (iii) the second sentence of Section 3.3; and (iv) clause (z) of the proviso to Section 4.4 (it being understood that the other provisions of this Agreement not expressly included within clauses (i), (ii), (iii) and (iv) of this proviso, including without limitation defined terms, are not Subordinated Security Provisions). Upon payment in full of the Securities, the Policy Expenses and the Policy Provider Obligations, if any Subordinated Securities are then Outstanding, Sections 3.4, 3.5, 3.6, 3.7 and 3.8 and Appendix IV, as then in effect, shall at such time become Subordinated Security Provisions, except that each reference therein to the Policy Provider shall be deemed changed to the Trustee."

Section 2.8 AMENDMENTS. Section 4.4 is amended (i) to insert after "PROVIDED that" the following: "(x)"; (ii) to insert after "as the case may be" the following: "(y) the Subordinated Security Provisions may not be amended, supplemented or waived by the Company and the Policy Provider but may be amended, supplemented or waived by the Company and the Trustee, with the consent of the Required Subordinated Holders and without the consent of the Policy



Provider and (z) if Section 3.2 is amended or supplemented, or compliance therewith waived, any transaction entered into subsequent thereto that would not be in compliance with the provisions of such sentence as in effect on the Subordinated Closing Date shall not be permitted if the Subordinated Collateral Ratio, as recalculated giving effect to such transaction but otherwise using the information used to determine the Subordinated Collateral Ratio as most recently determined pursuant to Article 2, would be greater than the Maximum Subordinated Collateral Ratio."

Section 2.9 DEFINITIONS APPENDIX. Appendix I to the Agreement is amended by deleting existing Appendix I and substituting therefor new Appendix I attached as Appendix I hereto.

Section 2.10 APPRAISAL COMPLIANCE REPORT. Appendix II to the Agreement is amended by deleting existing Appendix II and substituting therefor new Appendix II attached as Appendix II hereto.

SECTION 3. CONSTRUCTION. All references in the Agreement to the "Agreement" shall be deemed to refer to the Agreement as amended by this Amendment, and the parties hereto confirm their respective obligations thereunder. The Agreement is hereby ratified by the parties hereto and shall remain in all respects unchanged (except as otherwise expressly specified in this Amendment) and in full force and effect.

SECTION 4. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 5. COUNTERPARTS. This Amendment 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.

[Remainder of this page is blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers thereunto duly authorized, as of the date and year first above written.

CONTINENTAL AIRLINES, INC.

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

MBIA INSURANCE CORPORATION

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

Appendix I

DEFINITIONS APPENDIX

SECTION 1. DEFINED TERMS.

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

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

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

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

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

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

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

"AGENT MEMBERS" is defined in Section 2.5(a) of the Indenture.

"AIRCRAFT" means any contrivance invented, used, or designed to navigate, or fly in, the air.

"AMENDMENT NO. 1 TO COLLATERAL MAINTENANCE AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Collateral Maintenance Agreement.

"AMENDMENT NO. 1 TO REFERENCE AGENCY AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Reference Agency Agreement.

"AMENDMENT NO. 1 TO SECURITY AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Security Agreement.

"ANNUAL METHODOLOGY" means, in determining an opinion as to the Fair Market Value of the Spare Parts Collateral, taking at least the following actions: (i) reviewing the Parts Inventory Report

prepared as of the applicable Valuation Date; (ii) reviewing the Independent Appraiser's internal value database for values applicable to Qualified Spare Parts included in the Spare Parts Collateral; (iii) developing a representative sampling of a reasonable number of the different Qualified Spare Parts included in Spare Parts Collateral for which a market check will be conducted; (iv) checking other sources, such as manufacturers, other airlines, U.S. government procurement data and airline parts pooling price lists, for current market prices of the sample parts referred to in clause (iii); (v) establishing an assumed ratio of Serviceable Parts to Unserviceable Parts as of the applicable Valuation Date based upon information provided by the Company and the Independent Appraiser's limited physical review of the Spare Parts Collateral referred to in the following clause (vi); (vi) visiting at least two locations selected by the Independent Appraiser where the Pledged Spare Parts are kept by the Company (neither of which was visited for purposes of the last appraisal under Section 2.1 or 2.2 of the Collateral Maintenance Agreement, whichever was most recent), PROVIDED that at least one such location shall be one of the top three locations at which the Company keeps the largest number of Pledged Spare Parts, to conduct a limited physical inspection of the Spare Parts Collateral; (vii) conducting a limited review of the inventory reporting system applicable to the Pledged Spare Parts, including checking information reported in such system against information determined through physical inspection pursuant to the preceding clause (vi) and (viii) reviewing a sampling of the Spare Parts Documents (including tear-down reports).

"ANNUAL VALUATION DATE" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"APPLIANCE" means an instrument, equipment, apparatus, a part, an appurtenance, or an accessory used, capable of being used, or intended to be used, in operating or controlling Aircraft in flight, including a parachute, communication equipment, and another mechanism installed in or attached to Aircraft during flight, and not a part of an Aircraft, Engine, or Propeller.

"APPLICABLE MARGIN" means 0.90%.

"APPLICABLE PERIOD" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"APPRAISAL COMPLIANCE REPORT" means, as of any date, a report providing information relating to the calculation of the Collateral Ratio, the Subordinated Collateral Ratio, Rotable Ratio and Subordinated Rotable Ratio, which shall be substantially in the form of Appendix II to the Collateral Maintenance Agreement.

"APPRAISED VALUE" means, with respect to any Collateral, the Fair Market Value of such Collateral as most recently determined pursuant to (i) the report attached as Appendix II to the Offering Memo or (ii) Article 2 and, if applicable, Section 3.1 of the Collateral Maintenance Agreement.

"AVAILABLE AMOUNT" means, as of any date, the Maximum Available Commitment (as defined in the Liquidity Facility) on such date.

"AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"BANKRUPTCY CODE" means the United States Bankruptcy Code, 11 U.S.C. Section 101 ET SEQ.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any committee of such board duly authorized to act in respect of any particular matter.

"BREAK AMOUNT" means, as of any date of payment, redemption or acceleration of any Note (the "APPLICABLE DATE"), an amount determined by the Reference Agent on the date that is two Business Days prior to the Applicable Date pursuant to the formula set forth below; PROVIDED, HOWEVER, that no Break Amount will be payable (x) if the Break Amount, as calculated pursuant to the formula set forth below, is equal to or less than zero or (y) on or in respect of any Applicable Date that is an Interest Payment Date (or, if such an Interest Payment Date is not a Business Day, the next succeeding Business Day)

Break Amount = Z-Y

Where:

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

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

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

"BUSINESS DAY" means any day that is a day for trading by and between banks in the London interbank Eurodollar market and that is other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Houston, Texas, New York, New York, or, so long as any Security is outstanding, the city and state in which the Trustee maintains its Corporate Trust Office or, solely with respect to draws under any Policy, the city and state in which the office of the Policy Provider at which notices, presentations, transmissions, deliveries and communications are to be made under the Policy is located, and that, solely with respect to draws under the Liquidity Facility, also is a "Business Day" as defined in the Liquidity Facility.

"CAPPED INTEREST RATE" means a rate per annum equal to 12%.

"CASH COLLATERAL" means cash and/or Investment Securities deposited or to be deposited with the Collateral Agent or an Eligible Institution and subject to the Lien of any Collateral Agreement.

"CASH COLLATERAL ACCOUNT" means an Eligible Deposit Account in the name of the Trustee maintained at an Eligible Institution, which shall be the Trustee if

it shall so qualify, into which all amounts drawn under the Liquidity Facility pursuant to Section 3.5(c), 3.5(d) or 3.5(i) of the Indenture shall be deposited.

"CITIZEN OF THE UNITED STATES" is defined in 49 U.S.C.s.s. 40102(a)(15).

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"CLEARSTREAM" means Clearstream Banking societe anonyme, Luxembourg.

"CLOSING DATE" means the Issuance Date.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" means the Spare Parts Collateral and all other collateral in which the Collateral Agent has a security interest pursuant to the Collateral Agreements.

"COLLATERAL AGENT" means the Security Agent and each other Person acting as agent on behalf of the Holders under any other Collateral Agreement.

"COLLATERAL AGREEMENT" means the Security Agreement and any agreement under which a security interest has been granted pursuant to Section 3.1(a)(ii) of the Collateral Maintenance Agreement.

"COLLATERAL MAINTENANCE AGREEMENT" means the Collateral Maintenance Agreement, dated as of the Issuance Date, between the Company and the Policy Provider.

"COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral), as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"COLLECTION ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13 of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"COMPANY" means the party named as such in the Indenture or any obligor on the Notes until a successor replaces it pursuant to the Indenture and thereafter means the successor.

"CONSENT PERIOD" is defined in Section 3.5(d) of the Indenture.

"CONTINENTAL BANKRUPTCY EVENT" means the occurrence and continuation of an Event of Default under Section 7.1(d), (e) or (f) of the Indenture.

"CONTINENTAL CASH BALANCE" means the sum of (a) the amount of cash and cash equivalents that would have been shown on the balance sheet of Continental and

its consolidated subsidiaries prepared in accordance with GAAP as of any Valuation Date, plus (b) the amount of marketable securities that would have been reflected on such balance sheet which had, as of such Valuation Date, a maturity of less than one year and which, but for their maturity, would have qualified to be reflected on such balance sheet as cash equivalents.

"CONTROLLING PARTY" means the Person entitled to act as such pursuant to the terms of Section 3.8 of the Indenture.

"CORPORATE TRUST OFFICE" when used with respect to the Trustee means the office of the Trustee at which at any particular time its corporate trust business is administered and which, at the Closing Date, is located at Wilmington Trust Company, as Trustee, Rodney Square North 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

"DEBT BALANCE" means 110% of the principal amount of the Outstanding Notes.

"DEBT RATE" means a rate per annum equal, in the case of the first Interest Period for the Securities, to 2.32% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Registration Rights Agreement) occurs on or prior to the 210th day after the Closing Date, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement), PROVIDED that the additional margin added to the Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time, PROVIDED FURTHER that, if a default in the payment of interest on the Securities occurs and is continuing on any Interest Payment Date, then the Debt Rate applicable to the Interest Period ending on such Interest Payment Date shall not exceed the Capped Interest Rate, except that for purposes of any payment made by the Company intended to cure such default, this proviso shall not apply.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"DEFINITIONS APPENDIX" means the Definitions Appendix attached as Appendix I to the Indenture and constituting a part of the Indenture.

"DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"DESIGNATED LOCATIONS" means the locations in the U.S. designated from time to time by the Company at which the Pledged Spare Parts may be maintained by or on behalf of the Company, which initially shall be the locations set forth on Schedule 1 to the Security Agreement and shall include the additional locations designated by the Company pursuant to Section 4.04(d) of the Security Agreement.

"DESIGNATED REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"DISTRIBUTION DATE" means (i) each Scheduled Payment Date (and, if a Payment required to be paid to the Trustee for distribution on such Scheduled Payment Date has not been so paid by 12:30 p.m., New York time, in whole or in part, on such Scheduled Payment Date, the next Business Day on which the Trustee receives some or all of such Payment by 12:30 p.m., New York time, except for a defaulted payment of interest that is not paid within five days after the Scheduled Payment Date therefor), (ii) each day established for payment by the Trustee pursuant to Section 7.10, (iii) the Non-Performance Payment Date, (iv) the Final Legal Maturity Date, (v) the Election Distribution Date, (vi) the Policy Election Distribution Date, (vii) the date established as a Distribution Date pursuant to Section 3.6(f) of the Indenture and (viii) solely for purposes of payments to be made by the Policy Provider pursuant to Section 3.6(d) of the Indenture and not for purposes of any other payment or distribution under the Indenture, the date established for such payment in accordance with the Policy.

"DOWNGRADE DRAWING" is defined in Section 3.5(c) of the Indenture.

"DOWNGRADE EVENT" has the meaning assigned to such term in Section 3.5(c) of the Indenture.

"DOWNGRADED FACILITY" is defined in Section 3.5(c) of the Indenture.

"DRAWING" means an Interest Drawing, a Final Drawing, a Non-Extension Drawing or a Downgrade Drawing, as the case may be.

"DTC" means The Depository Trust Company, its nominees and their respective successors.

"ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"ELIGIBLE ACCOUNT" means an account established by and with an Eligible Institution at the request of the Security Agent, which institution agrees, for all purposes of the New York UCC including Article 8 thereof, that (a) such account shall be a "securities account" (as defined in Section 8-501 of the New York UCC), (b) such institution is a "securities intermediary" (as defined in Section 8-102(a)(14) of the New York UCC), (c) all property (other than cash) credited to such account shall be treated as a "financial asset" (as defined in Section 8-102(9) of the New York UCC), (d) the Security Agent shall be the "entitlement holder" (as defined in Section 8-102(7) of the New York UCC) in respect of such account, (e) it will comply with all entitlement orders issued by the Security Agent to the exclusion of the Company, (f) it will waive or subordinate in favor of the Security Agent all claims (including without limitation, claims by way of security interest, lien or right of set-off or



right of recoupment), and (g) the "securities intermediary jurisdiction" (under Section 8-110(e) of the New York UCC) shall be the State of New York.

"ELIGIBLE DEPOSIT ACCOUNT" means either (a) a segregated account with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent. An Eligible Deposit Account may be maintained with the Liquidity Provider so long as the Liquidity Provider is an Eligible Institution; provided that such Liquidity Provider shall have waived all rights of set-off and counterclaim with respect to such account.

"ELIGIBLE INSTITUTION" means (a) the Security Agent or (b) a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), which has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent.

"ELIGIBLE INVESTMENTS" means (a) investments in obligations of, or guaranteed by, the U.S. Government having maturities no later than 90 days following the date of such investment, (b) investments in open market commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof with a short-term unsecured debt rating issued by Moody's of at least P-1 and a short-term issuer credit rating issued by Standard & Poor's of at least A-1 having maturities no later than 90 days following the date of such investment or (c) investments in negotiable certificates of deposit, time deposits, banker's acceptances, commercial paper or other direct obligations of, or obligations guaranteed by, commercial banks organized under the laws of the United States or of any political subdivision thereof (or any U.S. branch of a foreign bank) with a short-term unsecured debt rating by Moody's of at least P-1 and a short-term issuer credit rating by Standard & Poor's of at least A-1, having maturities no later than 90 days following the date of such investment; PROVIDED, HOWEVER, that (x) all Eligible Investments that are bank obligations shall be denominated in U.S. dollars; and (y) the aggregate amount of Eligible Investments at any one time that are bank obligations issued by any one bank shall not be in excess of 5% of such bank's capital surplus; PROVIDED FURTHER that any investment of the types described in clauses (a), (b) and (c) above may be made through a repurchase agreement in commercially reasonable form with a bank or other financial institution qualifying as an Eligible Institution so long as such investment is held by a third party custodian also qualifying as an Eligible Institution; PROVIDED FURTHER, HOWEVER, that in the case of any Eligible Investment issued by a domestic branch of a foreign bank, the income from such investment shall be from sources within the United States for purposes of the Code. Notwithstanding the foregoing, no investment of the types described in clause (b) above which is issued or guaranteed by the Company or any of its Affiliates, and no investment in the obligations of any one bank in excess of \$10,000,000, shall be an Eligible Investment unless written approval has been obtained from the Policy Provider and a Ratings Confirmation shall have been received with respect to the making of such investment.

"ENGINE" means an engine used, or intended to be used, to propel an Aircraft, including a part, appurtenance, and accessory of the Engine, except a Propeller.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time

"EUROCLEAR" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"EVENT OF DEFAULT" is defined in Section 7.1 of the Indenture.

"EVENT OF LOSS" means (i) the loss of any of the Pledged Spare Parts or of the use thereof due to destruction, damage beyond repair or rendition of any of the Pledged Spare Parts permanently unfit for normal use for any reason whatsoever (other than the use of Expendables in the Company's operations); (ii) any damage to any of the Pledged Spare Parts which results in the receipt of insurance proceeds with respect to such Pledged Spare Parts on the basis of an actual or constructive loss; or (iii) the loss of possession of any of the Pledged Spare Parts by the Company for ninety (90) consecutive days as a result of the theft or disappearance of such Pledged Spare Parts.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"EXCHANGE FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"EXCHANGE FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007" is defined in Section 2A.1(a) of the Indenture.

"EXCHANGE OFFER" means (i) with respect to the Securities, the exchange offer which may be made pursuant to the Registration Rights Agreement to exchange Initial Securities for Exchange Securities and (ii) with respect to the Subordinated Securities, the exchange offer which may be made pursuant to the Subordinated Security Registration Rights Agreement to exchange Initial Subordinated Securities for Exchange Subordinated Securities.

"EXCHANGE OFFER REGISTRATION STATEMENT" means (i) with respect to the Securities, the registration statement that, pursuant to the Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Securities for Exchange Securities and (ii) with respect to Subordinated Securities, the registration statement that, pursuant to the Subordinated Security Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Subordinated Securities for Exchange Subordinated Securities.

"EXCHANGE SECURITIES" means the securities substantially in the form of Exhibit A to the Indenture issued in exchange for the Initial Securities pursuant to the Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCHANGE SUBORDINATED SECURITIES" means the securities substantially in the form of Exhibit D to the Indenture issued in exchange for the Initial Subordinated Securities pursuant to the

Subordinated Security Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCLUDED PARTS" means Spare Parts and Appliances held by the Company at a location not a Designated Location.

"EXPENDABLES" means Qualified Spare Parts other than Rotables.

"EXPENSES" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims, actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation).

"FAA" means the Federal Aviation Administration or similar regulatory authority established to replace it.

"FAA FILED DOCUMENTS" means the Security Agreement and Amendment No. 1 to Security Agreement.

"FACILITY OFFICE" means, with respect to any Liquidity Facility, the office of the Liquidity Provider thereunder, presently located at 1585 Broadway, New York, New York 10036, or such other office as such Liquidity Provider from time to time shall notify the Trustee as its "Facility Office" under any such Liquidity Facility; provided that such Liquidity Provider shall not change its Facility Office to another Facility Office outside the United States of America except in accordance with Sections 3.01, 3.02 or 3.03 of any such Liquidity Facility.

"FAIR MARKET VALUE" means, with respect to any Collateral, its fair market value determined on the basis of a hypothetical sale negotiated in an arm's length free market transaction between a willing and able seller and a willing and able buyer, neither of whom is under undue pressure to complete the transaction, under then current market conditions, provided that cash shall be valued at its Dollar amount.

"FEDERAL AVIATION ACT" means Title 49 of the United States Code, "Transportation", as amended from time to time, or any similar legislation of the United States enacted in substitution or replacement thereof.

"FEE LETTERS" means, collectively, (i) the Fee Letter dated as of the Closing Date between the Trustee and the initial Liquidity Provider with respect to the initial Liquidity Facility and (ii) any fee letter entered into between the Trustee and any Replacement Liquidity Provider in respect of any Replacement Liquidity Facility.

"FINAL DRAWING" is defined in Section 3.5(i) of the Indenture.

"FINAL LEGAL MATURITY DATE" means December 6, 2009.

"FINAL ORDER" has the meaning assigned to such term in the Policy.

"FINAL SCHEDULED PAYMENT DATE" means December 6, 2007.

"FINANCING STATEMENTS" means, collectively, UCC-1 financing statements covering the Spare Parts Collateral, by the Company, as debtor, showing the Security Agent as secured party, for filing in Delaware, Guam and each other jurisdiction that, in the opinion of the Security Agent, is necessary to perfect its Lien on the Spare Parts Collateral.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"GLOBAL EXCHANGE SECURITY" is defined in Section 2.1(f) of the Indenture.

"GLOBAL EXCHANGE SUBORDINATED SECURITY" is defined in Section 2A.1(f) of the Indenture.

"GLOBAL SECURITIES" is defined in Section 2.1(d) of the Indenture.

"GLOBAL SUBORDINATED SECURITIES" is defined in Section 2A.1(d) of the Indenture.

"GOVERNMENT ENTITY" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Documents or relating to the observance or performance of the obligations of any of the parties to the Operative Documents.

"HOLDER" or "NOTEHOLDER" means the Person in whose name a Note is registered on the Registrar's books.

"INDEMNITEE" means (i) WTC, the Trustee and the Collateral Agent, (ii) each separate or additional trustee or security agent appointed pursuant to the Indenture, (iii) each Liquidity Provider, (iv) the Policy Provider, and (v) each of the respective directors, officers, employees, agents and servants of each of the persons described in clauses (i) through (iv) inclusive above.

"INDENTURE" means the Amended and Restated Indenture dated as of May 9, 2003, among the Company, the Trustee, the Liquidity Provider and the Policy Provider under which the Notes are issued.

"INDENTURE DISCHARGE DATE" means the date of the termination of the effectiveness of the Indenture pursuant to Section 9.1(a) thereof (without giving effect to Section 9.1(b) thereof).

"INDENTURE TRUSTEE" means the Trustee.

"INDEPENDENT APPRAISER" means Simat, Helliesen & Eichner, Inc. or any other Person (i) engaged in a business which includes appraising Aircraft and assets related to the operation and maintenance of Aircraft from time to time and (ii) who does not have any material financial interest in the Company and is not connected with the Company or any of its Affiliates as an officer, director, employee, promoter, underwriter, partner or person performing similar functions.

"INDEPENDENT APPRAISER'S CERTIFICATE" means a certificate signed by an Independent Appraiser and attached as Appendix II to the Offering Memo or delivered thereafter pursuant to Article 2 or Section 3.1 of the Collateral Maintenance Agreement.

"INITIAL CASH COLLATERAL" shall mean cash in the amount of \$13,056,950.

"INITIAL FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"INITIAL FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007" is defined in Section 2A.1(a) of the Indenture.

"INITIAL PURCHASER" means Morgan Stanley & Co. Incorporated.

"INITIAL SECURITIES" mean the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit A thereto, other than the Exchange Securities.

"INITIAL SUBORDINATED SECURITIES" means the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit D thereto, other than the Exchange Subordinated Securities.

"INSTITUTIONAL ACCREDITED INVESTOR" means an institutional investor that is an "accredited investor" within the meaning set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"INTEREST DRAWING" is defined in Section 3.5(a) of the Indenture.

"INTEREST PAYMENT DATE" means March 6, June 6, September 6 and December 6 of each year so long as any Note is Outstanding (commencing March 6, 2003 in the case of the Securities and June 6, 2003 in the case of the Subordinated Securities), PROVIDED that if any such day is not a Business Day, then the relevant Interest Payment Date shall be the next succeeding Business Day.

"INTEREST PERIOD" means (i) in the case of the first Interest Period, the period commencing on (and including) the Closing Date (in the case of the Securities) or the Subordinated Closing Date (in the case of the Subordinated Securities) and ending on (but excluding) the first Interest Payment Date following such date and (ii) in the case of each subsequent Interest Period, the period commencing on (and including) the last day of the immediately preceding Interest Period, and ending on (but excluding) the next Interest Payment Date.

"INVESTMENT EARNINGS" means investment earnings on funds on deposit in the Trust Accounts net of losses and investment expenses of the Trustee in making such investments.

"INVESTMENT SECURITY" means (a) any bond, note or other obligation which is a direct obligation of or guaranteed by the U.S. or any agency thereof; (b) any obligation which is a direct obligation of or guaranteed by any state of the U.S. or any subdivision thereof or any agency of any such state or subdivision, and which has the highest rating published by Moody's or Standard & Poor's; (c) any commercial paper issued by a U.S. obligor and rated at least P-1 by Moody's or A-1 by Standard & Poor's; (d) any money market investment instrument relying upon the credit and backing of any bank or trust company which is a member of the Federal Reserve System and which has a combined capital (including capital reserves to the extent not included in capital) and surplus and undivided profits of not less than \$250,000,000 (including the Collateral Agent and its Affiliates if such requirements as to Federal Reserve System membership and combined capital and surplus and undivided profits are satisfied), including, without limitation, certificates of deposit, time and other interest-bearing deposits, bankers' acceptances, commercial paper, loan and mortgage participation certificates and documented discount notes accompanied by irrevocable letters of credit and money market fund investing solely in securities backed by the full faith and credit of the United States; or (e) repurchase agreements collateralized by any of the foregoing.

"ISSUANCE DATE" means the date of initial issuance of the Initial Securities.

"LAW" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"LIBOR" has the meaning specified in the Reference Agency Agreement.

"LIBOR ADVANCE" has the meaning provided in the Liquidity Facility.

"LIEN" means any mortgage, pledge, lease, security interest, encumbrance, lien or charge of any kind affecting title to or any interest in property.

"LIQUIDITY EVENT OF DEFAULT" has the meaning assigned to such term in the Liquidity Facility.

"LIQUIDITY EXPENSES" means all Liquidity Obligations other than (i) the principal amount of any Drawings under the Liquidity Facility and (ii) any interest accrued on any Liquidity Obligations.

"LIQUIDITY FACILITY" means, initially, the Revolving Credit Agreement dated as of the Issuance Date, between the Trustee and the initial Liquidity Provider, and from and after the replacement of such Revolving Credit Agreement pursuant hereto, the Replacement Liquidity Facility therefor, if any, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"LIQUIDITY GUARANTEE" means the Guarantee Agreement, dated as of the date of the Original Indenture, providing for the guarantee by the Liquidity Guarantor of the obligations of the Liquidity Provider under the Liquidity Facility.

"LIQUIDITY GUARANTOR" means Morgan Stanley.

"LIQUIDITY OBLIGATIONS" means all principal, interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility or the Fee Letter.

"LIQUIDITY PROVIDER" means Morgan Stanley Capital Services Inc., together with any Replacement Liquidity Provider which has issued a Replacement Liquidity Facility to replace any Liquidity Facility pursuant to Section 3.5(e) of the Indenture.

"LIQUIDITY PROVIDER REIMBURSEMENT DATE" is defined in Section 3.6(d) of the Indenture.

"LOANS" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MATERIAL ADVERSE CHANGE" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Documents.

"MAXIMUM COLLATERAL RATIO" means 45%.

"MAXIMUM SUBORDINATED COLLATERAL RATIO" means 67.5%.

"MINIMUM ROTABLE RATIO" means 150%.

"MINIMUM SUBORDINATED ROTABLE RATIO" means 100%.

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

"MOVES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MSCS" has the meaning specified in the first paragraph of the Indenture.

"NEW YORK UCC" is defined in Section 1.01 of the Security Agreement.

"NONAPPRAISAL COMPLIANCE REPORT" means a report providing information relating to compliance by the Company with Section 3.2 of the Collateral Maintenance Agreement, which shall be substantially in the form of Appendix III to the Collateral Maintenance Agreement.

"NON-CONTROLLING PARTY" means, at any time, the Securityholders, the Subordinated Securityholders, the Liquidity Provider and the Policy Provider, excluding whichever is the Controlling Party at such time.

"NON-EXTENDED FACILITY" is defined in Section 3.5(d) of the Indenture.

"NON-EXTENSION DRAWING" is defined in Section 3.5(d) of the Indenture.

"NON-PERFORMANCE DRAWING" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMANCE PAYMENT DATE" is defined in Section 3.6(c) of the Indenture.

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

"NON-PERFORMING PERIOD" is defined in Section 3.6(c) of the Indenture.

"NON-U.S. PERSON" means any Person other than a U.S. person, as defined in Regulation S.

"NOTES" means the Securities and the Subordinated Securities.

"NOTEHOLDER" means any holder of one or more Notes.

"NOTICE OF AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"NOTICE FOR PAYMENT" means a Notice of Nonpayment as such term is defined in the Policy.

"OBLIGATIONS" is defined in Section 2.01 of the Security Agreement.

"OFFERING MEMO" means the Offering Memorandum, dated December 2, 2002, of the Company relating to the offering of the Securities.

"OFFICER" means the Chairman of the Board, the President, any Vice President of any grade, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary or the Controller of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers satisfying the requirements of Sections 12.4 and 12.5 of the Indenture.

"OPERATIVE DOCUMENTS" means the Indenture, the Collateral Agreements, the Collateral Maintenance Agreement and the Reference Agency Agreement.

"OPINION OF COUNSEL" means a written opinion from the General Counsel of the Company, legal counsel to the Company or another legal counsel who is reasonably acceptable to the Trustee, which Opinion of Counsel shall comply with Sections 12.4 and 12.5 of the Indenture. The counsel may be an employee of the Company. The acceptance by the Trustee (without written objection to the Company during the fifteen (15) Business Days following receipt) of, or its action on,



an opinion of counsel not specifically referred to above shall be sufficient evidence that such counsel is acceptable to the Trustee.

"OUTSTANDING" or "OUTSTANDING" when used with respect to Notes or a Note, means all Notes theretofore authenticated and delivered under the Indenture, except:

(a) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Notes, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Holders of such Notes, PROVIDED that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Notes for which payment has been deposited with the Trustee or any Paying Agent in trust pursuant to Article 9 of the Indenture (except to the extent provided therein); and

(d) Notes which have been paid, or for which other Notes shall have been authenticated and delivered in lieu thereof or in substitution therefor pursuant to the terms of Section 2.12 of the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by bona fide purchasers in whose hands the Notes are valid obligations of the Company.

A Note does not cease to be Outstanding because the Company or one of its Affiliates holds the Note; PROVIDED, HOWEVER, that in determining whether the Holders of the requisite aggregate principal amount of Notes Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or any other Operative Document, Section 2.13 of the Indenture shall be applicable.

"ORIGINAL INDENTURE" has the meaning set forth in the introductory paragraph of the Indenture.

"OUTSTANDING AMOUNT" is defined in Section 3.6(b) of the Indenture.

"OVERDUE SCHEDULED PAYMENT" means any Payment of accrued interest on any Notes which is not in fact received by the Trustee (whether from the Company, the Liquidity Provider, the Policy Provider or otherwise) on or within five days after the Scheduled Payment Date relating thereto and which is not subsequently paid in connection with the redemption or final maturity of a Note.

"PARTS INVENTORY REPORT" means, as of any date, a list identifying the Pledged Spare Parts by manufacturer's part number and brief description and stating the quantity of each such part included in the Pledged Spare Parts as of such specified date.

"PAYING AGENT" has the meaning provided in Section 2.8 of the Indenture.

"PAYMENT" means (i) any payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to the Notes from the Company, (ii) any payment of interest on the Securities with funds drawn under the Liquidity Facility or from a Cash Collateral Account or (iii) any payment of interest on or principal of Securities with funds drawn under the Policy, or (iv) any payment received or amount realized by the Trustee from the exercise of remedies after the occurrence of an Event of Default.

"PAYMENT DEFAULT" means a Default referred to in Section 7.1(a) of the Indenture.

"PAYMENT DUE RATE" means (a) the Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"PERMITTED DAYS" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"PERMITTED LESSEE" has the meaning provided in Section 3.6(b) of the Collateral Maintenance Agreement.

"PERMITTED LIEN" means (a) the rights of Security Agent under the Operative Documents; (b) Liens attributable to Security Agent (both in its capacity as Security Agent and in its individual capacity); (c) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 3.6 of the Collateral Maintenance Agreement; (d) Liens for Taxes of the Company (and its U.S. federal tax law consolidated group), either not yet due or being contested in good faith by appropriate proceedings so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (e) materialmen's, mechanics', workers', repairers', employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent for more than 60 days or is being contested in good faith by appropriate proceedings, so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (f) Liens arising out of any judgment or award against the Company, so long as such judgment shall, within 60 days after the entry thereof, have been discharged or vacated, or execution thereof stayed pending appeal or shall have been discharged, vacated or reversed within 60 days after the expiration of such stay, and so long as during any such 60 day period there is not as a result, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or any impairment of the Lien of the Security Agreement; (g) any other Lien with respect to which the Company shall have provided a bond, cash collateral or other security adequate in the reasonable opinion of Security Agent.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, trustee, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"PLEGGED SPARE PARTS" has the meaning set forth in clause (1) of the first paragraph of Section 2.01 of the Security Agreement.

"POLICY" means MBIA Insurance Corporation Financial Guaranty Insurance Policy No. 39753, issued as of the Closing Date, as amended, supplemented or otherwise modified from time to time in accordance with its respective terms.

"POLICY ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13(a) of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"POLICY DRAWING" means any payment of a claim under the Policy.

"POLICY ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

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

"POLICY FEE LETTER" means the fee letter, dated as of the Closing Date, from the Policy Provider to the Company and acknowledged by the Trustee, setting forth the fees and premiums payable with respect to the Policy.

"POLICY PROVIDER" means MBIA Insurance Corporation, a New York insurance company, and its successors and permitted assigns.

"POLICY PROVIDER AGREEMENT" means the Insurance and Indemnity Agreement dated as of the Closing Date, among the Trustee, the Company and the Policy Provider, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"POLICY PROVIDER DEFAULT" shall mean the occurrence of any of the following events: (a) the Policy Provider fails to make a payment required under the Policy in accordance with its terms and such failure remains unremedied for two Business Days following the delivery of Written Notice of such failure to the Policy Provider or (b) the Policy Provider (i) files any petition or commences any case or proceeding under any provisions of any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization, (ii) makes a general assignment for the benefit of its creditors or (iii) has an order for relief entered against it under any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization that is final and nonappealable, or (c) a court of competent jurisdiction, the New York Department of Insurance or another competent regulatory authority enters a final and nonappealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for the Policy Provider or for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent or receiver of the Policy Provider (or taking of possession of all or any material portion of the Policy Provider's property).

"POLICY PROVIDER ELECTION" is defined in Section 3.6(c) of the Indenture.

"POLICY PROVIDER INTEREST OBLIGATIONS" means any interest on any Policy Drawing made to cover any shortfall attributable to any failure of the Liquidity Provider to honor any Interest Drawing in accordance with Section 2.02(e) of the Liquidity Facility in an amount equal to the amount of interest that would have accrued on such Interest Drawing if such Interest Drawing had been made in accordance with Section 2.02(e) of the Liquidity Facility at the interest rate applicable to such Interest Drawing until such Policy Drawing has been repaid in full.

"POLICY PROVIDER OBLIGATIONS" means all reimbursement and other amounts, including, without limitation, fees and indemnities (to the extent not included in Policy Expenses), due to the Policy Provider under the Policy Provider Agreement but shall not include any interest on Policy Drawings other than Policy Provider Interest Obligations.

"PREMIUM" means, with respect to any Note redeemed pursuant to Article 4 of the Indenture, the following percentage of the principal amount of such Note: (a) with respect to a Security, (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%; and (b) with respect to a Subordinated Security, (i) if redeemed before the second anniversary of the Subordinated Issuance Date, 3.0%; (ii) if redeemed on or after such second anniversary and before the third anniversary of the Subordinated Issuance Date, 2.0%; and (iii) if redeemed on or after such third anniversary and before the fourth anniversary of the Subordinated Issuance Date, 1.0%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Collateral Ratio, Maximum Subordinated Collateral Ratio, Minimum Rotable Ratio or Minimum Subordinated Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement.

"PRIOR FUNDS" means, on any Distribution Date, any Drawing paid under the Liquidity Facility on such Distribution Date and any funds withdrawn from the Cash Collateral Account on such Distribution Date in respect of accrued interest on the Securities.

"PROCEEDS DEFICIENCY DRAWING" is defined in Section 3.6(b) of the Indenture.

"PROPELLER" includes a part, appurtenance, and accessory of a propeller.

"PROVIDER INCUMBENCY CERTIFICATE" is defined in Section 3.7(b) of the Indenture.

"PROVIDER REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"PURCHASE AGREEMENT" means the Purchase Agreement dated December 2, 2002 by and between the Initial Purchaser and the Company.

"QIB" means a qualified institutional buyer as defined in Rule 144A.

"QUALIFIED SPARE PARTS" has the meaning provided in clause (1) of the first paragraph in Section 2.01 of the Security Agreement.

"RATING AGENCIES" means, collectively, at any time, and with respect to a Series of Notes, each nationally recognized rating agency which shall have been

requested by the Company to rate such Series of Notes and which shall then be rating such Series of Notes. The initial Rating Agency will be Moody's, in the case of the Securities, and Moody's and Standard & Poor's, in the case of the Subordinated Securities.

"RATINGS CONFIRMATION" means, with respect to any action proposed to be taken, a written confirmation from each of the Rating Agencies with respect to the applicable Series of Notes that such action would not result in (i) a reduction of the rating for such Series of Notes below the then current rating for such Series of Notes (such rating, in the case of the Securities, as determined without regard to the Policy) or (ii) a withdrawal or suspension of the rating of such Series of Notes.

"RECORD DATE" means the fifteenth (15th) day preceding any Scheduled Interest Payment Date, whether or not a Business Day.

"REDEMPTION DATE", when used with respect to any Note to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture and such Note.

"REFERENCE AGENCY AGREEMENT" means the Reference Agency Agreement, dated as of the Issuance Date, among the Company, WTC, as the reference agent thereunder, and the Trustee.

"REGISTER" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRAR" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of December 6, 2002, by and between the Company and the Initial Purchaser.

"REGULATION S" means Regulation S under the Securities Act.

"REGULATION S DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"REGULATION S DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"REGULATION S GLOBAL SECURITY" is defined in Section 2.1(d) of the Indenture.

"REGULATION S GLOBAL SUBORDINATED SECURITY" is defined in Section 2A.1(d) of the Indenture.

"RELEVANT DATE" is defined in Section 3.6(c) of the Indenture.

"REPLACEMENT LIQUIDITY FACILITY" means an irrevocable revolving credit agreement (or agreements) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies with respect to the Securities to confirm in writing their respective ratings then in effect for the Securities (before downgrading of such ratings, if any, as a result of the downgrading of the Liquidity Provider), and be consented to by the Policy Provider, which consent shall not be unreasonably withheld or delayed, in a face

amount (or in an aggregate face amount) equal to the amount of interest payable on the Securities (at the Capped Interest Rate, and without regard to expected future principal payments) on the eight Interest Payment Dates following the date of replacement of such Liquidity Facility (or if such date is an Interest Payment Date, on such day and the seven Interest Payment Dates following the date of replacement of such Liquidity Facility) and issued by a Person (or Persons) having unsecured short-term debt rating or issuer credit rating, as the case may be, issued by Moody's and Standard & Poor's which are equal to or higher than the Threshold Rating. Without limitation of the form that a Replacement Liquidity Facility otherwise may have pursuant to the preceding sentence, a Replacement Liquidity Facility for the Securities may have a stated expiration date earlier than 15 days after the Final Legal Maturity Date so long as such Replacement Liquidity Facility provides for a Non-Extension Drawing as contemplated by Section 3.5(d) of the Indenture.

"REQUEST" means a written request for the action therein specified signed on behalf of the Company by any Officer and delivered to the Trustee. Each Request shall be accompanied by an Officers' Certificate if and to the extent required by Section 12.4 of the Indenture.

"REQUIRED AMOUNT" means, for any day, the sum of the aggregate amount of interest, calculated at the Capped Interest Rate, that would be payable on the Securities on each of the eight successive Interest Payment Dates immediately following such day or, if such day is an Interest Payment Date, on such day and the succeeding seven Interest Payment Dates, in each case calculated on the basis of the outstanding principal amount of the Securities on such date and without regard to expected future payments of principal on the Securities.

"REQUIRED HOLDERS" means from time to time the Holders of more than 50% in aggregate unpaid principal amount of the Securities then Outstanding.

"REQUIRED SUBORDINATED HOLDERS" means from time to time the holders of more than 50% in aggregate unpaid principal amount of the Subordinated Securities then Outstanding.

"RESPONSIBLE OFFICER" means (i) with respect to the Trustee, any officer in the corporate trust administration department of the Trustee or any other officer customarily performing functions similar to those performed by the Persons who at the time shall be such officers or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject, (ii) with respect to the Liquidity Provider, any authorized officer of the Liquidity Provider, and (iii) with respect to the Policy Provider, any authorized officer of the Policy Provider.

"RESTRICTED DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"RESTRICTED DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"RESTRICTED GLOBAL SECURITY" is defined in Section 2.1(c) of the Indenture.

"RESTRICTED GLOBAL SUBORDINATED SECURITY" is defined in Section 2A.1(c) of the Indenture.

"RESTRICTED LEGEND" is defined in Section 2.2 of the Indenture.

"RESTRICTED PERIOD" is defined in Section 2.1(d) of the Indenture for purposes of the Securities and in Section 2A.1(d) for purposes of the Subordinated Securities.

"RESTRICTED SECURITIES" are defined in Section 2.2 of the Indenture.

"RESTRICTED SUBORDINATED SECURITIES" are defined in Section 2A.2 of the Indenture.

"ROTABLE" means a Qualified Spare Part that wears over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which it relates.

"ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"RULE 144A" means Rule 144A under the Securities Act.

"SALES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"SCHEDULED INTEREST PAYMENT DATE" means each Interest Payment Date, without giving effect to the proviso to the definition of Interest Payment Date.

"SCHEDULED PAYMENT DATE" means (i) with respect to any payment of interest, the Interest Payment Date applicable thereto, (ii) with respect to any payment of defaulted interest, the payment date established pursuant to Section 2.16, (iii) with respect to amounts due on the redemption of any Note, the Redemption Date applicable thereto, and (iv) with respect to the final maturity of the Notes, December 6, 2007.

"SEC" means the Securities and Exchange Commission and any government agency succeeding to its functions.

"SECTION 1110" means Section 1110 of the Bankruptcy Code.

"SECTION 1110 PERIOD" means the continuous period of (i) 60 days specified in Section 1110(a)(2)(A) of the Bankruptcy Code (or such longer period, if any, agreed to under Section 1110(b) of the Bankruptcy Code), plus (ii) an additional period, if any, commencing with the trustee or debtor-in-possession in such proceeding agreeing, with court approval, to perform its obligations under the Operative Documents within such 60 days (or longer period as agreed) and continuing until such time as such trustee or debtor-in-possession ceases to fully perform its obligations thereunder with the result that the period during which the Collateral Agent is prohibited from repossessing the collateral under any Collateral Agreement comes to an end.

"SECURITIES" means the Initial Securities and the Exchange Securities.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY AGENT" means the Trustee acting in the capacity of security agent on behalf of the Holders under the Security Agreement until a successor replaces it in accordance with the provisions of the Security Agreement and thereafter means the successor.

"SECURITY AGREEMENT" means the Spare Parts Security Agreement dated as of the Issuance Date between the Company and the Security Agent.

"SECURITYHOLDER" means any holder of one or more Securities.

"SEMIANNUAL METHODOLOGY" means the Annual Methodology, excluding actions referred to in clauses (iii) and (iv) of the definition of Annual Methodology.

"SEMIANNUAL VALUATION DATE" is defined in Section 2.2 of the Collateral Maintenance Agreement.

"SERIES" means each of the Securities and the Subordinated Securities, considered as a separate class.

"SERVICEABLE PARTS" means Pledged Spare Parts in condition satisfactory for incorporation in, installation on, attachment or appurtenance to or use in an Aircraft, Engine or other Qualified Spare Part.

"SHELF REGISTRATION STATEMENT" means the shelf registration statement which may be required to be filed by the Company with the SEC pursuant to (i) with respect to Securities, the Registration Rights Agreement, other than an Exchange Offer Registration Statement, and (ii) with respect to Subordinated Securities, the Subordinated Securities Registration Rights Agreement, other than an Exchange Offer Registration Statement.

"SPARE PART" means an accessory, appurtenance, or part of an Aircraft (except an Engine or Propeller), Engine (except a Propeller), Propeller, or Appliance, that is to be installed at a later time in an Aircraft, Engine, Propeller or Appliance.

"SPARE PARTS COLLATERAL" has the meaning specified in Section 2.01 of the Security Agreement.

"SPARE PARTS DOCUMENTS" has the meaning set forth in clause (6) of the first paragraph of Section 2.01 of the Security Agreement.

"SPECIAL DEFAULT" means a Payment Default or a Continental Bankruptcy Event.

"SPECIAL RECORD DATE" has the meaning provided in Section 2.10 of the Indenture.

"SPECIAL VALUATION DATE" is defined in Section 2.4 of the Collateral Maintenance Agreement.

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



"STATED AMOUNT" means the Maximum Commitment (as defined in the Liquidity Facility).

"STATED EXPIRATION DATE" is defined in Section 3.5(d) of the Indenture.

"SUBORDINATED APPLICABLE MARGIN" means 7.50%.

"SUBORDINATED CLOSING DATE" means the Subordinated Issuance Date.

"SUBORDINATED COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Notes Outstanding minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral), as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"SUBORDINATED DEBT RATE" means a rate per annum equal, in the case of the first Interest Period for the Subordinated Securities, to 8.78% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Subordinated Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Subordinated Security Registration Rights Agreement) occurs on or prior to the 210th day after the Subordinated Closing Date, the Subordinated Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Subordinated Security Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Subordinated Security Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Subordinated Security Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Subordinated Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Subordinated Security Registration Rights Agreement), PROVIDED that the additional margin added to the Subordinated Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time.

"SUBORDINATED DOCUMENTS" means the Indenture, Amendment No. 1 to Collateral Maintenance Agreement, Amendment No. 1 to Reference Agency Agreement and Amendment No. 1 to Security Agreement.

"SUBORDINATED ISSUANCE DATE" means the date of initial issuance of the Initial Subordinated Securities.

"SUBORDINATED PAYMENT DUE RATE" means (a) the Subordinated Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"SUBORDINATED ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Notes Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"SUBORDINATED SECURITIES" means the Initial Subordinated Securities and the Exchange Subordinated Securities.

"SUBORDINATED SECURITY OFFERING MEMO" means the Offering Memorandum, dated May 2, 2003 of the Company relating to the offering of the Subordinated Securities.

"SUBORDINATED SECURITY PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"SUBORDINATED SECURITY PURCHASE AGREEMENT" means the Purchase Agreement, dated as of May 2, 2003, by and between the Initial Purchaser and the Company.

"SUBORDINATED SECURITY REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of the Subordinated Issuance Date, by and between the Company and the Initial Purchaser.

"SUBORDINATED SECURITYHOLDER" means any holder of one or more Subordinated Securities.

"SUCCESSOR COMPANY" is defined in Section 5.4(a)(i) of the Indenture.

"SUPPLEMENTAL SECURITY AGREEMENT" means a supplement to the Security Agreement substantially in the form of Exhibit A to the Security Agreement.

"SUPPORT DOCUMENTS" means the Liquidity Facility, the Policy, the Policy Provider Agreement and the Fee Letters.

"TAX" and "TAXES" mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, loss, damage, liability, expense, additions to tax and additional amounts or costs incurred or imposed with respect thereto) imposed or otherwise assessed by the United States of America or by any state, local or foreign government (or any subdivision or agency thereof) or other taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth and similar charges; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, taxes on goods and services, gains taxes, license, registration and documentation fees, customs duties, tariffs, and similar charges.

"TERMINATION NOTICE" has the meaning assigned to such term in the Liquidity Facility.

"THRESHOLD AMOUNT" means \$2,000,000.

"THRESHOLD RATING" means the short-term unsecured debt rating of P-1 by Moody's and A-1 by Standard & Poor's; PROVIDED that so long as the initial Liquidity Provider is the Liquidity Provider, the Threshold Rating shall apply to the Liquidity Guarantor.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb) as in effect on the date of the Indenture; PROVIDED, HOWEVER, that in the event the TIA is amended after such date, "TIA" means, to the extent required by any such amendment, the TIA as so amended.

"TRUST ACCOUNTS" is defined in Section 8.13(a) of the Indenture.

"TRUST OFFICER" means any officer in the corporate trust department of the Trustee, or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUSTEE" means the party named as such in the Indenture until a successor replaces it in accordance with the provisions of the Indenture and thereafter means the successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Notes of any Series shall mean the Trustee with respect to the Notes of that Series.

"TRUSTEE INCUMBENCY CERTIFICATE" is defined in Section 3.7(a) of the Indenture.

"TRUSTEE PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"TRUSTEE REPRESENTATIVES" is defined in Section 3.7(a) of the Indenture.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"UNAPPLIED PROVIDER ADVANCE" is defined in the Liquidity Facility.

"UNSERVICEABLE PARTS" means Pledged Spare Parts that are not Serviceable Parts.

"U.S." or "UNITED STATES" means the United States of America.

"U.S. AIR CARRIER" means any United States air carrier that is a Citizen of the United States holding an air carrier operating certificate issued pursuant to chapter 447 of title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6000 pounds or more of cargo.

"U.S. GOVERNMENT" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the option of the issuer thereof.

"U.S. PERSON" means any Person described in Section 7701(a)(30) of the Code.

"VALUATION DATES" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"WARRANTIES" is defined in clause (2) of Section 2.01 of the Security Agreement.

"WRITTEN NOTICE" means, from the Trustee, the Liquidity Provider or the Policy Provider, a written instrument executed by the Designated Representative of such Person. An invoice delivered by the Liquidity Provider pursuant to Section 3.1 of the Indenture in accordance with its normal invoicing procedures shall constitute Written Notice under such Section.

"WTC" has the meaning specified in the first paragraph of the Indenture.

SECTION 2. RULES OF CONSTRUCTION. Unless the context otherwise requires, the following rules of construction shall apply for all purposes of the Operative Documents (including this appendix) and of such agreements as may incorporate this appendix by reference.

(a) In each Operative Document, unless otherwise expressly provided, a reference to:

- (i) each of the Company, the Trustee, the Collateral Agent, the Security Agent or any other person includes, without prejudice to the provisions of any Operative Document, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;
- (ii) words importing the plural include the singular and words importing the singular include the plural;
- (iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Document, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Documents, and any agreement, instrument or document entered into in substitution or replacement therefor;
- (iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Closing Date, and thereafter from time to time;
- (v) the words "Agreement", "this Agreement", "hereby", "herein", "hereto", "hereof" and "hereunder" and words of similar import when used in any Operative Document refer to such Operative Document as a whole and not to any particular provision of such Operative Document;
- (vi) the words "including", "including, without limitation", "including, but not limited to", and terms or phrases of similar import when used in any Operative Document, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section", an "Exhibit", an "Annex", an "Appendix" or a "Schedule" in any Operative Document, or in any annex thereto, is a reference to a section of, or an exhibit, an annex, an appendix or a schedule to, such Operative Document or such annex, respectively.

(b) Each exhibit, annex, appendix and schedule to each Operative Document is incorporated in, and shall be deemed to be a part of, such Operative Document.

(c) Unless otherwise defined or specified in any Operative Document, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Document are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Document.

(e) For purposes of each Operative Document, the occurrence and continuance of a Default or Event of Default referred to in Section 7.1(d), (e) or (f) of the Indenture shall not be deemed to prohibit the Company from taking any action or exercising any right that is conditioned on no Special Default, Default or Event of Default having occurred and be continuing if such Special Default, Default or Event of Default consists of the institution of reorganization proceedings with respect to the Company under Chapter 11 of the Bankruptcy Code and the trustee or debtor-in-possession in such proceedings shall have agreed to perform its obligations under the Operative Documents with the approval of the applicable court and thereafter shall have continued to perform such obligations in accordance with Section 1110.

Appendix II to the  
Collateral Maintenance Agreement

Address to Policy Provider and  
to the Trustee]

APPRAISAL COMPLIANCE REPORT UNDER THE COLLATERAL  
MAINTENANCE AGREEMENT

Ladies and Gentlemen:

We refer to the Collateral Maintenance Agreement, dated as of December 6, 2002, between Continental Airlines, Inc. (the "COMPANY") and MBIA Insurance Corporation (as amended, the "AGREEMENT"). Terms defined in the Agreement and used herein have such respective defined meanings. The Company hereby certifies that:

1. This Compliance Report is accompanied by an Independent Appraiser's Certificate (the "RELEVANT APPRAISAL") dated [\_\_\_\_\_]. The Valuation Date for purposes of the Relevant Appraisal was [\_\_\_\_\_] (the "RELEVANT VALUATION DATE").
2. The following sets forth the calculation of the Collateral Ratio as of the Relevant Valuation Date:
  - a. The aggregate principal amount of all Securities Outstanding as of the Relevant Valuation Date \$[\_\_\_\_\_]
  - b. The Fair Market Value of the Cash Collateral as of the Relevant Valuation Date \$[\_\_\_\_\_]
  - c. The Fair Market Value of the Collateral (excluding Cash Collateral) as of the Relevant Valuation Date, as set forth in the accompanying Independent Appraiser' Certificate \$[\_\_\_\_\_]
  - d. The Collateral Ratio ((a - b) / c) [\_\_\_\_\_]%

3. The following sets forth the calculation of the Subordinated Collateral Ratio as of the Relevant Valuation Date:

- a. The aggregate principal amount of all Notes Outstanding as of the Relevant Valuation Date \$[\_\_\_\_\_]
- b. The Fair Market Value of the Cash Collateral as of the Relevant Valuation Date \$[\_\_\_\_\_]
- c. The Fair Market Value of the Collateral (excluding Cash Collateral) as of the Relevant Valuation Date, as set forth in the accompanying Independent Appraiser's Certificate \$[\_\_\_\_\_]
- d. The Subordinated Collateral Ratio ((a - b) / c) [\_\_\_\_\_]%

4. The following sets forth the calculation of the Rotable Ratio as of the Relevant Valuation Date:

- a. The Fair Market Value of the Rotables as of the Relevant Valuation Date, as set forth in the accompanying Independent Appraiser's Certificate \$[\_\_\_\_\_]
- b. The aggregate principal amount of all Securities Outstanding as of the Relevant Valuation Date \$[\_\_\_\_\_]
- c. The Fair Market Value of the Cash Collateral as of the Relevant Valuation Date \$[\_\_\_\_\_]
- d. The Rotable Ratio (a / b - c) [\_\_\_\_\_]%

5. The following sets forth the calculation of the Subordinated Rotable Ratio as of the Relevant Valuation Date:

- a. The Fair Market Value of the Rotables as of the Relevant Valuation Date, as set forth in the accompanying Independent Appraiser's Certificate \$[\_\_\_\_\_]
- b. The aggregate principal amount of all Notes Outstanding as of the Relevant Valuation Date \$[\_\_\_\_\_]
- c. The Fair Market Value of the Cash Collateral as of the Relevant Valuation Date \$[\_\_\_\_\_]
- d. The Subordinated Rotable Ratio (a / b - c) [\_\_\_\_\_]%

6. The Continental Cash Balance as of the Relevant Valuation Date was \$[\_\_\_\_\_].

Dated: [\_\_\_\_\_]

Very truly yours,

CONTINENTAL AIRLINES, INC.

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



AMENDMENT NO. 1 TO  
SPARE PARTS SECURITY AGREEMENT

AMENDMENT NO. 1, dated as of May 9, 2003 (this "AMENDMENT"), to Spare Parts Security Agreement, dated as of December 6, 2002 (the "SECURITY AGREEMENT"), between WILMINGTON TRUST COMPANY, a Delaware banking corporation, as Security Agent (the "SECURITY AGENT"), and CONTINENTAL AIRLINES, INC., a Delaware corporation (the "COMPANY"). Certain terms used herein have the defined meanings referred to in Section 1 hereof.

W I T N E S S E T H :  
- - - - -

WHEREAS, the Company is a certificated air carrier under Section 44705 of title 49 of the United States Code; and

WHEREAS, in connection with the issuance and sale of the Company's Floating Rate Secured Notes due 2007 pursuant to the Original Indenture, the Company and the Security Agent entered into the Security Agreement to secure, among other things, the Company's obligations with respect to such Securities, and the Security Agreement was recorded by the Federal Aviation Administration on January 9, 2003 and was assigned Conveyance No. J001986; and

WHEREAS, in connection with the issuance and sale of the Company's Floating Rate Secured Subordinated Notes due 2007 pursuant to the Indenture, the Company has requested that the Security Agreement be amended to secure, among other things, the Company's obligations with respect to such Subordinated Securities; and

WHEREAS, the Original Indenture, as amended and restated to provide for the issuance of such Subordinated Securities, provides for the issuance of \$300,000,000 aggregate principal amount of the Notes; and

WHEREAS, the Controlling Party has given its written consent to this Amendment and the Company has obtained Ratings Confirmation with respect to the issuance of such Subordinated Securities.

NOW, THEREFORE, in consideration of the premises and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined or provided herein, terms used herein that are defined in the Security Agreement, as amended by this Amendment, have such respective defined meanings.

SECTION 2. AMENDMENTS. Effective as of the date hereof, the Security Agreement is hereby amended as follows:

Section 2.1 CERTAIN REFERENCES TO SECURITIES. Each reference to "Securities" in (a) the first sentence of Section 2.01, (b) Section 4.05, (c) Section 6.01(e), (d) Section 6.03, (e) Section 6.04, (f) Section 7.03, (g) Section 9.02, and (h) the second "whereas" clause of Exhibit A, is deleted and replaced with "Notes". The reference to "any one Security" in the third paragraph of Section 2.01 (which paragraph begins with "TO HAVE AND TO HOLD") is deleted and replaced with "any one Note".

Section 2.2 RELEASE OF CASH COLLATERAL. Section 7.03(b) is amended and restated to read in its entirety as follows:

"(b) If the Collateral Ratio is less than the Maximum Collateral Ratio, the Subordinated Collateral Ratio is less than the Maximum Subordinated Collateral Ratio, the Rotable Ratio is greater than the Minimum Rotable Ratio and the Subordinated Rotable Ratio is greater than the Minimum Subordinated Rotable Ratio, in each case as most recently determined pursuant to Article 2 or Section 3.1 of the Collateral Maintenance Agreement, and the Security Agent held any Cash Collateral as of the Valuation Date for such Collateral Ratio, Subordinated Collateral Ratio, Rotable Ratio and Subordinated Rotable Ratio (or subsequent date as of which such ratio was recalculated pursuant to Section 3.1 of the Collateral Maintenance Agreement), upon written request of the Company the Security Agent shall pay to the Company an amount of the Cash Collateral such that the Collateral Ratio would not be greater than the Maximum Collateral Ratio, the Subordinated Collateral Ratio would not be greater than the Maximum Subordinated Collateral Ratio, the Rotable Ratio would not be less than the Minimum Rotable Ratio and the Subordinated Rotable Ratio would not be less than the Minimum Subordinated Rotable Ratio, giving effect to such payment (but otherwise using the information used as of such most recent determination date to determine such ratio)."

Section 2.3 SECURITY AGENT. Article 8 is amended and restated to read in its entirety as follows:

"ARTICLE 8  
SECURITY AGENT

SECTION 8.01 SECURITY AGENT. The Security Agent has been appointed pursuant to the Indenture as Security Agent hereunder. The Security Agent shall be obligated, and shall have the right, hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release of Spare Parts Collateral) solely in accordance with this Security Agreement and the Indenture. The Security Agent agrees to and shall have the benefit of all provisions of the Indenture and the other Operative

Documents stated therein to be applicable to the Security Agent.

SECTION 8.02 REPLACEMENT OF SECURITY AGENT. (a) The Security Agent may resign by so notifying the Company, the Trustee (if other than the Security Agent), the Liquidity Provider and the Controlling Party in writing. The

Controlling Party may remove the Security Agent by so notifying the Security Agent in writing and may appoint a successor Security Agent with the Company's consent, which consent shall not be unreasonably refused or delayed. The Company may remove the Security Agent if:

- (i) the Security Agent fails to comply with Section 8.02(e);
- (ii) the Security Agent is adjudged a bankrupt or an insolvent;
- (iii) a receiver or other public officer takes charge of the Security Agent or its property;
- (iv) the Security Agent becomes incapable of acting; or
- (v) no Default or Event of Default has occurred and is continuing and the Company determines in good faith to remove the Security Agent.

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

(c) A successor Security Agent shall deliver a written acceptance of its appointment to the retiring Security Agent and to the Company. Immediately after that, the resignation or removal of the retiring Security Agent shall become effective, and the successor Security Agent shall succeed to and become vested with all the rights, powers and duties of the Security Agent under this Agreement. After any retiring Security Agent's resignation or removal, the provisions of this Security Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Security Agreement while it was Security Agent.

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

(e) The Security Agent shall have a combined capital and surplus of at least \$50,000,000, as set forth in its most recent, published annual report of condition. The Security Agent shall satisfy and comply with any applicable requirements of the TIA."

Section 2.4 DEFINITIONS APPENDIX. Appendix I to the Security Agreement is amended by deleting existing Appendix I and substituting therefor new Appendix I attached as Appendix I hereto.

Section 2.5 EXHIBITS. Exhibit A to the Security Agreement is amended by inserting in the second parenthetical of the first "Whereas" clause before "the Security Agreement" the following: "as amended by Amendment No. 1 to Spare Parts Security Agreement,".

SECTION 3. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Trustee, the Liquidity Provider, the Policy Provider and the Security Agent as follows:

Section 3.1 ORGANIZATION; QUALIFICATION. The Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has the corporate power and authority to conduct the business in which it is currently engaged and to own or hold under lease its properties and to enter into and perform its obligations under the Subordinated Documents. The Company is duly qualified to do business as a foreign corporation in good standing in each jurisdiction in which the nature and extent of the business conducted by it, or the ownership of its properties, requires such qualification, except where the failure to be so qualified would not give rise to a Material Adverse Change to the Company.

Section 3.2 CORPORATE AUTHORIZATION. The Company has taken, or caused to be taken, all necessary corporate action (including, without limitation, the obtaining of any consent or approval of stockholders required by its Certificate of Incorporation or By-Laws) to authorize the execution and delivery of each of the Subordinated Documents, and the performance of its obligations thereunder.

Section 3.3 NO VIOLATION. The execution and delivery by the Company of the Subordinated Documents, the performance by the Company of its obligations thereunder and the consummation by the Company on the Subordinated Closing Date of the transactions contemplated thereby, do not and will not (a) violate any provision of the Certificate of Incorporation or By-Laws of the Company, (b) violate any Law applicable to or binding on the Company or (c) violate or constitute any default under (other than any violation or default that would not result in a Material Adverse Change to the Company), or result in the creation of any Lien (other than as permitted under the Security Agreement) upon the Pledged Spare Parts under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, loan or other material agreement, instrument or document to which the Company is a party or by which the Company or any of its properties is bound.

Section 3.4 APPROVALS. The execution and delivery by the Company of the Subordinated Documents, the performance by the Company of its obligations thereunder and the consummation by the Company on the Subordinated Closing Date of the transactions contemplated thereby do not and will not require the consent or approval of, or the giving of notice to, or the registration with, or the recording or filing of any documents with, or the taking of any other action in respect of, (a) any trustee or other holder of any debt of the Company and (b) any Government Entity, other than the filing of (x) the FAA Filed Documents (with the FAA) and the Financing Statements (and continuation statements periodically) and (y) filings, recordings, notices or other ministerial actions pursuant to any routine recording, contractual or regulatory requirements applicable to it.

Section 3.5 VALID AND BINDING AGREEMENTS. The Subordinated Documents have been duly authorized, executed and delivered by the Company and, assuming the

due authorization, execution and delivery thereof by the other party or parties thereto, constitute the legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar Laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity.

Section 3.6 REGISTRATION AND RECORDATION. Except for (a) the filing for recordation (and recordation) of the FAA Filed Documents with the FAA, (b) the filing of the Financing Statements (and continuation statements relating thereto at periodic intervals), and (c) the deposit of the Initial Cash Collateral with, and the holding and investment of the Initial Cash Collateral by, the Security Agent in accordance with Article 7 of the Security Agreement, no further action, including any filing or recording of any document (including any financing statement in respect thereof under Article 9 of the UCC) is necessary in order to establish and perfect the Security Agent's security interest in the Pledged Spare Parts, the Warranties, the Spare Parts Documents and the Initial Cash Collateral as against the Company and any other Person, in each case, in any applicable jurisdictions in the United States.

Section 3.7 THE COMPANY'S LOCATION. The Company's location (as such term is used in Section 9-307 of the UCC) is Delaware. The full and correct legal name and mailing address of the Company are correctly set forth in Section 9.05 of the Security Agreement.

Section 3.8 COMPLIANCE WITH LAWS. (a) The Company is a Citizen of the United States and a U.S. Air Carrier.

(b) The Company holds all licenses, permits and franchises from the appropriate Government Entities necessary to authorize the Company to lawfully engage in air transportation and to carry on scheduled commercial passenger service as currently conducted, except where the failure to so hold any such license, permit or franchise would not give rise to a Material Adverse Change to the Company.

(c) The Company is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 3.9 BROKER'S FEES. No Person acting on behalf of the Company is or will be entitled to any broker's fee, commission or finder's fee in connection with the transactions pursuant to the Subordinated Documents on the Subordinated Closing Date, other than the fees and expenses payable by the Company in connection with the sale of the Subordinated Securities.

Section 3.10 SECTION 1110. The Security Agent is entitled to the benefits of Section 1110 (as currently in effect) with respect to the right to take possession of the Pledged Spare Parts and to enforce any of its other rights or remedies as provided in the Security Agreement in the event of a case under Chapter 11 of the Bankruptcy Code in which the Company is a debtor.

SECTION 4. CONSTRUCTION. All references in the Security Agreement to the "Security Agreement" shall be deemed to refer to the Security Agreement as

amended by this Amendment, and the parties hereto confirm their respective obligations thereunder. The Security Agreement is hereby ratified by the parties hereto and shall remain in all respects unchanged (except as expressly provided in this Amendment) and in full force and effect.

SECTION 5. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 6. COUNTERPARTS. This Amendment 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.

[Remainder of this page is blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers thereunto duly authorized, as of the date and year first above written.

CONTINENTAL AIRLINES, INC.

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

WILMINGTON TRUST COMPANY, as  
Security Agent

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

Appendix I

DEFINITIONS APPENDIX

SECTION 1. DEFINED TERMS.

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

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

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

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

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

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

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

"AGENT MEMBERS" is defined in Section 2.5(a) of the Indenture.

"AIRCRAFT" means any contrivance invented, used, or designed to navigate, or fly in, the air.

"AMENDMENT NO. 1 TO COLLATERAL MAINTENANCE AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Collateral Maintenance Agreement.

"AMENDMENT NO. 1 TO REFERENCE AGENCY AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Reference Agency Agreement.

"AMENDMENT NO. 1 TO SECURITY AGREEMENT" means Amendment No. 1, dated as of the Subordinated Issuance Date, to the Security Agreement.

"ANNUAL METHODOLOGY" means, in determining an opinion as to the Fair Market Value of the Spare Parts Collateral, taking at least the following actions: (i) reviewing the Parts Inventory Report



prepared as of the applicable Valuation Date; (ii) reviewing the Independent Appraiser's internal value database for values applicable to Qualified Spare Parts included in the Spare Parts Collateral; (iii) developing a representative sampling of a reasonable number of the different Qualified Spare Parts included in Spare Parts Collateral for which a market check will be conducted; (iv) checking other sources, such as manufacturers, other airlines, U.S. government procurement data and airline parts pooling price lists, for current market prices of the sample parts referred to in clause (iii); (v) establishing an assumed ratio of Serviceable Parts to Unserviceable Parts as of the applicable Valuation Date based upon information provided by the Company and the Independent Appraiser's limited physical review of the Spare Parts Collateral referred to in the following clause (vi); (vi) visiting at least two locations selected by the Independent Appraiser where the Pledged Spare Parts are kept by the Company (neither of which was visited for purposes of the last appraisal under Section 2.1 or 2.2 of the Collateral Maintenance Agreement, whichever was most recent), PROVIDED that at least one such location shall be one of the top three locations at which the Company keeps the largest number of Pledged Spare Parts, to conduct a limited physical inspection of the Spare Parts Collateral; (vii) conducting a limited review of the inventory reporting system applicable to the Pledged Spare Parts, including checking information reported in such system against information determined through physical inspection pursuant to the preceding clause (vi) and (viii) reviewing a sampling of the Spare Parts Documents (including tear-down reports).

"ANNUAL VALUATION DATE" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"APPLIANCE" means an instrument, equipment, apparatus, a part, an appurtenance, or an accessory used, capable of being used, or intended to be used, in operating or controlling Aircraft in flight, including a parachute, communication equipment, and another mechanism installed in or attached to Aircraft during flight, and not a part of an Aircraft, Engine, or Propeller.

"APPLICABLE MARGIN" means 0.90%.

"APPLICABLE PERIOD" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"APPRAISAL COMPLIANCE REPORT" means, as of any date, a report providing information relating to the calculation of the Collateral Ratio, the Subordinated Collateral Ratio, Rotable Ratio and Subordinated Rotable Ratio, which shall be substantially in the form of Appendix II to the Collateral Maintenance Agreement.

"APPRAISED VALUE" means, with respect to any Collateral, the Fair Market Value of such Collateral as most recently determined pursuant to (i) the report attached as Appendix II to the Offering Memo or (ii) Article 2 and, if applicable, Section 3.1 of the Collateral Maintenance Agreement.

"AVAILABLE AMOUNT" means, as of any date, the Maximum Available Commitment (as defined in the Liquidity Facility) on such date.

"AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"BANKRUPTCY CODE" means the United States Bankruptcy Code, 11 U.S.C. Section 101 ET SEQ.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any committee of such board duly authorized to act in respect of any particular matter.

"BREAK AMOUNT" means, as of any date of payment, redemption or acceleration of any Note (the "APPLICABLE DATE"), an amount determined by the Reference Agent on the date that is two Business Days prior to the Applicable Date pursuant to the formula set forth below; PROVIDED, HOWEVER, that no Break Amount will be payable (x) if the Break Amount, as calculated pursuant to the formula set forth below, is equal to or less than zero or (y) on or in respect of any Applicable Date that is an Interest Payment Date (or, if such an Interest Payment Date is not a Business Day, the next succeeding Business Day)

Break Amount = Z-Y

Where:

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

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

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

"BUSINESS DAY" means any day that is a day for trading by and between banks in the London interbank Eurodollar market and that is other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Houston, Texas, New York, New York, or, so long as any Security is outstanding, the city and state in which the Trustee maintains its Corporate Trust Office or, solely with respect to draws under any Policy, the city and state in which the office of the Policy Provider at which notices, presentations, transmissions, deliveries and communications are to be made under the Policy is located, and that, solely with respect to draws under the Liquidity Facility, also is a "Business Day" as defined in the Liquidity Facility.

"CAPPED INTEREST RATE" means a rate per annum equal to 12%.

"CASH COLLATERAL" means cash and/or Investment Securities deposited or to be deposited with the Collateral Agent or an Eligible Institution and subject to the Lien of any Collateral Agreement.

"CASH COLLATERAL ACCOUNT" means an Eligible Deposit Account in the name of the Trustee maintained at an Eligible Institution, which shall be the Trustee if

it shall so qualify, into which all amounts drawn under the Liquidity Facility pursuant to Section 3.5(c), 3.5(d) or 3.5(i) of the Indenture shall be deposited.

"CITIZEN OF THE UNITED STATES" is defined in 49 U.S.C.s.s. 40102(a)(15).

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"CLEARSTREAM" means Clearstream Banking societe anonyme, Luxembourg.

"CLOSING DATE" means the Issuance Date.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" means the Spare Parts Collateral and all other collateral in which the Collateral Agent has a security interest pursuant to the Collateral Agreements.

"COLLATERAL AGENT" means the Security Agent and each other Person acting as agent on behalf of the Holders under any other Collateral Agreement.

"COLLATERAL AGREEMENT" means the Security Agreement and any agreement under which a security interest has been granted pursuant to Section 3.1(a)(ii) of the Collateral Maintenance Agreement.

"COLLATERAL MAINTENANCE AGREEMENT" means the Collateral Maintenance Agreement, dated as of the Issuance Date, between the Company and the Policy Provider.

"COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral), as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"COLLECTION ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13 of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"COMPANY" means the party named as such in the Indenture or any obligor on the Notes until a successor replaces it pursuant to the Indenture and thereafter means the successor.

"CONSENT PERIOD" is defined in Section 3.5(d) of the Indenture.

"CONTINENTAL BANKRUPTCY EVENT" means the occurrence and continuation of an Event of Default under Section 7.1(d), (e) or (f) of the Indenture.

"CONTINENTAL CASH BALANCE" means the sum of (a) the amount of cash and cash equivalents that would have been shown on the balance sheet of Continental and

its consolidated subsidiaries prepared in accordance with GAAP as of any Valuation Date, plus (b) the amount of marketable securities that would have been reflected on such balance sheet which had, as of such Valuation Date, a maturity of less than one year and which, but for their maturity, would have qualified to be reflected on such balance sheet as cash equivalents.

"CONTROLLING PARTY" means the Person entitled to act as such pursuant to the terms of Section 3.8 of the Indenture.

"CORPORATE TRUST OFFICE" when used with respect to the Trustee means the office of the Trustee at which at any particular time its corporate trust business is administered and which, at the Closing Date, is located at Wilmington Trust Company, as Trustee, Rodney Square North 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

"DEBT BALANCE" means 110% of the principal amount of the Outstanding Notes.

"DEBT RATE" means a rate per annum equal, in the case of the first Interest Period for the Securities, to 2.32% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Registration Rights Agreement) occurs on or prior to the 210th day after the Closing Date, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement), PROVIDED that the additional margin added to the Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time, PROVIDED FURTHER that, if a default in the payment of interest on the Securities occurs and is continuing on any Interest Payment Date, then the Debt Rate applicable to the Interest Period ending on such Interest Payment Date shall not exceed the Capped Interest Rate, except that for purposes of any payment made by the Company intended to cure such default, this proviso shall not apply.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"DEFINITIONS APPENDIX" means the Definitions Appendix attached as Appendix I to the Indenture and constituting a part of the Indenture.

"DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"DESIGNATED LOCATIONS" means the locations in the U.S. designated from time to time by the Company at which the Pledged Spare Parts may be maintained by or on behalf of the Company, which initially shall be the locations set forth on Schedule 1 to the Security Agreement and shall include the additional locations designated by the Company pursuant to Section 4.04(d) of the Security Agreement.

"DESIGNATED REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"DISTRIBUTION DATE" means (i) each Scheduled Payment Date (and, if a Payment required to be paid to the Trustee for distribution on such Scheduled Payment Date has not been so paid by 12:30 p.m., New York time, in whole or in part, on such Scheduled Payment Date, the next Business Day on which the Trustee receives some or all of such Payment by 12:30 p.m., New York time, except for a defaulted payment of interest that is not paid within five days after the Scheduled Payment Date therefor), (ii) each day established for payment by the Trustee pursuant to Section 7.10, (iii) the Non-Performance Payment Date, (iv) the Final Legal Maturity Date, (v) the Election Distribution Date, (vi) the Policy Election Distribution Date, (vii) the date established as a Distribution Date pursuant to Section 3.6(f) of the Indenture and (viii) solely for purposes of payments to be made by the Policy Provider pursuant to Section 3.6(d) of the Indenture and not for purposes of any other payment or distribution under the Indenture, the date established for such payment in accordance with the Policy.

"DOWNGRADE DRAWING" is defined in Section 3.5(c) of the Indenture.

"DOWNGRADE EVENT" has the meaning assigned to such term in Section 3.5(c) of the Indenture.

"DOWNGRADED FACILITY" is defined in Section 3.5(c) of the Indenture.

"DRAWING" means an Interest Drawing, a Final Drawing, a Non-Extension Drawing or a Downgrade Drawing, as the case may be.

"DTC" means The Depository Trust Company, its nominees and their respective successors.

"ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

"ELIGIBLE ACCOUNT" means an account established by and with an Eligible Institution at the request of the Security Agent, which institution agrees, for all purposes of the New York UCC including Article 8 thereof, that (a) such account shall be a "securities account" (as defined in Section 8-501 of the New York UCC), (b) such institution is a "securities intermediary" (as defined in Section 8-102(a)(14) of the New York UCC), (c) all property (other than cash) credited to such account shall be treated as a "financial asset" (as defined in Section 8-102(9) of the New York UCC), (d) the Security Agent shall be the "entitlement holder" (as defined in Section 8-102(7) of the New York UCC) in respect of such account, (e) it will comply with all entitlement orders issued by the Security Agent to the exclusion of the Company, (f) it will waive or subordinate in favor of the Security Agent all claims (including without limitation, claims by way of security interest, lien or right of set-off or

right of recoupment), and (g) the "securities intermediary jurisdiction" (under Section 8-110(e) of the New York UCC) shall be the State of New York.

"ELIGIBLE DEPOSIT ACCOUNT" means either (a) a segregated account with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent. An Eligible Deposit Account may be maintained with the Liquidity Provider so long as the Liquidity Provider is an Eligible Institution; provided that such Liquidity Provider shall have waived all rights of set-off and counterclaim with respect to such account.

"ELIGIBLE INSTITUTION" means (a) the Security Agent or (b) a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any U.S. branch of a foreign bank), which has a long-term unsecured debt rating or issuer credit rating, as the case may be, from Moody's of at least A-3 or its equivalent.

"ELIGIBLE INVESTMENTS" means (a) investments in obligations of, or guaranteed by, the U.S. Government having maturities no later than 90 days following the date of such investment, (b) investments in open market commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof with a short-term unsecured debt rating issued by Moody's of at least P-1 and a short-term issuer credit rating issued by Standard & Poor's of at least A-1 having maturities no later than 90 days following the date of such investment or (c) investments in negotiable certificates of deposit, time deposits, banker's acceptances, commercial paper or other direct obligations of, or obligations guaranteed by, commercial banks organized under the laws of the United States or of any political subdivision thereof (or any U.S. branch of a foreign bank) with a short-term unsecured debt rating by Moody's of at least P-1 and a short-term issuer credit rating by Standard & Poor's of at least A-1, having maturities no later than 90 days following the date of such investment; PROVIDED, HOWEVER, that (x) all Eligible Investments that are bank obligations shall be denominated in U.S. dollars; and (y) the aggregate amount of Eligible Investments at any one time that are bank obligations issued by any one bank shall not be in excess of 5% of such bank's capital surplus; PROVIDED FURTHER that any investment of the types described in clauses (a), (b) and (c) above may be made through a repurchase agreement in commercially reasonable form with a bank or other financial institution qualifying as an Eligible Institution so long as such investment is held by a third party custodian also qualifying as an Eligible Institution; PROVIDED FURTHER, HOWEVER, that in the case of any Eligible Investment issued by a domestic branch of a foreign bank, the income from such investment shall be from sources within the United States for purposes of the Code. Notwithstanding the foregoing, no investment of the types described in clause (b) above which is issued or guaranteed by the Company or any of its Affiliates, and no investment in the obligations of any one bank in excess of \$10,000,000, shall be an Eligible Investment unless written approval has been obtained from the Policy Provider and a Ratings Confirmation shall have been received with respect to the making of such investment.

"ENGINE" means an engine used, or intended to be used, to propel an Aircraft, including a part, appurtenance, and accessory of the Engine, except a Propeller.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time

"EUROCLEAR" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"EVENT OF DEFAULT" is defined in Section 7.1 of the Indenture.

"EVENT OF LOSS" means (i) the loss of any of the Pledged Spare Parts or of the use thereof due to destruction, damage beyond repair or rendition of any of the Pledged Spare Parts permanently unfit for normal use for any reason whatsoever (other than the use of Expendables in the Company's operations); (ii) any damage to any of the Pledged Spare Parts which results in the receipt of insurance proceeds with respect to such Pledged Spare Parts on the basis of an actual or constructive loss; or (iii) the loss of possession of any of the Pledged Spare Parts by the Company for ninety (90) consecutive days as a result of the theft or disappearance of such Pledged Spare Parts.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"EXCHANGE FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"EXCHANGE FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007" is defined in Section 2A.1(a) of the Indenture.

"EXCHANGE OFFER" means (i) with respect to the Securities, the exchange offer which may be made pursuant to the Registration Rights Agreement to exchange Initial Securities for Exchange Securities and (ii) with respect to the Subordinated Securities, the exchange offer which may be made pursuant to the Subordinated Security Registration Rights Agreement to exchange Initial Subordinated Securities for Exchange Subordinated Securities.

"EXCHANGE OFFER REGISTRATION STATEMENT" means (i) with respect to the Securities, the registration statement that, pursuant to the Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Securities for Exchange Securities and (ii) with respect to Subordinated Securities, the registration statement that, pursuant to the Subordinated Security Registration Rights Agreement, is filed by the Company with the SEC with respect to the exchange of Initial Subordinated Securities for Exchange Subordinated Securities.

"EXCHANGE SECURITIES" means the securities substantially in the form of Exhibit A to the Indenture issued in exchange for the Initial Securities pursuant to the Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCHANGE SUBORDINATED SECURITIES" means the securities substantially in the form of Exhibit D to the Indenture issued in exchange for the Initial Subordinated Securities pursuant to the

Subordinated Security Registration Rights Agreement and authenticated pursuant to the Indenture.

"EXCLUDED PARTS" means Spare Parts and Appliances held by the Company at a location not a Designated Location.

"EXPENDABLES" means Qualified Spare Parts other than Rotables.

"EXPENSES" means any and all liabilities, obligations, losses, damages, settlements, penalties, claims, actions, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation).

"FAA" means the Federal Aviation Administration or similar regulatory authority established to replace it.

"FAA FILED DOCUMENTS" means the Security Agreement and Amendment No. 1 to Security Agreement.

"FACILITY OFFICE" means, with respect to any Liquidity Facility, the office of the Liquidity Provider thereunder, presently located at 1585 Broadway, New York, New York 10036, or such other office as such Liquidity Provider from time to time shall notify the Trustee as its "Facility Office" under any such Liquidity Facility; provided that such Liquidity Provider shall not change its Facility Office to another Facility Office outside the United States of America except in accordance with Sections 3.01, 3.02 or 3.03 of any such Liquidity Facility.

"FAIR MARKET VALUE" means, with respect to any Collateral, its fair market value determined on the basis of a hypothetical sale negotiated in an arm's length free market transaction between a willing and able seller and a willing and able buyer, neither of whom is under undue pressure to complete the transaction, under then current market conditions, provided that cash shall be valued at its Dollar amount.

"FEDERAL AVIATION ACT" means Title 49 of the United States Code, "Transportation", as amended from time to time, or any similar legislation of the United States enacted in substitution or replacement thereof.

"FEE LETTERS" means, collectively, (i) the Fee Letter dated as of the Closing Date between the Trustee and the initial Liquidity Provider with respect to the initial Liquidity Facility and (ii) any fee letter entered into between the Trustee and any Replacement Liquidity Provider in respect of any Replacement Liquidity Facility.

"FINAL DRAWING" is defined in Section 3.5(i) of the Indenture.

"FINAL LEGAL MATURITY DATE" means December 6, 2009.

"FINAL ORDER" has the meaning assigned to such term in the Policy.

"FINAL SCHEDULED PAYMENT DATE" means December 6, 2007.



"FINANCING STATEMENTS" means, collectively, UCC-1 financing statements covering the Spare Parts Collateral, by the Company, as debtor, showing the Security Agent as secured party, for filing in Delaware, Guam and each other jurisdiction that, in the opinion of the Security Agent, is necessary to perfect its Lien on the Spare Parts Collateral.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"GLOBAL EXCHANGE SECURITY" is defined in Section 2.1(f) of the Indenture.

"GLOBAL EXCHANGE SUBORDINATED SECURITY" is defined in Section 2A.1(f) of the Indenture.

"GLOBAL SECURITIES" is defined in Section 2.1(d) of the Indenture.

"GLOBAL SUBORDINATED SECURITIES" is defined in Section 2A.1(d) of the Indenture.

"GOVERNMENT ENTITY" means (a) any federal, state, provincial or similar government, and any body, board, department, commission, court, tribunal, authority, agency or other instrumentality of any such government or otherwise exercising any executive, legislative, judicial, administrative or regulatory functions of such government or (b) any other government entity having jurisdiction over any matter contemplated by the Operative Documents or relating to the observance or performance of the obligations of any of the parties to the Operative Documents.

"HOLDER" or "NOTEHOLDER" means the Person in whose name a Note is registered on the Registrar's books.

"INDEMNITEE" means (i) WTC, the Trustee and the Collateral Agent, (ii) each separate or additional trustee or security agent appointed pursuant to the Indenture, (iii) each Liquidity Provider, (iv) the Policy Provider, and (v) each of the respective directors, officers, employees, agents and servants of each of the persons described in clauses (i) through (iv) inclusive above.

"INDENTURE" means the Amended and Restated Indenture dated as of May 9, 2003, among the Company, the Trustee, the Liquidity Provider and the Policy Provider under which the Notes are issued.

"INDENTURE DISCHARGE DATE" means the date of the termination of the effectiveness of the Indenture pursuant to Section 9.1(a) thereof (without giving effect to Section 9.1(b) thereof).

"INDENTURE TRUSTEE" means the Trustee.

"INDEPENDENT APPRAISER" means Simat, Helliesen & Eichner, Inc. or any other Person (i) engaged in a business which includes appraising Aircraft and assets related to the operation and maintenance of Aircraft from time to time and (ii) who does not have any material financial interest in the Company and is not connected with the Company or any of its Affiliates as an officer, director, employee, promoter, underwriter, partner or person performing similar functions.

"INDEPENDENT APPRAISER'S CERTIFICATE" means a certificate signed by an Independent Appraiser and attached as Appendix II to the Offering Memo or delivered thereafter pursuant to Article 2 or Section 3.1 of the Collateral Maintenance Agreement.

"INITIAL CASH COLLATERAL" shall mean cash in the amount of \$13,056,950.

"INITIAL FLOATING RATE SECURED NOTES DUE 2007" is defined in Section 2.1(a) of the Indenture.

"INITIAL FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007" is defined in Section 2A.1(a) of the Indenture.

"INITIAL PURCHASER" means Morgan Stanley & Co. Incorporated.

"INITIAL SECURITIES" mean the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit A thereto, other than the Exchange Securities.

"INITIAL SUBORDINATED SECURITIES" means the securities issued and authenticated pursuant to the Indenture and substantially in the form of Exhibit D thereto, other than the Exchange Subordinated Securities.

"INSTITUTIONAL ACCREDITED INVESTOR" means an institutional investor that is an "accredited investor" within the meaning set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"INTEREST DRAWING" is defined in Section 3.5(a) of the Indenture.

"INTEREST PAYMENT DATE" means March 6, June 6, September 6 and December 6 of each year so long as any Note is Outstanding (commencing March 6, 2003 in the case of the Securities and June 6, 2003 in the case of the Subordinated Securities), PROVIDED that if any such day is not a Business Day, then the relevant Interest Payment Date shall be the next succeeding Business Day.

"INTEREST PERIOD" means (i) in the case of the first Interest Period, the period commencing on (and including) the Closing Date (in the case of the Securities) or the Subordinated Closing Date (in the case of the Subordinated Securities) and ending on (but excluding) the first Interest Payment Date following such date and (ii) in the case of each subsequent Interest Period, the period commencing on (and including) the last day of the immediately preceding Interest Period, and ending on (but excluding) the next Interest Payment Date.

"INVESTMENT EARNINGS" means investment earnings on funds on deposit in the Trust Accounts net of losses and investment expenses of the Trustee in making such investments.

"INVESTMENT SECURITY" means (a) any bond, note or other obligation which is a direct obligation of or guaranteed by the U.S. or any agency thereof; (b) any obligation which is a direct obligation of or guaranteed by any state of the U.S. or any subdivision thereof or any agency of any such state or subdivision, and which has the highest rating published by Moody's or Standard & Poor's; (c) any commercial paper issued by a U.S. obligor and rated at least P-1 by Moody's or A-1 by Standard & Poor's; (d) any money market investment instrument relying upon the credit and backing of any bank or trust company which is a member of the Federal Reserve System and which has a combined capital (including capital reserves to the extent not included in capital) and surplus and undivided profits of not less than \$250,000,000 (including the Collateral Agent and its Affiliates if such requirements as to Federal Reserve System membership and combined capital and surplus and undivided profits are satisfied), including, without limitation, certificates of deposit, time and other interest-bearing deposits, bankers' acceptances, commercial paper, loan and mortgage participation certificates and documented discount notes accompanied by irrevocable letters of credit and money market fund investing solely in securities backed by the full faith and credit of the United States; or (e) repurchase agreements collateralized by any of the foregoing.

"ISSUANCE DATE" means the date of initial issuance of the Initial Securities.

"LAW" means (a) any constitution, treaty, statute, law, decree, regulation, order, rule or directive of any Government Entity, and (b) any judicial or administrative interpretation or application of, or decision under, any of the foregoing.

"LIBOR" has the meaning specified in the Reference Agency Agreement.

"LIBOR ADVANCE" has the meaning provided in the Liquidity Facility.

"LIEN" means any mortgage, pledge, lease, security interest, encumbrance, lien or charge of any kind affecting title to or any interest in property.

"LIQUIDITY EVENT OF DEFAULT" has the meaning assigned to such term in the Liquidity Facility.

"LIQUIDITY EXPENSES" means all Liquidity Obligations other than (i) the principal amount of any Drawings under the Liquidity Facility and (ii) any interest accrued on any Liquidity Obligations.

"LIQUIDITY FACILITY" means, initially, the Revolving Credit Agreement dated as of the Issuance Date, between the Trustee and the initial Liquidity Provider, and from and after the replacement of such Revolving Credit Agreement pursuant hereto, the Replacement Liquidity Facility therefor, if any, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"LIQUIDITY GUARANTEE" means the Guarantee Agreement, dated as of the date of the Original Indenture, providing for the guarantee by the Liquidity Guarantor of the obligations of the Liquidity Provider under the Liquidity Facility.

"LIQUIDITY GUARANTOR" means Morgan Stanley.

"LIQUIDITY OBLIGATIONS" means all principal, interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility or the Fee Letter.

"LIQUIDITY PROVIDER" means Morgan Stanley Capital Services Inc., together with any Replacement Liquidity Provider which has issued a Replacement Liquidity Facility to replace any Liquidity Facility pursuant to Section 3.5(e) of the Indenture.

"LIQUIDITY PROVIDER REIMBURSEMENT DATE" is defined in Section 3.6(d) of the Indenture.

"LOANS" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MATERIAL ADVERSE CHANGE" means, with respect to any person, any event, condition or circumstance that materially and adversely affects such person's business or consolidated financial condition, or its ability to observe or perform its obligations, liabilities and agreements under the Operative Documents.

"MAXIMUM COLLATERAL RATIO" means 45%.

"MAXIMUM SUBORDINATED COLLATERAL RATIO" means 67.5%.

"MINIMUM ROTABLE RATIO" means 150%.

"MINIMUM SUBORDINATED ROTABLE RATIO" means 100%.

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

"MOVES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"MSCS" has the meaning specified in the first paragraph of the Indenture.

"NEW YORK UCC" is defined in Section 1.01 of the Security Agreement.

"NONAPPRAISAL COMPLIANCE REPORT" means a report providing information relating to compliance by the Company with Section 3.2 of the Collateral Maintenance Agreement, which shall be substantially in the form of Appendix III to the Collateral Maintenance Agreement.

"NON-CONTROLLING PARTY" means, at any time, the Securityholders, the Subordinated Securityholders, the Liquidity Provider and the Policy Provider, excluding whichever is the Controlling Party at such time.

"NON-EXTENDED FACILITY" is defined in Section 3.5(d) of the Indenture.

"NON-EXTENSION DRAWING" is defined in Section 3.5(d) of the Indenture.

"NON-PERFORMANCE DRAWING" is defined in Section 3.6(c) of the Indenture.

"NON-PERFORMANCE PAYMENT DATE" is defined in Section 3.6(c) of the Indenture.

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

"NON-PERFORMING PERIOD" is defined in Section 3.6(c) of the Indenture.

"NON-U.S. PERSON" means any Person other than a U.S. person, as defined in Regulation S.

"NOTES" means the Securities and the Subordinated Securities.

"NOTEHOLDER" means any holder of one or more Notes.

"NOTICE OF AVOIDED PAYMENT" has the meaning assigned to such term in the Policy.

"NOTICE FOR PAYMENT" means a Notice of Nonpayment as such term is defined in the Policy.

"OBLIGATIONS" is defined in Section 2.01 of the Security Agreement.

"OFFERING MEMO" means the Offering Memorandum, dated December 2, 2002, of the Company relating to the offering of the Securities.

"OFFICER" means the Chairman of the Board, the President, any Vice President of any grade, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary or the Controller of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers satisfying the requirements of Sections 12.4 and 12.5 of the Indenture.

"OPERATIVE DOCUMENTS" means the Indenture, the Collateral Agreements, the Collateral Maintenance Agreement and the Reference Agency Agreement.

"OPINION OF COUNSEL" means a written opinion from the General Counsel of the Company, legal counsel to the Company or another legal counsel who is reasonably acceptable to the Trustee, which Opinion of Counsel shall comply with Sections 12.4 and 12.5 of the Indenture. The counsel may be an employee of the Company. The acceptance by the Trustee (without written objection to the Company during the fifteen (15) Business Days following receipt) of, or its action on,

an opinion of counsel not specifically referred to above shall be sufficient evidence that such counsel is acceptable to the Trustee.

"OUTSTANDING" or "OUTSTANDING" when used with respect to Notes or a Note, means all Notes theretofore authenticated and delivered under the Indenture, except:

(a) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Notes, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Holders of such Notes, PROVIDED that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Notes for which payment has been deposited with the Trustee or any Paying Agent in trust pursuant to Article 9 of the Indenture (except to the extent provided therein); and

(d) Notes which have been paid, or for which other Notes shall have been authenticated and delivered in lieu thereof or in substitution therefor pursuant to the terms of Section 2.12 of the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by bona fide purchasers in whose hands the Notes are valid obligations of the Company.

A Note does not cease to be Outstanding because the Company or one of its Affiliates holds the Note; PROVIDED, HOWEVER, that in determining whether the Holders of the requisite aggregate principal amount of Notes Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or any other Operative Document, Section 2.13 of the Indenture shall be applicable.

"ORIGINAL INDENTURE" has the meaning set forth in the introductory paragraph of the Indenture.

"OUTSTANDING AMOUNT" is defined in Section 3.6(b) of the Indenture.

"OVERDUE SCHEDULED PAYMENT" means any Payment of accrued interest on any Notes which is not in fact received by the Trustee (whether from the Company, the Liquidity Provider, the Policy Provider or otherwise) on or within five days after the Scheduled Payment Date relating thereto and which is not subsequently paid in connection with the redemption or final maturity of a Note.

"PARTS INVENTORY REPORT" means, as of any date, a list identifying the Pledged Spare Parts by manufacturer's part number and brief description and stating the quantity of each such part included in the Pledged Spare Parts as of such specified date.

"PAYING AGENT" has the meaning provided in Section 2.8 of the Indenture.

"PAYMENT" means (i) any payment of principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to the Notes from the Company, (ii) any payment of interest on the Securities with funds drawn under the Liquidity Facility or from a Cash Collateral Account or (iii) any payment of interest on or principal of Securities with funds drawn under the Policy, or (iv) any payment received or amount realized by the Trustee from the exercise of remedies after the occurrence of an Event of Default.

"PAYMENT DEFAULT" means a Default referred to in Section 7.1(a) of the Indenture.

"PAYMENT DUE RATE" means (a) the Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"PERMITTED DAYS" is defined in Section 2.1 of the Collateral Maintenance Agreement.

"PERMITTED LESSEE" has the meaning provided in Section 3.6(b) of the Collateral Maintenance Agreement.

"PERMITTED LIEN" means (a) the rights of Security Agent under the Operative Documents; (b) Liens attributable to Security Agent (both in its capacity as Security Agent and in its individual capacity); (c) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 3.6 of the Collateral Maintenance Agreement; (d) Liens for Taxes of the Company (and its U.S. federal tax law consolidated group), either not yet due or being contested in good faith by appropriate proceedings so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (e) materialmen's, mechanics', workers', repairers', employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent for more than 60 days or is being contested in good faith by appropriate proceedings, so long as such Liens and such proceedings do not involve any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or impair the Lien of the Security Agreement; (f) Liens arising out of any judgment or award against the Company, so long as such judgment shall, within 60 days after the entry thereof, have been discharged or vacated, or execution thereof stayed pending appeal or shall have been discharged, vacated or reversed within 60 days after the expiration of such stay, and so long as during any such 60 day period there is not as a result, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss of the Pledged Spare Parts or the interest of Security Agent therein or any impairment of the Lien of the Security Agreement; (g) any other Lien with respect to which the Company shall have provided a bond, cash collateral or other security adequate in the reasonable opinion of Security Agent.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, trustee, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"PLEGGED SPARE PARTS" has the meaning set forth in clause (1) of the first paragraph of Section 2.01 of the Security Agreement.

"POLICY" means MBIA Insurance Corporation Financial Guaranty Insurance Policy No. 39753, issued as of the Closing Date, as amended, supplemented or otherwise modified from time to time in accordance with its respective terms.

"POLICY ACCOUNT" means the Eligible Deposit Account established by the Trustee pursuant to Section 8.13(a) of the Indenture which the Trustee shall make deposits in and withdrawals from in accordance with the Indenture.

"POLICY DRAWING" means any payment of a claim under the Policy.

"POLICY ELECTION DISTRIBUTION DATE" is defined in Section 3.6(c) of the Indenture.

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

"POLICY FEE LETTER" means the fee letter, dated as of the Closing Date, from the Policy Provider to the Company and acknowledged by the Trustee, setting forth the fees and premiums payable with respect to the Policy.

"POLICY PROVIDER" means MBIA Insurance Corporation, a New York insurance company, and its successors and permitted assigns.

"POLICY PROVIDER AGREEMENT" means the Insurance and Indemnity Agreement dated as of the Closing Date, among the Trustee, the Company and the Policy Provider, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"POLICY PROVIDER DEFAULT" shall mean the occurrence of any of the following events: (a) the Policy Provider fails to make a payment required under the Policy in accordance with its terms and such failure remains unremedied for two Business Days following the delivery of Written Notice of such failure to the Policy Provider or (b) the Policy Provider (i) files any petition or commences any case or proceeding under any provisions of any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization, (ii) makes a general assignment for the benefit of its creditors or (iii) has an order for relief entered against it under any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization that is final and nonappealable, or (c) a court of competent jurisdiction, the New York Department of Insurance or another competent regulatory authority enters a final and nonappealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for the Policy Provider or for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent or receiver of the Policy Provider (or taking of possession of all or any material portion of the Policy Provider's property).

"POLICY PROVIDER ELECTION" is defined in Section 3.6(c) of the Indenture.



"POLICY PROVIDER INTEREST OBLIGATIONS" means any interest on any Policy Drawing made to cover any shortfall attributable to any failure of the Liquidity Provider to honor any Interest Drawing in accordance with Section 2.02(e) of the Liquidity Facility in an amount equal to the amount of interest that would have accrued on such Interest Drawing if such Interest Drawing had been made in accordance with Section 2.02(e) of the Liquidity Facility at the interest rate applicable to such Interest Drawing until such Policy Drawing has been repaid in full.

"POLICY PROVIDER OBLIGATIONS" means all reimbursement and other amounts, including, without limitation, fees and indemnities (to the extent not included in Policy Expenses), due to the Policy Provider under the Policy Provider Agreement but shall not include any interest on Policy Drawings other than Policy Provider Interest Obligations.

"PREMIUM" means, with respect to any Note redeemed pursuant to Article 4 of the Indenture, the following percentage of the principal amount of such Note: (a) with respect to a Security, (i) if redeemed before the first anniversary of the Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 0.5%; and (b) with respect to a Subordinated Security, (i) if redeemed before the second anniversary of the Subordinated Issuance Date, 3.0%; (ii) if redeemed on or after such second anniversary and before the third anniversary of the Subordinated Issuance Date, 2.0%; and (iii) if redeemed on or after such third anniversary and before the fourth anniversary of the Subordinated Issuance Date, 1.0%; PROVIDED that no Premium shall be payable in connection with a redemption made by the Company to satisfy the Maximum Collateral Ratio, Maximum Subordinated Collateral Ratio, Minimum Rotable Ratio or Minimum Subordinated Rotable Ratio requirement pursuant to Section 3.1 of the Collateral Maintenance Agreement.

"PRIOR FUNDS" means, on any Distribution Date, any Drawing paid under the Liquidity Facility on such Distribution Date and any funds withdrawn from the Cash Collateral Account on such Distribution Date in respect of accrued interest on the Securities.

"PROCEEDS DEFICIENCY DRAWING" is defined in Section 3.6(b) of the Indenture.

"PROPELLER" includes a part, appurtenance, and accessory of a propeller.

"PROVIDER INCUMBENCY CERTIFICATE" is defined in Section 3.7(b) of the Indenture.

"PROVIDER REPRESENTATIVES" is defined in Section 3.7(b) of the Indenture.

"PURCHASE AGREEMENT" means the Purchase Agreement dated December 2, 2002 by and between the Initial Purchaser and the Company.

"QIB" means a qualified institutional buyer as defined in Rule 144A.

"QUALIFIED SPARE PARTS" has the meaning provided in clause (1) of the first paragraph in Section 2.01 of the Security Agreement.

"RATING AGENCIES" means, collectively, at any time, and with respect to a Series of Notes, each nationally recognized rating agency which shall have been

requested by the Company to rate such Series of Notes and which shall then be rating such Series of Notes. The initial Rating Agency will be Moody's, in the case of the Securities, and Moody's and Standard & Poor's, in the case of the Subordinated Securities.

"RATINGS CONFIRMATION" means, with respect to any action proposed to be taken, a written confirmation from each of the Rating Agencies with respect to the applicable Series of Notes that such action would not result in (i) a reduction of the rating for such Series of Notes below the then current rating for such Series of Notes (such rating, in the case of the Securities, as determined without regard to the Policy) or (ii) a withdrawal or suspension of the rating of such Series of Notes.

"RECORD DATE" means the fifteenth (15th) day preceding any Scheduled Interest Payment Date, whether or not a Business Day.

"REDEMPTION DATE", when used with respect to any Note to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture and such Note.

"REFERENCE AGENCY AGREEMENT" means the Reference Agency Agreement, dated as of the Issuance Date, among the Company, WTC, as the reference agent thereunder, and the Trustee.

"REGISTER" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRAR" has the meaning provided in Section 2.8 of the Indenture.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of December 6, 2002, by and between the Company and the Initial Purchaser.

"REGULATION S" means Regulation S under the Securities Act.

"REGULATION S DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"REGULATION S DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"REGULATION S GLOBAL SECURITY" is defined in Section 2.1(d) of the Indenture.

"REGULATION S GLOBAL SUBORDINATED SECURITY" is defined in Section 2A.1(d) of the Indenture.

"RELEVANT DATE" is defined in Section 3.6(c) of the Indenture.

"REPLACEMENT LIQUIDITY FACILITY" means an irrevocable revolving credit agreement (or agreements) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies with respect to the Securities to confirm in writing their respective ratings then in effect for the Securities (before downgrading of such ratings, if any, as a result of the downgrading of the Liquidity Provider), and be consented to by the Policy Provider, which consent shall not be unreasonably withheld or delayed, in a face

amount (or in an aggregate face amount) equal to the amount of interest payable on the Securities (at the Capped Interest Rate, and without regard to expected future principal payments) on the eight Interest Payment Dates following the date of replacement of such Liquidity Facility (or if such date is an Interest Payment Date, on such day and the seven Interest Payment Dates following the date of replacement of such Liquidity Facility) and issued by a Person (or Persons) having unsecured short-term debt rating or issuer credit rating, as the case may be, issued by Moody's and Standard & Poor's which are equal to or higher than the Threshold Rating. Without limitation of the form that a Replacement Liquidity Facility otherwise may have pursuant to the preceding sentence, a Replacement Liquidity Facility for the Securities may have a stated expiration date earlier than 15 days after the Final Legal Maturity Date so long as such Replacement Liquidity Facility provides for a Non-Extension Drawing as contemplated by Section 3.5(d) of the Indenture.

"REQUEST" means a written request for the action therein specified signed on behalf of the Company by any Officer and delivered to the Trustee. Each Request shall be accompanied by an Officers' Certificate if and to the extent required by Section 12.4 of the Indenture.

"REQUIRED AMOUNT" means, for any day, the sum of the aggregate amount of interest, calculated at the Capped Interest Rate, that would be payable on the Securities on each of the eight successive Interest Payment Dates immediately following such day or, if such day is an Interest Payment Date, on such day and the succeeding seven Interest Payment Dates, in each case calculated on the basis of the outstanding principal amount of the Securities on such date and without regard to expected future payments of principal on the Securities.

"REQUIRED HOLDERS" means from time to time the Holders of more than 50% in aggregate unpaid principal amount of the Securities then Outstanding.

"REQUIRED SUBORDINATED HOLDERS" means from time to time the holders of more than 50% in aggregate unpaid principal amount of the Subordinated Securities then Outstanding.

"RESPONSIBLE OFFICER" means (i) with respect to the Trustee, any officer in the corporate trust administration department of the Trustee or any other officer customarily performing functions similar to those performed by the Persons who at the time shall be such officers or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject, (ii) with respect to the Liquidity Provider, any authorized officer of the Liquidity Provider, and (iii) with respect to the Policy Provider, any authorized officer of the Policy Provider.

"RESTRICTED DEFINITIVE SECURITIES" is defined in Section 2.1(e) of the Indenture.

"RESTRICTED DEFINITIVE SUBORDINATED SECURITIES" is defined in Section 2A.1(e) of the Indenture.

"RESTRICTED GLOBAL SECURITY" is defined in Section 2.1(c) of the Indenture.

"RESTRICTED GLOBAL SUBORDINATED SECURITY" is defined in Section 2A.1(c) of the Indenture.

"RESTRICTED LEGEND" is defined in Section 2.2 of the Indenture.

"RESTRICTED PERIOD" is defined in Section 2.1(d) of the Indenture for purposes of the Securities and in Section 2A.1(d) for purposes of the Subordinated Securities.

"RESTRICTED SECURITIES" are defined in Section 2.2 of the Indenture.

"RESTRICTED SUBORDINATED SECURITIES" are defined in Section 2A.2 of the Indenture.

"ROTABLE" means a Qualified Spare Part that wears over time and can be repeatedly restored to a serviceable condition over a period approximating the life of the flight equipment to which it relates.

"ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Securities Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"RULE 144A" means Rule 144A under the Securities Act.

"SALES" is defined in Section 3.2 of the Collateral Maintenance Agreement.

"SCHEDULED INTEREST PAYMENT DATE" means each Interest Payment Date, without giving effect to the proviso to the definition of Interest Payment Date.

"SCHEDULED PAYMENT DATE" means (i) with respect to any payment of interest, the Interest Payment Date applicable thereto, (ii) with respect to any payment of defaulted interest, the payment date established pursuant to Section 2.16, (iii) with respect to amounts due on the redemption of any Note, the Redemption Date applicable thereto, and (iv) with respect to the final maturity of the Notes, December 6, 2007.

"SEC" means the Securities and Exchange Commission and any government agency succeeding to its functions.

"SECTION 1110" means Section 1110 of the Bankruptcy Code.

"SECTION 1110 PERIOD" means the continuous period of (i) 60 days specified in Section 1110(a)(2)(A) of the Bankruptcy Code (or such longer period, if any, agreed to under Section 1110(b) of the Bankruptcy Code), plus (ii) an additional period, if any, commencing with the trustee or debtor-in-possession in such proceeding agreeing, with court approval, to perform its obligations under the Operative Documents within such 60 days (or longer period as agreed) and continuing until such time as such trustee or debtor-in-possession ceases to fully perform its obligations thereunder with the result that the period during which the Collateral Agent is prohibited from repossessing the collateral under any Collateral Agreement comes to an end.

"SECURITIES" means the Initial Securities and the Exchange Securities.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY AGENT" means the Trustee acting in the capacity of security agent on behalf of the Holders under the Security Agreement until a successor replaces it in accordance with the provisions of the Security Agreement and thereafter means the successor.

"SECURITY AGREEMENT" means the Spare Parts Security Agreement dated as of the Issuance Date between the Company and the Security Agent.

"SECURITYHOLDER" means any holder of one or more Securities.

"SEMIANNUAL METHODOLOGY" means the Annual Methodology, excluding actions referred to in clauses (iii) and (iv) of the definition of Annual Methodology.

"SEMIANNUAL VALUATION DATE" is defined in Section 2.2 of the Collateral Maintenance Agreement.

"SERIES" means each of the Securities and the Subordinated Securities, considered as a separate class.

"SERVICEABLE PARTS" means Pledged Spare Parts in condition satisfactory for incorporation in, installation on, attachment or appurtenance to or use in an Aircraft, Engine or other Qualified Spare Part.

"SHELF REGISTRATION STATEMENT" means the shelf registration statement which may be required to be filed by the Company with the SEC pursuant to (i) with respect to Securities, the Registration Rights Agreement, other than an Exchange Offer Registration Statement, and (ii) with respect to Subordinated Securities, the Subordinated Securities Registration Rights Agreement, other than an Exchange Offer Registration Statement.

"SPARE PART" means an accessory, appurtenance, or part of an Aircraft (except an Engine or Propeller), Engine (except a Propeller), Propeller, or Appliance, that is to be installed at a later time in an Aircraft, Engine, Propeller or Appliance.

"SPARE PARTS COLLATERAL" has the meaning specified in Section 2.01 of the Security Agreement.

"SPARE PARTS DOCUMENTS" has the meaning set forth in clause (6) of the first paragraph of Section 2.01 of the Security Agreement.

"SPECIAL DEFAULT" means a Payment Default or a Continental Bankruptcy Event.

"SPECIAL RECORD DATE" has the meaning provided in Section 2.10 of the Indenture.

"SPECIAL VALUATION DATE" is defined in Section 2.4 of the Collateral Maintenance Agreement.

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

"STATED AMOUNT" means the Maximum Commitment (as defined in the Liquidity Facility).

"STATED EXPIRATION DATE" is defined in Section 3.5(d) of the Indenture.

"SUBORDINATED APPLICABLE MARGIN" means 7.50%.

"SUBORDINATED CLOSING DATE" means the Subordinated Issuance Date.

"SUBORDINATED COLLATERAL RATIO" shall mean a percentage determined by dividing (i) the aggregate principal amount of all Notes Outstanding minus the sum of the Cash Collateral held by the Collateral Agent by (ii) the Fair Market Value of all Collateral (excluding any Cash Collateral), as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable.

"SUBORDINATED DEBT RATE" means a rate per annum equal, in the case of the first Interest Period for the Subordinated Securities, to 8.78% and, in the case of any subsequent Interest Period, LIBOR for such Interest Period, as determined pursuant to the Reference Agency Agreement, plus the Subordinated Applicable Margin, PROVIDED that, solely in the event no Registration Event (as defined in the Subordinated Security Registration Rights Agreement) occurs on or prior to the 210th day after the Subordinated Closing Date, the Subordinated Debt Rate shall be increased by an additional margin equal to 0.50% per annum, from and including such 210th day to and excluding the earlier of (i) the date on which such Registration Event occurs and (ii) the date on which there ceases to be any Registrable Securities (as defined in the Subordinated Security Registration Rights Agreement)); or if the Shelf Registration Statement (as defined in the Subordinated Security Registration Rights Agreement) (if it is filed), after being declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Subordinated Security Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the Subordinated Debt Rate shall be increased by an additional margin equal to 0.50% per annum from and including the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to and excluding the date on which the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Subordinated Security Registration Rights Agreement), PROVIDED that the additional margin added to the Subordinated Debt Rate pursuant to the preceding proviso shall never exceed 0.50% at any time.

"SUBORDINATED DOCUMENTS" means the Indenture, Amendment No. 1 to Collateral Maintenance Agreement, Amendment No. 1 to Reference Agency Agreement and Amendment No. 1 to Security Agreement.

"SUBORDINATED ISSUANCE DATE" means the date of initial issuance of the Initial Subordinated Securities.

"SUBORDINATED PAYMENT DUE RATE" means (a) the Subordinated Debt Rate plus 2% or, if less, (b) the maximum rate permitted by applicable law.

"SUBORDINATED ROTABLE RATIO" shall mean a percentage determined by dividing (i) the Fair Market Value of the Rotables, as set forth in the most recent Independent Appraiser's Certificate delivered by the Company pursuant to Article 2 of the Collateral Maintenance Agreement, as supplemented pursuant to Section 3.1 of the Collateral Maintenance Agreement, if applicable, by (ii) the aggregate principal amount of all Notes Outstanding minus the sum of the Cash Collateral held by the Collateral Agent.

"SUBORDINATED SECURITIES" means the Initial Subordinated Securities and the Exchange Subordinated Securities.

"SUBORDINATED SECURITY OFFERING MEMO" means the Offering Memorandum, dated May 2, 2003 of the Company relating to the offering of the Subordinated Securities.

"SUBORDINATED SECURITY PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"SUBORDINATED SECURITY PURCHASE AGREEMENT" means the Purchase Agreement, dated as of May 2, 2003, by and between the Initial Purchaser and the Company.

"SUBORDINATED SECURITY REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated as of the Subordinated Issuance Date, by and between the Company and the Initial Purchaser.

"SUBORDINATED SECURITYHOLDER" means any holder of one or more Subordinated Securities.

"SUCCESSOR COMPANY" is defined in Section 5.4(a)(i) of the Indenture.

"SUPPLEMENTAL SECURITY AGREEMENT" means a supplement to the Security Agreement substantially in the form of Exhibit A to the Security Agreement.

"SUPPORT DOCUMENTS" means the Liquidity Facility, the Policy, the Policy Provider Agreement and the Fee Letters.

"TAX" and "TAXES" mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, loss, damage, liability, expense, additions to tax and additional amounts or costs incurred or imposed with respect thereto) imposed or otherwise assessed by the United States of America or by any state, local or foreign government (or any subdivision or agency thereof) or other taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth and similar charges; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, taxes on goods and services, gains taxes, license, registration and documentation fees, customs duties, tariffs, and similar charges.

"TERMINATION NOTICE" has the meaning assigned to such term in the Liquidity Facility.

"THRESHOLD AMOUNT" means \$2,000,000.

"THRESHOLD RATING" means the short-term unsecured debt rating of P-1 by Moody's and A-1 by Standard & Poor's; PROVIDED that so long as the initial Liquidity Provider is the Liquidity Provider, the Threshold Rating shall apply to the Liquidity Guarantor.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb) as in effect on the date of the Indenture; PROVIDED, HOWEVER, that in the event the TIA is amended after such date, "TIA" means, to the extent required by any such amendment, the TIA as so amended.

"TRUST ACCOUNTS" is defined in Section 8.13(a) of the Indenture.

"TRUST OFFICER" means any officer in the corporate trust department of the Trustee, or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUSTEE" means the party named as such in the Indenture until a successor replaces it in accordance with the provisions of the Indenture and thereafter means the successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Notes of any Series shall mean the Trustee with respect to the Notes of that Series.

"TRUSTEE INCUMBENCY CERTIFICATE" is defined in Section 3.7(a) of the Indenture.

"TRUSTEE PROVISIONS" is defined in Section 4.1 of the Collateral Maintenance Agreement.

"TRUSTEE REPRESENTATIVES" is defined in Section 3.7(a) of the Indenture.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"UNAPPLIED PROVIDER ADVANCE" is defined in the Liquidity Facility.

"UNSERVICEABLE PARTS" means Pledged Spare Parts that are not Serviceable Parts.

"U.S." or "UNITED STATES" means the United States of America.

"U.S. AIR CARRIER" means any United States air carrier that is a Citizen of the United States holding an air carrier operating certificate issued pursuant to chapter 447 of title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6000 pounds or more of cargo.

"U.S. GOVERNMENT" means the federal government of the United States, or any instrumentality or agency thereof the obligations of which are guaranteed by the full faith and credit of the federal government of the United States.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the option of the issuer thereof.

"U.S. PERSON" means any Person described in Section 7701(a)(30) of the Code.



"VALUATION DATES" is defined in Section 2.4 of the Collateral Maintenance Agreement.

"WARRANTIES" is defined in clause (2) of Section 2.01 of the Security Agreement.

"WRITTEN NOTICE" means, from the Trustee, the Liquidity Provider or the Policy Provider, a written instrument executed by the Designated Representative of such Person. An invoice delivered by the Liquidity Provider pursuant to Section 3.1 of the Indenture in accordance with its normal invoicing procedures shall constitute Written Notice under such Section.

"WTC" has the meaning specified in the first paragraph of the Indenture.

SECTION 2. RULES OF CONSTRUCTION. Unless the context otherwise requires, the following rules of construction shall apply for all purposes of the Operative Documents (including this appendix) and of such agreements as may incorporate this appendix by reference.

(a) In each Operative Document, unless otherwise expressly provided, a reference to:

- (i) each of the Company, the Trustee, the Collateral Agent, the Security Agent or any other person includes, without prejudice to the provisions of any Operative Document, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;
- (ii) words importing the plural include the singular and words importing the singular include the plural;
- (iii) any agreement, instrument or document, or any annex, schedule or exhibit thereto, or any other part thereof, includes, without prejudice to the provisions of any Operative Document, that agreement, instrument or document, or annex, schedule or exhibit, or part, respectively, as amended, modified or supplemented from time to time in accordance with its terms and in accordance with the Operative Documents, and any agreement, instrument or document entered into in substitution or replacement therefor;
- (iv) any provision of any Law includes any such provision as amended, modified, supplemented, substituted, reissued or reenacted prior to the Closing Date, and thereafter from time to time;
- (v) the words "Agreement", "this Agreement", "hereby", "herein", "hereto", "hereof" and "hereunder" and words of similar import when used in any Operative Document refer to such Operative Document as a whole and not to any particular provision of such Operative Document;
- (vi) the words "including", "including, without limitation", "including, but not limited to", and terms or phrases of similar import when used in any Operative Document, with respect to any matter or thing, mean including, without limitation, such matter or thing; and

(vii) a "Section", an "Exhibit", an "Annex", an "Appendix" or a "Schedule" in any Operative Document, or in any annex thereto, is a reference to a section of, or an exhibit, an annex, an appendix or a schedule to, such Operative Document or such annex, respectively.

(b) Each exhibit, annex, appendix and schedule to each Operative Document is incorporated in, and shall be deemed to be a part of, such Operative Document.

(c) Unless otherwise defined or specified in any Operative Document, all accounting terms therein shall be construed and all accounting determinations thereunder shall be made in accordance with GAAP.

(d) Headings used in any Operative Document are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, such Operative Document.

(e) For purposes of each Operative Document, the occurrence and continuance of a Default or Event of Default referred to in Section 7.1(d), (e) or (f) of the Indenture shall not be deemed to prohibit the Company from taking any action or exercising any right that is conditioned on no Special Default, Default or Event of Default having occurred and be continuing if such Special Default, Default or Event of Default consists of the institution of reorganization proceedings with respect to the Company under Chapter 11 of the Bankruptcy Code and the trustee or debtor-in-possession in such proceedings shall have agreed to perform its obligations under the Operative Documents with the approval of the applicable court and thereafter shall have continued to perform such obligations in accordance with Section 1110.

AMENDMENT NO. 1 TO  
REFERENCE AGENCY AGREEMENT

AMENDMENT NO. 1, dated as of May 9, 2003 (this "AMENDMENT"), to Reference Agency Agreement, dated as of December 6, 2002 (the "REFERENCE AGENCY AGREEMENT"), among CONTINENTAL AIRLINES, INC., a Delaware corporation (the "COMPANY"), WILMINGTON TRUST COMPANY, a Delaware banking corporation ("WTC"), as Trustee under the Indenture referred to below, and WTC, as reference agent under the Reference Agency Agreement (the "REFERENCE AGENT"). Certain terms used herein have the defined meanings referred to in Section 1 hereof.

W I T N E S S E T H :  
- - - - -

WHEREAS, in connection with the issuance and sale of the Company's Floating Rate Secured Notes due 2007 pursuant to the Original Indenture, the Company, the Trustee and the Reference Agent entered into the Reference Agency Agreement to provide, among other things, for the determination of the Debt Rate with respect to such Securities; and

WHEREAS, concurrently with the execution and delivery of this Amendment, the Company is entering into the Amended and Restated Indenture, dated as of the date hereof (the "INDENTURE"), with WTC, as Trustee, Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider, providing for the issuance of the Company's Floating Rate Secured Subordinated Notes due 2007 (the "SUBORDINATED SECURITIES"); and

WHEREAS, in connection with the issuance and sale of the Subordinated Securities pursuant to the Indenture, the Company has requested that the Reference Agency Agreement be amended to provide, among other things, for the determination of the Subordinated Debt Rate with respect to such Subordinated Securities; and

WHEREAS, the Company and the Initial Purchaser have entered into the Subordinated Security Purchase Agreement, which provides for the issuance of the Subordinated Securities; and

WHEREAS, the Indenture provides that the Notes to be issued thereunder bear interest at a rate per annum based on LIBOR, as determined pursuant to the Reference Agency Agreement.

NOW, THEREFORE, in consideration of the premises and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined or provided herein, terms used herein that are defined in or pursuant to the Reference Agency Agreement, as amended by this Amendment, have such respective defined meanings.

SECTION 2. AMENDMENTS. Effective as of the date hereof, the Reference Agency Agreement is hereby amended as follows:

Section 2.1 PREAMBLE. The following in the second "Whereas" clause shall be deleted: "(the "INDENTURE")".

Section 2.2 DEFINITIONS. Section 1 is amended as follows:

(a) The first sentence is amended to delete "Indenture" and replace it with the following: "Amended and Restated Indenture, dated as of May 9, 2003 (the "INDENTURE"), among the Company, WTC, as Trustee, Morgan Stanley Capital Services Inc., as Liquidity Provider, and MBIA Insurance Corporation, as Policy Provider".

(b) The definition of "Interest Payment Date" is amended and restated to read in its entirety as follows:

"'INTEREST PAYMENT DATE' means March 6, June 6, September 6 and December 6 of each year so long as any Note is outstanding (commencing on March 6, 2003 in the case of the Securities and June 6, 2003 in the case of the Subordinated Securities), PROVIDED that if any such day is not a Business Day, then the relevant Interest Payment Date shall be the next succeeding Business Day."

(c) Clause (i) of the definition of "Interest Period" is amended and restated to read in its entirety as follows:

"(i) in the case of the first Interest Period for the Securities, the period commencing on (and including) the Closing Date or, in the case of the first Interest Period for the Subordinated Securities, the period commencing on (and including) the Subordinated Closing Date, and ending on (but excluding) the first Interest Payment Date following such date and".

Section 2.3 CERTAIN REFERENCES TO SECURITIES. Each reference to "Securities" in Section 3, Section 7, Section 8 and Section 9, is deleted and replaced with "Notes".

Section 2.4 DUTIES OF REFERENCE AGENT.

(a) The first sentence of Section 6(b) prior to clause (i) thereof is amended and restated to read in its entirety as follows:

"(b) For the purpose of calculating the Debt Rate payable on the Securities or the Subordinated Debt Rate payable on the Subordinated Securities, "LIBOR" for each Interest Period that commences after (x) in

the case of the Securities, the Closing Date (it being understood that the Debt Rate for the Interest Period commencing on the Closing Date shall be determined pursuant to the Purchase Agreement) or (y) in the case of the Subordinated Securities, the Subordinated Closing Date (it being understood that the Subordinated Debt Rate for the Interest Period commencing on the Subordinated Closing Date shall be determined pursuant to the Subordinated Security Purchase Agreement), shall mean the rate determined in accordance with the following provisions:".

(b) Section 6(c) is amended and restated to read in its entirety as follows:

"(c) As soon as practicable after 11:00 a.m. (London time) on each Interest Rate Determination Date, the Reference Agent will calculate the Debt Rate and the Subordinated Debt Rate for such Interest Period, which shall be applicable to the Securities and the Subordinated Securities, respectively. The Reference Agent's determination of LIBOR, the Debt Rate and the Subordinated Debt Rate (in the absence of negligence, willful default, bad faith or manifest error) shall be conclusive and binding upon all parties."

(c) Section 6(d) is amended to insert after "the Debt Rate" the following: ", the Subordinated Debt Rate".

Section 2.5 MISCELLANEOUS. Section 13(a) is amended to delete the phrase "or the Debt Rate" and to replace it with ", the Debt Rate or the Subordinated Debt Rate".

SECTION 3. CONSTRUCTION. All references in the Reference Agency Agreement to the "Agreement" shall be deemed to refer to the Reference Agency Agreement as amended by this Amendment, and the parties hereto confirm their respective obligations thereunder. The Reference Agency Agreement is hereby ratified by the parties hereto and shall remain in all respects unchanged (except as expressly provided in this Amendment) and in full force and effect.

SECTION 4. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 5. COUNTERPARTS. This Amendment 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.

[Remainder of this page is blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers thereunto duly authorized, as of the date and year first above written.

CONTINENTAL AIRLINES, INC.

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

WILMINGTON TRUST COMPANY, as  
Reference Agent

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

WILMINGTON TRUST COMPANY, as  
Trustee

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

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Continental Airlines, Inc. for the registration of \$200,000,000 of Floating Rate Secured Notes Due 2007 and to the incorporation by reference therein of our reports dated January 15, 2003, with respect to the consolidated financial statements and schedule of Continental Airlines, Inc. included in its Annual Report (Form 10-K), as amended, for the year ended December 31, 2002, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Houston, Texas  
June 2, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939  
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

WILMINGTON TRUST COMPANY  
(Exact name of trustee as specified in its charter)

Delaware 51-0055023  
(State of incorporation) (I.R.S. employer identification no.)

Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
(Address of principal executive offices)

Cynthia L. Corliss  
Vice President and Trust Counsel  
Wilmington Trust Company  
Rodney Square North  
Wilmington, Delaware 19890  
(302) 651-8516  
(Name, address and telephone number of agent for service)

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

DELAWARE 74-2099724  
(State of incorporation) (I.R.S. employer identification no.)

1600 SMITH STREET, DEPT. HQSEO  
HOUSTON, TEXAS 77002  
(Address of principal executive offices) (Zip Code)

FLOATING RATE SECURED NOTES DUE 2007  
(Title of the indenture securities)

ITEM 1. GENERAL INFORMATION.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

Federal Deposit Insurance Co. State Bank Commissioner  
Five Penn Center Dover, Delaware  
Suite #2901  
Philadelphia, PA

- (b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

ITEM 2. AFFILIATIONS WITH THE OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such affiliation:

Based upon an examination of the books and records of the trustee and upon information furnished by the obligor, the obligor is not an affiliate of the trustee.

ITEM 16. LIST OF EXHIBITS.

List below all exhibits filed as part of this Statement of Eligibility and Qualification.

- A. Copy of the Charter of Wilmington Trust Company, which includes the certificate of authority of Wilmington Trust Company to commence business and the authorization of Wilmington Trust Company to exercise corporate trust powers.
- B. Copy of By-Laws of Wilmington Trust Company.
- C. Consent of Wilmington Trust Company required by Section 321(b) of Trust Indenture Act.
- D. Copy of most recent Report of Condition of Wilmington Trust Company.

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wilmington Trust Company, a corporation organized and existing under the laws of Delaware, has duly caused this Statement of



Eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Wilmington and State of Delaware on the \_\_\_ day of \_\_\_\_\_, 2003.

WILMINGTON TRUST COMPANY

[SEAL]

Attest:

-----  
Assistant Secretary

By:

-----  
Name: Donald G. MacKelcan  
Title: Vice President

EXHIBIT A

AMENDED CHARTER

Wilmington Trust Company

Wilmington, Delaware

As existing on May 9, 1987

AMENDED CHARTER  
OR  
ACT OF INCORPORATION  
OF  
WILMINGTON TRUST COMPANY

Wilmington Trust Company, originally incorporated by an Act of the General Assembly of the State of Delaware, entitled "An Act to Incorporate the Delaware Guarantee and Trust Company", approved March 2, A.D. 1901, and the name of which company was changed to "Wilmington Trust Company" by an amendment filed in the Office of the Secretary of State on March 18, A.D. 1903, and the Charter or Act of Incorporation of which company has been from time to time amended and changed by merger agreements pursuant to the corporation law for state banks and trust companies of the State of Delaware, does hereby alter and amend its Charter or Act of Incorporation so that the same as so altered and amended shall in its entirety read as follows:

First: - The name of this corporation is Wilmington Trust Company.

Second: - The location of its principal office in the State of Delaware is at Rodney Square North, in the City of Wilmington, County of New Castle; the name of its resident agent is Wilmington Trust Company whose address is Rodney Square North, in said City. In addition to such principal office, the said corporation maintains and operates branch offices in the City of Newark, New Castle County, Delaware, the Town of Newport, New Castle County, Delaware, at Claymont, New Castle County, Delaware, at Greenville, New Castle County Delaware, and at Milford Cross Roads, New Castle County, Delaware, and shall be empowered to open, maintain and operate branch offices at Ninth and Shipley Streets, 418 Delaware Avenue, 2120 Market Street, and 3605 Market Street, all in the City of Wilmington, New Castle County, Delaware, and such other branch offices or places of business as may be authorized from time to time by the agency or agencies of the government of the State of Delaware empowered to confer such authority.

Third: - (a) The nature of the business and the objects and purposes proposed to be transacted, promoted or carried on by this Corporation are to do any or all of the things herein mentioned as fully and to the same extent as natural persons might or could do and in any part of the world, viz.:

(1) To sue and be sued, complain and defend in any Court of law or equity and to make and use a common seal, and alter the seal at pleasure, to hold, purchase, convey, mortgage or otherwise deal in real and personal estate and property, and to appoint such officers and agents as the business of the Corporation shall require, to make by-laws not inconsistent with the Constitution or laws of the United States or of this State, to discount bills, notes or other evidences of debt, to receive deposits of money, or securities for money, to buy gold and silver bullion and foreign coins, to buy and sell bills of exchange, and generally to use, exercise and enjoy all the powers, rights, privileges and franchises incident to a corporation which are proper or necessary for the transaction of the business of the Corporation hereby created.

(2) To insure titles to real and personal property, or any estate or interests therein, and to guarantee the holder of such property, real or personal, against any claim or claims, adverse to his interest therein, and to prepare and give certificates of title for any lands or premises in the State of Delaware, or elsewhere.

(3) To act as factor, agent, broker or attorney in the receipt, collection, custody, investment and management of funds, and the purchase, sale, management and disposal of property of all

descriptions, and to prepare and execute all papers which may be necessary or proper in such business.

(4) To prepare and draw agreements, contracts, deeds, leases, conveyances, mortgages, bonds and legal papers of every description, and to carry on the business of conveyancing in all its branches.

(5) To receive upon deposit for safekeeping money, jewelry, plate, deeds, bonds and any and all other personal property of every sort and kind, from executors, administrators, guardians, public officers, courts, receivers, assignees, trustees, and from all fiduciaries, and from all other persons and individuals, and from all corporations whether state, municipal, corporate or private, and to rent boxes, safes, vaults and other receptacles for such property.

(6) To act as agent or otherwise for the purpose of registering, issuing, certificating, countersigning, transferring or underwriting the stock, bonds or other obligations of any corporation, association, state or municipality, and may receive and manage any sinking fund therefor on such terms as may be agreed upon between the two parties, and in like manner may act as Treasurer of any corporation or municipality.

(7) To act as Trustee under any deed of trust, mortgage, bond or other instrument issued by any state, municipality, body politic, corporation, association or person, either alone or in conjunction with any other person or persons, corporation or corporations.

(8) To guarantee the validity, performance or effect of any contract or agreement, and the fidelity of persons holding places of responsibility or trust; to become surety for any person, or persons, for the faithful performance of any trust, office, duty, contract or agreement, either by itself or in conjunction with any other person, or persons, corporation, or corporations, or in like manner become surety upon any bond, recognizance, obligation, judgment, suit, order, or decree to be entered in any court of record within the State of Delaware or elsewhere, or which may now or hereafter be required by any law, judge, officer or court in the State of Delaware or elsewhere.

(9) To act by any and every method of appointment as trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor, administrator, guardian, bailee, or in any other trust capacity in the receiving, holding, managing, and disposing of any and all estates and property, real, personal or mixed, and to be appointed as such trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor, administrator, guardian or bailee by any persons, corporations, court, officer, or authority, in the State of Delaware or elsewhere; and whenever this Corporation is so appointed by any person, corporation, court, officer or authority such trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor, administrator, guardian, bailee, or in any other trust capacity, it shall not be required to give bond with surety, but its capital stock shall be taken and held as security for the performance of the duties devolving upon it by such appointment.

(10) And for its care, management and trouble, and the exercise of any of its powers hereby given, or for the performance of any of the duties which it may undertake or be called upon to perform, or for the assumption of any responsibility the said Corporation may be entitled to receive a proper compensation.

(11) To purchase, receive, hold and own bonds, mortgages, debentures, shares of capital stock, and other securities, obligations, contracts and evidences of indebtedness, of any private, public or municipal corporation within and without the State of Delaware, or of the Government of the United States, or of any state, territory, colony, or possession thereof, or of any foreign government or country; to receive, collect, receipt for, and dispose of interest, dividends and income upon and from any

of the bonds, mortgages, debentures, notes, shares of capital stock, securities, obligations, contracts, evidences of indebtedness and other property held and owned by it, and to exercise in respect of all such bonds, mortgages, debentures, notes, shares of capital stock, securities, obligations, contracts, evidences of indebtedness and other property, any and all the rights, powers and privileges of individual owners thereof, including the right to vote thereon; to invest and deal in and with any of the moneys of the Corporation upon such securities and in such manner as it may think fit and proper, and from time to time to vary or realize such investments; to issue bonds and secure the same by pledges or deeds of trust or mortgages of or upon the whole or any part of the property held or owned by the Corporation, and to sell and pledge such bonds, as and when the Board of Directors shall determine, and in the promotion of its said corporate business of investment and to the extent authorized by law, to lease, purchase, hold, sell, assign, transfer, pledge, mortgage and convey real and personal property of any name and nature and any estate or interest therein.

(b) In furtherance of, and not in limitation, of the powers conferred by the laws of the State of Delaware, it is hereby expressly provided that the said Corporation shall also have the following powers:

(1) To do any or all of the things herein set forth, to the same extent as natural persons might or could do, and in any part of the world.

(2) To acquire the good will, rights, property and franchises and to undertake the whole or any part of the assets and liabilities of any person, firm, association or corporation, and to pay for the same in cash, stock of this Corporation, bonds or otherwise; to hold or in any manner to dispose of the whole or any part of the property so purchased; to conduct in any lawful manner the whole or any part of any business so acquired, and to exercise all the powers necessary or convenient in and about the conduct and management of such business.

(3) To take, hold, own, deal in, mortgage or otherwise lien, and to lease, sell, exchange, transfer, or in any manner whatever dispose of property, real, personal or mixed, wherever situated.

(4) To enter into, make, perform and carry out contracts of every kind with any person, firm, association or corporation, and, without limit as to amount, to draw, make, accept, endorse, discount, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable or transferable instruments.

(5) To have one or more offices, to carry on all or any of its operations and businesses, without restriction to the same extent as natural persons might or could do, to purchase or otherwise acquire, to hold, own, to mortgage, sell, convey or otherwise dispose of, real and personal property, of every class and description, in any State, District, Territory or Colony of the United States, and in any foreign country or place.

(6) It is the intention that the objects, purposes and powers specified and clauses contained in this paragraph shall (except where otherwise expressed in said paragraph) be nowise limited or restricted by reference to or inference from the terms of any other clause of this or any other paragraph in this charter, but that the objects, purposes and powers specified in each of the clauses of this paragraph shall be regarded as independent objects, purposes and powers.

Fourth: - (a) The total number of shares of all classes of stock which the Corporation shall have authority to issue is forty-one million (41,000,000) shares, consisting of:

(1) One million (1,000,000) shares of Preferred stock, par value \$10.00 per share (hereinafter referred to as "Preferred Stock"); and

(2) Forty million (40,000,000) shares of Common Stock, par value \$1.00 per share (hereinafter referred to as "Common Stock").

(b) Shares of Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board of Directors each of said series to be distinctly designated. All shares of any one series of Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends, if any, thereon shall be cumulative, if made cumulative. The voting powers and the preferences and relative, participating, optional and other special rights of each such series, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding; and, subject to the provisions of subparagraph 1 of Paragraph (c) of this Article Fourth, the Board of Directors of the Corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of a particular series of Preferred Stock, the voting powers and the designations, preferences and relative, optional and other special rights, and the qualifications, limitations and restrictions of such series, including, but without limiting the generality of the foregoing, the following:

(1) The distinctive designation of, and the number of shares of Preferred Stock which shall constitute such series, which number may be increased (except where otherwise provided by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

(2) The rate and times at which, and the terms and conditions on which, dividends, if any, on Preferred Stock of such series shall be paid, the extent of the preference or relation, if any, of such dividends to the dividends payable on any other class or classes, or series of the same or other class of stock and whether such dividends shall be cumulative or non-cumulative;

(3) The right, if any, of the holders of Preferred Stock of such series to convert the same into or exchange the same for, shares of any other class or classes or of any series of the same or any other class or classes of stock of the Corporation and the terms and conditions of such conversion or exchange;

(4) Whether or not Preferred Stock of such series shall be subject to redemption, and the redemption price or prices and the time or times at which, and the terms and conditions on which, Preferred Stock of such series may be redeemed.

(5) The rights, if any, of the holders of Preferred Stock of such series upon the voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding-up, of the Corporation.

(6) The terms of the sinking fund or redemption or purchase account, if any, to be provided for the Preferred Stock of such series; and

(7) The voting powers, if any, of the holders of such series of Preferred Stock which may, without limiting the generality of the foregoing include the right, voting as a series or by itself or together with other series of Preferred Stock or all series of Preferred Stock as a class, to elect one or more directors of the Corporation if there shall have been a default in the payment of dividends on any one or more series of Preferred Stock or under such circumstances and on such conditions as the Board of Directors may determine.

(c) (1) After the requirements with respect to preferential dividends on the Preferred Stock (fixed in accordance with the provisions of section (b) of this Article Fourth), if any, shall have been met and after the Corporation shall have complied with all the requirements, if any, with respect to the setting aside of sums as sinking funds or redemption or purchase accounts (fixed in accordance with the provisions of section (b) of this Article Fourth), and subject further to any conditions which may be fixed in accordance with the provisions of section (b) of this Article Fourth, then and not otherwise the

holders of Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board of Directors.

(2) After distribution in full of the preferential amount, if any, (fixed in accordance with the provisions of section (b) of this Article Fourth), to be distributed to the holders of Preferred Stock in the event of voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding-up, of the Corporation, the holders of the Common Stock shall be entitled to receive all of the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

(3) Except as may otherwise be required by law or by the provisions of such resolution or resolutions as may be adopted by the Board of Directors pursuant to section (b) of this Article Fourth, each holder of Common Stock shall have one vote in respect of each share of Common Stock held on all matters voted upon by the stockholders.

(d) No holder of any of the shares of any class or series of stock or of options, warrants or other rights to purchase shares of any class or series of stock or of other securities of the Corporation shall have any preemptive right to purchase or subscribe for any unissued stock of any class or series or any additional shares of any class or series to be issued by reason of any increase of the authorized capital stock of the Corporation of any class or series, or bonds, certificates of indebtedness, debentures or other securities convertible into or exchangeable for stock of the Corporation of any class or series, or carrying any right to purchase stock of any class or series, but any such unissued stock, additional authorized issue of shares of any class or series of stock or securities convertible into or exchangeable for stock, or carrying any right to purchase stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, corporations or associations, whether such holders or others, and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its sole discretion.

(e) The relative powers, preferences and rights of each series of Preferred Stock in relation to the relative powers, preferences and rights of each other series of Preferred Stock shall, in each case, be as fixed from time to time by the Board of Directors in the resolution or resolutions adopted pursuant to authority granted in section (b) of this Article Fourth and the consent, by class or series vote or otherwise, of the holders of such of the series of Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of Preferred Stock whether or not the powers, preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with, the powers, preferences and rights of such outstanding series, or any of them; provided, however, that the Board of Directors may provide in the resolution or resolutions as to any series of Preferred Stock adopted pursuant to section (b) of this Article Fourth that the consent of the holders of a majority (or such greater proportion as shall be therein fixed) of the outstanding shares of such series voting thereon shall be required for the issuance of any or all other series of Preferred Stock.

(f) Subject to the provisions of section (e), shares of any series of Preferred Stock may be issued from time to time as the Board of Directors of the Corporation shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(g) Shares of Common Stock may be issued from time to time as the Board of Directors of the Corporation shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(h) The authorized amount of shares of Common Stock and of Preferred Stock may, without a class or series vote, be increased or decreased from time to time by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote thereon.

Fifth: - (a) The business and affairs of the Corporation shall be conducted and managed by a Board of Directors. The number of directors

constituting the entire Board shall be not less than five nor more than twenty-five as fixed from time to time by vote of a majority of the whole Board, provided, however, that the number of directors shall not be reduced so as to shorten the term of any director at the time in office, and provided further, that the number of directors constituting the whole Board shall be twenty-four until otherwise fixed by a majority of the whole Board.

(b) The Board of Directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the whole Board permits, with the term of office of one class expiring each year. At the annual meeting of stockholders in 1982, directors of the first class shall be elected to hold office for a term expiring at the next succeeding annual meeting, directors of the second class shall be elected to hold office for a term expiring at the second succeeding annual meeting and directors of the third class shall be elected to hold office for a term expiring at the third succeeding annual meeting. Any vacancies in the Board of Directors for any reason, and any newly created directorships resulting from any increase in the directors, may be filled by the Board of Directors, acting by a majority of the directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next annual election of directors. At such election, the stockholders shall elect a successor to such director to hold office until the next election of the class for which such director shall have been chosen and until his successor shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

(c) Notwithstanding any other provisions of this Charter or Act of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, this Charter or Act of Incorporation or the By-Laws of the Corporation), any director or the entire Board of Directors of the Corporation may be removed at any time without cause, but only by the affirmative vote of the holders of two-thirds or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose.

(d) Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Such nominations shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than 14 days nor more than 50 days prior to any meeting of the stockholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to stockholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of the Corporation not later than the close of the seventh day following the day on which notice of the meeting was mailed to stockholders. Notice of nominations which are proposed by the Board of Directors shall be given by the Chairman on behalf of the Board.

(e) Each notice under subsection (d) shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of such nominee and (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee.

(f) The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(g) No action required to be taken or which may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

Sixth: - The Directors shall choose such officers, agents and servants as may be provided in the By-Laws as they may from time to time find necessary or proper.



Seventh: - The Corporation hereby created is hereby given the same powers, rights and privileges as may be conferred upon corporations organized under the Act entitled "An Act Providing a General Corporation Law", approved March 10, 1899, as from time to time amended.

Eighth: - This Act shall be deemed and taken to be a private Act.

Ninth: - This Corporation is to have perpetual existence.

Tenth: - The Board of Directors, by resolution passed by a majority of the whole Board, may designate any of their number to constitute an Executive Committee, which Committee, to the extent provided in said resolution, or in the By-Laws of the Company, shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation, and shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it.

Eleventh: - The private property of the stockholders shall not be liable for the payment of corporate debts to any extent whatever.

Twelfth: - The Corporation may transact business in any part of the world.

Thirteenth: - The Board of Directors of the Corporation is expressly authorized to make, alter or repeal the By-Laws of the Corporation by a vote of the majority of the entire Board. The stockholders may make, alter or repeal any By-Law whether or not adopted by them, provided however, that any such additional By-Laws, alterations or repeal may be adopted only by the affirmative vote of the holders of two-thirds or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class).

Fourteenth: - Meetings of the Directors may be held outside of the State of Delaware at such places as may be from time to time designated by the Board, and the Directors may keep the books of the Company outside of the State of Delaware at such places as may be from time to time designated by them.

Fifteenth: - (a) (1) In addition to any affirmative vote required by law, and except as otherwise expressly provided in sections (b) and (c) of this Article Fifteenth:

(A) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with or into (i) any Interested Stockholder (as hereinafter defined) or (ii) any other corporation (whether or not itself an Interested Stockholder), which, after such merger or consolidation, would be an Affiliate (as hereinafter defined) of an Interested Stockholder, or

(B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of related transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate fair market value of \$1,000,000 or more, or

(C) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of related transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value of \$1,000,000 or more, or

(D) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or

(E) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its

Subsidiaries or any similar transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder, or any Affiliate of any Interested Stockholder,

shall require the affirmative vote of the holders of at least two-thirds of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for the purpose of this Article Fifteenth as one class ("Voting Shares"). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

(2) The term "business combination" as used in this Article Fifteenth shall mean any transaction which is referred to in any one or more of clauses (A) through (E) of paragraph 1 of the section (a).

(b) The provisions of section (a) of this Article Fifteenth shall not be applicable to any particular business combination and such business combination shall require only such affirmative vote as is required by law and any other provisions of the Charter or Act of Incorporation or By-Laws if such business combination has been approved by a majority of the whole Board.

(c) For the purposes of this Article Fifteenth:

(1) A "person" shall mean any individual, firm, corporation or other entity.

(2) "Interested Stockholder" shall mean, in respect of any business combination, any person (other than the Corporation or any Subsidiary) who or which as of the record date for the determination of stockholders entitled to notice of and to vote on such business combination, or immediately prior to the consummation of any such transaction:

(A) is the beneficial owner, directly or indirectly, of more than 10% of the Voting Shares, or

(B) is an Affiliate of the Corporation and at any time within two years prior thereto was the beneficial owner, directly or indirectly, of not less than 10% of the then outstanding voting Shares, or

(C) is an assignee of or has otherwise succeeded in any share of capital stock of the Corporation which were at any time within two years prior thereto beneficially owned by any Interested Stockholder, and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(3) A person shall be the "beneficial owner" of any Voting Shares:

(A) which such person or any of its Affiliates and Associates (as hereafter defined) beneficially own, directly or indirectly, or  
(B) which such person or any of its Affiliates or Associates has  
(i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding, or

(C) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement or

understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation.

(4) The outstanding Voting Shares shall include shares deemed owned through application of paragraph (3) above but shall not include any other Voting Shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options or otherwise.

(5) "Affiliate" and "Associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 31, 1981.

(6) "Subsidiary" shall mean any corporation of which a majority of any class of equity security (as defined in Rule 3a11-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 31, 1981) is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Investment Stockholder set forth in paragraph (2) of this section (c), the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(d) majority of the directors shall have the power and duty to determine for the purposes of this Article Fifteenth on the basis of information known to them, (1) the number of Voting Shares beneficially owned by any person (2) whether a person is an Affiliate or Associate of another, (3) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in paragraph (3) of section (c), or (4) whether the assets subject to any business combination or the consideration received for the issuance or transfer of securities by the Corporation, or any Subsidiary has an aggregate fair market value of \$1,000,000 or more.

(e) Nothing contained in this Article Fifteenth shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

Sixteenth: Notwithstanding any other provision of this Charter or Act of Incorporation or the By-Laws of the Corporation (and in addition to any other vote that may be required by law, this Charter or Act of Incorporation by the By-Laws), the affirmative vote of the holders of at least two-thirds of the outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter or repeal any provision of Articles Fifth, Thirteenth, Fifteenth or Sixteenth of this Charter or Act of Incorporation.

Seventeenth: (a) a Director of this Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Laws as the same exists or may hereafter be amended.

(b) Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a Director of the Corporation existing hereunder with respect to any act or omission occurring prior to the time of such repeal or modification."

EXHIBIT B

BY-LAWS

WILMINGTON TRUST COMPANY

WILMINGTON, DELAWARE

AS EXISTING ON FEBRUARY 20, 2000

BY-LAWS OF WILMINGTON TRUST COMPANY

ARTICLE I  
STOCKHOLDERS' MEETINGS

Section 1. The Annual Meeting of Stockholders shall be held on the third Thursday in April each year at the principal office at the Company or at such other date, time, or place as may be designated by resolution by the Board of Directors.

Section 2. Special meetings of all stockholders may be called at any time by the Board of Directors, the Chairman of the Board or the President.

Section 3. Notice of all meetings of the stockholders shall be given by mailing to each stockholder at least ten (10) days before said meeting, at his last known address, a written or printed notice fixing the time and place of such meeting.

Section 4. A majority in the amount of the capital stock of the Company issued and outstanding on the record date, as herein determined, shall constitute a quorum at all meetings of stockholders for the transaction of any business, but the holders of a small number of shares may adjourn, from time to time, without further notice, until a quorum is secured. At each annual or special meeting of stockholders, each stockholder shall be entitled to one vote, either in person or by proxy, for each share of stock registered in the stockholder's name on the books of the Company on the record date for any such meeting as determined herein.

ARTICLE II  
DIRECTORS

Section 1. The authorized number of directors that shall constitute the Board of Directors shall be fixed from time to time by or pursuant to a resolution passed by a majority of the Board within the parameters set by the Charter of the Bank. No more than two directors may also be employees of the Company or any affiliate thereof.

Section 2. Except as provided in these Bylaws or as otherwise required by law, there shall be no qualifications for election or service as directors of the Company. In addition to any other provisions of these Bylaws, to be qualified for nomination for Election or appointment to the Board of Directors each person must have not attained the age of sixty-nine years at the time of such election or appointment, provided however, the Nominating and Corporate Governance Committee may waive such qualification as to a particular candidate otherwise qualified to serve as a director upon a good faith determination by such committee that such a waiver is in the best interests of the Company and its stockholders. The Chairman of the Board of Directors shall not be qualified to continue to serve as a director upon the termination of his or her services in that office for any reason.

Section 3. The class of Directors so elected shall hold office for three years or until their successors are elected and qualified.

Section 4. The affairs and business of the Company shall be managed and conducted by the Board of Directors.

Section 5. The Board of Directors shall meet at the principal office of the Company or elsewhere in its discretion at such times to be determined by a majority of its members, or at the call of the Chairman of the Board of Directors or the President.

Section 6. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board of Directors or by the President, and shall be called upon the written request of a majority of the directors.

Section 7. A majority of the directors elected and qualified shall be necessary to constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 8. Written notice shall be sent by mail to each director of any special meeting of the Board of Directors, and of any change in the time or place of any regular meeting, stating the time and place of such meeting, which shall be mailed not less than two days before the time of holding such meeting.

Section 9. In the event of the death, resignation, removal, inability to act, or disqualification of any director, the Board of Directors, although less than a quorum, shall have the right to elect the successor who shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, and until such director's successor shall have been duly elected and qualified.

Section 10. The Board of Directors at its first meeting after its election by the stockholders shall appoint an Executive Committee, a Trust Committee, an Audit Committee and a Compensation Committee, and shall elect from its own members a Chairman of the Board of Directors and a President who may be the same person. The Board of Directors shall also elect at such meeting a Secretary and a Treasurer, who may be the same person, may appoint at any time such other committees and elect or appoint such other officers as it may deem advisable. The Board of Directors may also elect at such meeting one or more Associate Directors.

Section 11. The Board of Directors may at any time remove, with or without cause, any member of any Committee appointed by it or any associate director or officer elected by it and may appoint or elect his successor. Section 12. The Board of Directors may designate an officer to be in charge of such of the departments or divisions of the Company as it may deem advisable.

### ARTICLE III COMMITTEES

#### Section 1. Executive Committee

(A) The Executive Committee shall be composed of not more than nine members who shall be selected by the Board of Directors from its own members and who shall hold office during the pleasure of the Board.

(B) The Executive Committee shall have all the powers of the Board of Directors when it is not in session to transact all business for and in behalf of the Company that may be brought before it.

(C) The Executive Committee shall meet at the principal office of the Company or elsewhere in its discretion at such times to be determined by a majority of its members, or at the call of the Chairman of the Executive Committee or at the call of the Chairman of the Board of Directors. The majority of its members shall be necessary to constitute a quorum for the transaction of business. Special meetings of the Executive Committee may be held at any time when a quorum is present.

(D) Minutes of each meeting of the Executive Committee shall be kept and submitted to the Board of Directors at its next meeting.

(E) The Executive Committee shall advise and superintend all investments that may be made of the funds of the Company, and shall direct the disposal of the same, in accordance with such rules and regulations as the Board of Directors from time to time make.

(F) In the event of a state of disaster of sufficient severity to prevent the conduct and management of the affairs and business of the Company by its directors and officers as contemplated by these By-Laws any two available members of the Executive Committee as constituted immediately prior to such disaster shall constitute a quorum of that Committee for the full conduct and management of the affairs and business of the Company in accordance with the

provisions of Article III of these By-Laws; and if less than three members of the Trust Committee is constituted immediately prior to such disaster shall be available for the transaction of its business, such Executive Committee shall also be empowered to exercise all of the powers reserved to the Trust Committee under Article III Section 2 hereof. In the event of the unavailability, at such time, of a minimum of two members of such Executive Committee, any three available directors shall constitute the Executive Committee for the full conduct and management of the affairs and business of the Company in accordance with the foregoing provisions of this Section. This By-Law shall be subject to implementation by Resolutions of the Board of Directors presently existing or hereafter passed from time to time for that purpose, and any provisions of these By-Laws (other than this Section) and any resolutions which are contrary to the provisions of this Section or to the provisions of any such implementary Resolutions shall be suspended during such a disaster period until it shall be determined by any interim Executive Committee acting under this section that it shall be to the advantage of the Company to resume the conduct and management of its affairs and business under all of the other provisions of these By-Laws.

#### Section 2. Audit Committee

(A) The Audit Committee shall be composed of five members who shall be selected by the Board of Directors from its own members, none of whom shall be an officer of the Company, and shall hold office at the pleasure of the Board.

(B) The Audit Committee shall have general supervision over the Audit Division in all matters however subject to the approval of the Board of Directors; it shall consider all matters brought to its attention by the officer in charge of the Audit Division, review all reports of examination of the Company made by any governmental agency or such independent auditor employed for that purpose, and make such recommendations to the Board of Directors with respect thereto or with respect to any other matters pertaining to auditing the Company as it shall deem desirable.

(C) The Audit Committee shall meet whenever and wherever the majority of its members shall deem it to be proper for the transaction of its business, and a majority of its Committee shall constitute a quorum.

#### Section 3. Compensation Committee

(A) The Compensation Committee shall be composed of not more than five (5) members who shall be selected by the Board of Directors from its own members who are not officers of the Company and who shall hold office during the pleasure of the Board.

(B) The Compensation Committee shall in general advise upon all matters of policy concerning the Company brought to its attention by the management and from time to time review the management of the Company, major organizational matters, including salaries and employee benefits and specifically shall administer the Executive Incentive Compensation Plan.

(C) Meetings of the Compensation Committee may be called at any time by the Chairman of the Compensation Committee, the Chairman of the Board of Directors, or the President of the Company.

#### Section 4. Associate Directors

(A) Any person who has served as a director may be elected by the Board of Directors as an associate director, to serve during the pleasure of the Board.

(B) An associate director shall be entitled to attend all directors meetings and participate in the discussion of all matters brought to the Board, with the exception that he would have no right to vote. An associate director will be eligible for appointment to Committees of the Company, with the exception of the Executive Committee, Audit Committee and Compensation Committee, which must be comprised solely of active directors.

## Section 5. Absence or Disqualification of Any Member of a Committee

(A) In the absence or disqualification of any member of any Committee created under Article III of the By-Laws of this Company, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

## ARTICLE IV OFFICERS

Section 1. The Chairman of the Board of Directors shall preside at all meetings of the Board and shall have such further authority and powers and shall perform such duties as the Board of Directors may from time to time confer and direct. He shall also exercise such powers and perform such duties as may from time to time be agreed upon between himself and the President of the Company.

Section 2. THE VICE CHAIRMAN OF THE BOARD. The Vice Chairman of the Board of Directors shall preside at all meetings of the Board of Directors at which the Chairman of the Board shall not be present and shall have such further authority and powers and shall perform such duties as the Board of Directors or the Chairman of the Board may from time to time confer and direct.

Section 3. The President shall have the powers and duties pertaining to the office of the President conferred or imposed upon him by statute or assigned to him by the Board of Directors. In the absence of the Chairman of the Board the President shall have the powers and duties of the Chairman of the Board.

Section 4. The Chairman of the Board of Directors or the President as designated by the Board of Directors, shall carry into effect all legal directions of the Executive Committee and of the Board of Directors, and shall at all times exercise general supervision over the interest, affairs and operations of the Company and perform all duties incident to his office.

Section 5. There may be one or more Vice Presidents, however denominated by the Board of Directors, who may at any time perform all the duties of the Chairman of the Board of Directors and/or the President and such other powers and duties as may from time to time be assigned to them by the Board of Directors, the Executive Committee, the Chairman of the Board or the President and by the officer in charge of the department or division to which they are assigned.

Section 6. The Secretary shall attend to the giving of notice of meetings of the stockholders and the Board of Directors, as well as the Committees thereof, to the keeping of accurate minutes of all such meetings and to recording the same in the minute books of the Company. In addition to the other notice requirements of these By-Laws and as may be practicable under the circumstances, all such notices shall be in writing and mailed well in advance of the scheduled date of any other meeting. He shall have custody of the corporate seal and shall affix the same to any documents requiring such corporate seal and to attest the same.

Section 7. The Treasurer shall have general supervision over all assets and liabilities of the Company. He shall be custodian of and responsible for all monies, funds and valuables of the Company and for the keeping of proper records of the evidence of property or indebtedness and of all the transactions of the Company. He shall have general supervision of the expenditures of the Company and shall report to the Board of Directors at each regular meeting of the condition of the Company, and perform such other duties as may be assigned to him from time to time by the Board of Directors of the Executive Committee.

Section 8. There may be a Controller who shall exercise general supervision over the internal operations of the Company, including accounting, and shall



render to the Board of Directors at appropriate times a report relating to the general condition and internal operations of the Company.

There may be one or more subordinate accounting or controller officers however denominated, who may perform the duties of the Controller and such duties as may be prescribed by the Controller.

Section 9. The officer designated by the Board of Directors to be in charge of the Audit Division of the Company with such title as the Board of Directors shall prescribe, shall report to and be directly responsible only to the Board of Directors.

There shall be an Auditor and there may be one or more Audit Officers, however denominated, who may perform all the duties of the Auditor and such duties as may be prescribed by the officer in charge of the Audit Division.

Section 10. There may be one or more officers, subordinate in rank to all Vice Presidents with such functional titles as shall be determined from time to time by the Board of Directors, who shall ex officio hold the office Assistant Secretary of this Company and who may perform such duties as may be prescribed by the officer in charge of the department or division to whom they are assigned.

Section 11. The powers and duties of all other officers of the Company shall be those usually pertaining to their respective offices, subject to the direction of the Board of Directors, the Executive Committee, Chairman of the Board of Directors or the President and the officer in charge of the department or division to which they are assigned.

#### ARTICLE V STOCK AND STOCK CERTIFICATES

Section 1. Shares of stock shall be transferrable on the books of the Company and a transfer book shall be kept in which all transfers of stock shall be recorded.

Section 2. Certificates of stock shall bear the signature of the President or any Vice President, however denominated by the Board of Directors and countersigned by the Secretary or Treasurer or an Assistant Secretary, and the seal of the corporation shall be engraved thereon. Each certificate shall recite that the stock represented thereby is transferrable only upon the books of the Company by the holder thereof or his attorney, upon surrender of the certificate properly endorsed. Any certificate of stock surrendered to the Company shall be cancelled at the time of transfer, and before a new certificate or certificates shall be issued in lieu thereof. Duplicate certificates of stock shall be issued only upon giving such security as may be satisfactory to the Board of Directors or the Executive Committee.

Section 3. The Board of Directors of the Company is authorized to fix in advance a record date for the determination of the stockholders entitled to notice of, and to vote at, any meeting of stockholders and any adjournment thereof, or entitled to receive payment of any dividend, or to any allotment or rights, or to exercise any rights in respect of any change, conversion or exchange of capital stock, or in connection with obtaining the consent of stockholders for any purpose, which record date shall not be more than 60 nor less than 10 days proceeding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent.

#### ARTICLE VI SEAL

Section 1. The corporate seal of the Company shall be in the following form:

Between two concentric circles the words  
"Wilmington Trust Company" within the inner  
circle the words "Wilmington, Delaware."

ARTICLE VII  
FISCAL YEAR

Section 1. The fiscal year of the Company shall be the calendar year.

ARTICLE VIII  
EXECUTION OF INSTRUMENTS OF THE COMPANY

Section 1. The Chairman of the Board, the President or any Vice President, however denominated by the Board of Directors, shall have full power and authority to enter into, make, sign, execute, acknowledge and/or deliver and the Secretary or any Assistant Secretary shall have full power and authority to attest and affix the corporate seal of the Company to any and all deeds, conveyances, assignments, releases, contracts, agreements, bonds, notes, mortgages and all other instruments incident to the business of this Company or in acting as executor, administrator, guardian, trustee, agent or in any other fiduciary or representative capacity by any and every method of appointment or by whatever person, corporation, court officer or authority in the State of Delaware, or elsewhere, without any specific authority, ratification, approval or confirmation by the Board of Directors or the Executive Committee, and any and all such instruments shall have the same force and validity as though expressly authorized by the Board of Directors and/or the Executive Committee.

ARTICLE IX  
COMPENSATION OF DIRECTORS AND MEMBERS OF COMMITTEES

Section 1. Directors and associate directors of the Company, other than salaried officers of the Company, shall be paid such reasonable honoraria or fees for attending meetings of the Board of Directors as the Board of Directors may from time to time determine. Directors and associate directors who serve as members of committees, other than salaried employees of the Company, shall be paid such reasonable honoraria or fees for services as members of committees as the Board of Directors shall from time to time determine and directors and associate directors may be employed by the Company for such special services as the Board of Directors may from time to time determine and shall be paid for such special services so performed reasonable compensation as may be determined by the Board of Directors.

ARTICLE X  
INDEMNIFICATION

Section 1. (A) The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he, or a person for whom he is the legal representative, 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, fiduciary or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person. The Corporation shall indemnify a person in connection with a proceeding initiated by such person only if the proceeding was authorized by the Board of Directors of the Corporation.

(B) The Corporation shall pay the expenses incurred in defending any proceeding in advance of its final disposition, PROVIDED, HOWEVER, that the payment of expenses incurred by a Director or officer in his capacity as a Director or officer in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Director or officer to repay all amounts advanced if it should be ultimately determined that the Director or officer is not entitled to be indemnified under this Article or otherwise.

(C) If a claim for indemnification or payment of expenses, under this Article X is not paid in full within ninety days after a written claim therefor has been received by the Corporation the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

(D) The rights conferred on any person by this Article X shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Charter or Act of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested Directors or otherwise.

(E) Any repeal or modification of the foregoing provisions of this Article X shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

#### ARTICLE XI AMENDMENTS TO THE BY-LAWS

Section 1. These By-Laws may be altered, amended or repealed, in whole or in part, and any new By-Law or By-Laws adopted at any regular or special meeting of the Board of Directors by a vote of the majority of all the members of the Board of Directors then in office.

EXHIBIT C

SECTION 321(b) CONSENT

Pursuant to Section 321(b) of the Trust Indenture Act of 1939, as amended, Wilmington Trust Company hereby consents that reports of examinations by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon requests therefor.

WILMINGTON TRUST COMPANY

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: Donald G. MacKelcan  
Title: Vice President

EXHIBIT D

NOTICE

This form is intended to assist state nonmember banks and savings banks with state publication requirements. It has not been approved by any state banking authorities. Refer to your appropriate state banking authorities for your state publication requirements.

R E P O R T O F C O N D I T I O N

Consolidating domestic subsidiaries of the

-----  
WILMINGTON TRUST COMPANY of WILMINGTON  
-----  
Name of Bank City

in the State of DELAWARE , at the close of business on September 30, 2002.  
-----

ASSETS

Thousands of dollars

Cash and balances due from depository institutions:  
Noninterest-bearing balances and currency and coins.....237,157  
Interest-bearing balances..... 0  
Held-to-maturity securities..... 14,523  
Available-for-sale securities.....1,257,664  
Federal funds sold in domestic offices.....257,890  
Securities purchased under agreements to resell.....105,350  
Loans and lease financing receivables:  
Loans and leases held for sale ..... 0  
Loans and leases, net of unearned income .....5,476,762  
LESS: Allowance for loan and lease losses ..... 78,510  
Loans and leases, net of unearned income, allowance,  
and reserve .....5,398,252  
Assets held in trading accounts.....0  
Premises and fixed assets (including capitalized leases).....128,457  
Other real estate owned..... 334  
Investments in unconsolidated subsidiaries and associated  
companies.....1,597  
Customers' liability to this bank on acceptances  
outstanding.....0  
Intangible assets:  
a. Goodwill..... 157  
b. Other intangible assets..... 7,633  
Other assets..... 133,873  
Total assets.....7,542,887

CONTINUED ON NEXT PAGE

LIABILITIES

Deposits:

In domestic offices.....	6,032,697
Noninterest-bearing.....	946,803
Interest-bearing.....	5,085,894
Federal funds purchased in domestic offices.....	203,600
Securities sold under agreements to repurchase.....	245,410
Trading liabilities (from Schedule RC-D).....	0
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases:.....	423,673
Bank's liability on acceptances executed and outstanding.....	0
Subordinated notes and debentures.....	0
Other liabilities (from Schedule RC-G).....	71,704
Total liabilities.....	6,977,084

EQUITY CAPITAL

Perpetual preferred stock and related surplus.....	0
Common Stock.....	500
Surplus (exclude all surplus related to preferred stock).....	62,118
a. Retained earnings.....	490,313
b. Accumulated other comprehensive income.....	12,872
Total equity capital.....	565,803
Total liabilities, limited-life preferred stock, and equity capital.....	7,542,887

LETTER OF TRANSMITTAL

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE  
FLOATING RATE SECURED NOTES DUE 2007,  
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933,  
FOR ANY AND ALL OUTSTANDING  
FLOATING RATE SECURED NOTES DUE 2007

Pursuant to the Prospectus, dated \_\_\_\_\_, 2003.  
THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON  
\_\_\_\_\_, 2003, UNLESS EXTENDED (THE "EXPIRATION DATE").  
TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME,  
ON THE EXPIRATION DATE.

BY MAIL:  
Wilmington Trust Company  
DC-1615 Reorg Services  
PO Box 8861  
Wilmington, Delaware 19899-8861

BY OVERNIGHT DELIVERY OR HAND:  
Wilmington Trust Company  
Corporate Trust Reorg Services  
1100 North Market Street  
Wilmington, Delaware 19890-1615

FACSIMILE TRANSMISSION:  
(302) 636-4145

CONFIRM BY TELEPHONE:  
(302) 636-6472

Delivery of this instrument to an address other than as set forth above, or transmission of instructions via facsimile other than as set forth above, will not constitute a valid delivery.

The undersigned acknowledges receipt of the Prospectus, dated [\_\_\_\_], 2003 (the "Prospectus"), of Continental Airlines, Inc., a Delaware corporation (the "Company"), and this Letter of Transmittal (this "Letter"), which together constitute the offer (the "Exchange Offer") to exchange an aggregate principal amount of up to \$200,000,000 of the Company's Floating Rate Secured Notes due 2007, which have been registered under the Securities Act of 1933, as amended (the "New Notes"), for an equal principal amount of the Company's outstanding Floating Rate Secured Notes due 2007 (the "Old Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Exchange and Registration Rights Agreement, dated as of December 6, 2002, between the Company and the Initial Purchaser named therein (the "Registration Rights Agreement").

For each Old Note accepted for exchange, the holder of such Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. New Notes will accrue interest at the variable rate per annum set forth on the cover page of the Prospectus (plus, if applicable, 0.50% during the period specified in the Registration Rights Agreement), subject to a maximum rate of 12% applicable only for periods as to which the Company has failed to pay accrued interest when due and failed to cure such nonpayment, from the most recent date to which interest has been paid on the Old Notes or, if no interest has been paid, from the date on which the Old Notes surrendered in exchange therefor were originally issued (the "Issuance Date"). Interest on the New Notes

is payable on March 6, June 6, September 6 and December 6 of each year, commencing on March 6, 2003. In the event that the declaration of the effectiveness by the Securities and Exchange Commission of the registration statement relating to the Exchange Offer or the shelf registration statement relating to the sale of the Old Notes (each, a "Registration Event") does not occur on or prior to the 210th calendar day following the Issuance Date, the interest rate borne by the Notes shall be increased by 0.50% from and including such 210th day to but excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which all of the Notes otherwise become transferable by Noteholders (other than affiliates or former affiliates of Continental) without further registration under the Securities Act. In the event that such shelf registration statement ceases to be effective at any time during the period specified by the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the interest rate borne by the Notes shall be increased by 0.50% from the 61st day of the applicable 12-month period such shelf registration statement ceases to be effective until such time as such shelf registration statement again becomes effective (or, if earlier, the end of such period specified by the Registration Rights Agreement). The Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term "Expiration Date" shall mean the latest time and date to which the Exchange Offer is extended. The Company shall notify the holders of the Old Notes of any extension by means of a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

This Letter is to be completed by a holder of Old Notes if Old Notes are to be forwarded herewith or if a tender of Old Notes, if available, is to be made by book-entry transfer to the account maintained by Wilmington Trust Company (the "Exchange Agent") at The Depository Trust Company ("DTC") pursuant to the procedure set forth in "The Exchange Offer" section of the Prospectus and an Agent's Message (as defined below) is not delivered. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter. The term "Agent's Message" means a message, transmitted by DTC and received by the Exchange Agent and forming a part of a Book-Entry Confirmation

(as defined below), that states that DTC has received an express acknowledgment from a participant tendering Old Notes that are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by this Letter, and that the Company may enforce this Letter against such participant. Holders of Old Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Old Notes into the Exchange Agent's account at DTC (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Old Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer -- Guaranteed Delivery Procedures" section of the Prospectus. See Instruction 1. Delivery of documents to DTC does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Old Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Old Notes should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OLD NOTES			
NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S)	CERTIFICATE NUMBER(S)	AGGREGATE PRINCIPAL AMOUNT OF OLD NOTE(S)	PRINCIPAL AMOUNT TENDERED
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----

Need to be completed by Holders of Notes being tendered by book-entry transfer (see below).

Unless otherwise indicated in this column, it will be assumed that all Notes represented by certificates delivered to the Exchange Agent are being tendered. See Instruction 1.

-----



CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: -----

Account Number: ----- Transaction Code Number: -----

By crediting the Old Notes to the Exchange Agent's account at DTC's Automated Tender Offer Program ("ATOP") and by complying with applicable ATOP procedures with respect to the Exchange Offer, including transmitting to the Exchange Agent a computer-generated Agent's Message in which the holder of the Old Notes acknowledges and agrees to be bound by the terms of, and makes the representations and warranties contained in, this Letter, the participant in DTC confirms on behalf of itself and the beneficial owners of such Old Notes all provisions of this Letter (including all representations and warranties) applicable to it and such beneficial owner as fully as if it had completed the information required herein and executed and transmitted this Letter to the Exchange Agent.

CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): -----

Window Ticket Number (if any): -----

Date of Execution of Notice of Guaranteed Delivery: -----

Name of Institution which Guaranteed Delivery: -----

If Delivered by Book-Entry Transfer, Complete the Following:

Account Number: ----- Transaction Code Number: -----

CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: -----

Address: -----

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Notes as are being tendered hereby.

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as Trustee under the Indenture (each as defined in the Prospectus)) with respect to the tendered Old Notes with full power of substitution to (i) deliver certificates for such Old Notes to the Company, or transfer ownership of such Old Notes on the account books maintained by DTC, together, in either such case, with all accompanying evidences of transfer and authenticity to, or upon the order of, the Company and (ii) present such Old Notes for transfer on the books of the registrar and receive all benefits and otherwise exercise all rights of beneficial ownership of such Old Notes, all in accordance with the terms of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that any New Notes acquired in exchange for Old Notes tendered hereby will have been acquired in the ordinary course of

business of the person receiving such New Notes, whether or not such person is the undersigned, that neither the holder of such Old Notes nor any such other person is engaged in, or intends to engage in a distribution of such New Notes, or has an arrangement or understanding with any person to participate in the distribution of such New Notes, and that neither the holder of such Old Notes nor any such other person is an "affiliate", as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Company.

The undersigned also acknowledges that this Exchange Offer is being made based upon the Company's understanding of an interpretation by the staff of the Securities and Exchange Commission (the "Commission"), as set forth in no-action letters issued to third parties, that the New Notes issued in exchange for the Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than a broker-dealer who acquires such New Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such New Notes and have no arrangement with any person to participate in the distribution of such New Notes. If a holder of Old Notes is engaged in or intends to engage in a distribution of the New Notes or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such holder could not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Old Notes, it represents that the Old Notes to be exchanged for the New Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Old Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer -- Withdrawal of Tenders" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please deliver the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the account indicated above maintained at DTC. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Old Notes".

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH BOX ABOVE.

-----  
SPECIAL ISSUANCE INSTRUCTIONS  
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Old Note not exchanged and/or New Notes are to be issued in the name of and sent to someone other than the person(s) whose signature(s) appear(s) on this Letter below, or if Old Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at DTC other than the account indicated above.

Issue New Notes and/or Old Notes to:

Name(s):  
-----  
(Please Type or Print)

-----  
(Please Type or Print)

Address:  
-----  
-----  
(Including Zip Code)

-----  
SPECIAL DELIVERY INSTRUCTIONS  
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be sent to someone other than the person(s) whose signature(s) appear(s) on this letter below, or to the undersigned at an address other than shown in the box entitled "Description of Old Notes" on this Letter above. indicated above.

Mail New Notes and/or Old Notes to:

Name(s):  
-----  
(Please Type or Print)

-----  
(Please Type or Print)

Address:  
-----  
-----  
(Including Zip Code)

-----  
Social Security or Employer  
Identification Number

Credit unexchanged Old Notes delivered by book-entry transfer to DTC account set forth below.

-----  
(DTC Account Number,  
if applicable)

-----  
IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU THEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS LETTER OF TRANSMITTAL CAREFULLY  
BEFORE COMPLETING ANY BOX ABOVE.

-----  
PLEASE SIGN HERE  
(TO BE COMPLETED BY ALL TENDERING HOLDERS)  
(COMPLETE ACCOMPANYING SUBSTITUTE FORM W-9)

Dated: \_\_\_\_\_, 2003

-----X  
-----X  
(Signature(s) of Owner) (Date)

Area Code and Telephone Number: \_\_\_\_\_

If a holder is tendering any Old Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Old Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s): \_\_\_\_\_

-----  
(Please Type or Print)

Capacity: \_\_\_\_\_

Address: \_\_\_\_\_

-----  
(Including Zip Code)

SIGNATURE GUARANTEE  
(IF REQUIRED BY INSTRUCTION 3)

Signature(s) Guaranteed by an Eligible Institution: \_\_\_\_\_

(Authorized Signature)

-----  
(Title)

-----  
(Name and Firm)

Dated: \_\_\_\_\_, 2003

## INSTRUCTIONS

Forming part of the Terms and Conditions of  
the Offer to Exchange  
Floating Rate Secured Notes due 2007,  
which have been registered under the Securities Act of 1933,  
for any and all outstanding Floating Rate Secured Notes due 2007.

### 1. DELIVERY OF THIS LETTER AND OLD NOTES; GUARANTEED DELIVERY PROCEDURES.

This Letter is to be completed by holders of Old Notes if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer--Book-Entry Transfer" section of the Prospectus and an Agent's Message is not delivered. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter. Certificates for all physically tendered Old Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Old Notes tendered hereby must be in integral multiples of \$1,000.

Holders of Old Notes whose certificates for Old Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution (as defined below), (ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter (or facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Notes, or a Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) and all other documents required by this Letter, are received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of this Letter, the Old Notes and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Old Notes are sent by mail, it is suggested that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

See "The Exchange Offer" section of the Prospectus.

### 2. PARTIAL TENDERS (NOT APPLICABLE TO HOLDERS OF OLD NOTES WHO TENDER BY BOOK-ENTRY TRANSFER).

If less than all of the Old Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount of Old Notes to be tendered in the box above entitled "Description of Old Notes--Principal Amount Tendered". A reissued certificate representing the balance of nontendered Old Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the

Expiration Date. All of the Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. SIGNATURES ON THIS LETTER, BOND POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES.

If this Letter is signed by the registered holder of the Old Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter.

If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder of the Old Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the New Notes are to be issued, or any untendered Old Notes are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificates must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder of any certificates specified herein, such certificates must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name of the registered holder appears on the certificates and the signatures on such certificates must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

Endorsements on certificates for Old Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., by a commercial bank or trust company having an office or correspondent in the United States or by an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934 (an "Eligible Institution").

Signatures on this Letter need not be guaranteed by an Eligible Institution, provided the Old Notes are tendered: (i) by a registered holder of Old Notes (which term, for purposes of the Exchange Offer, includes any participant in the DTC system whose name appears on a security position listing as the holder of such Old Notes) who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter, or (ii) for the account of an Eligible Institution.

4. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS.

Tendering holders of Old Notes should indicate in the applicable box the name and address to which New Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. A holder of Old Notes tendering Old Notes by book-entry transfer may request that Old Notes not exchanged be credited to such account maintained at DTC as such holder of Old Notes may designate hereon. If no such instructions are given, such Old Notes not exchanged will be returned to the name or address of the person signing this Letter.

5. TAXPAYER IDENTIFICATION NUMBER.

Federal income tax law generally requires that a tendering holder whose Old Notes are accepted for exchange must provide the Exchange Agent with such Holders correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below, which, in the case of a tendering holder who is an individual, is his or her social security number. If a tendering holder does not provide the Exchange Agent with its current TIN or an adequate basis for an exemption, such tendering holder may be subject to backup withholding in an amount currently equal to 30% of all reportable payments made after the exchange. If withholding results in an overpayment of taxes, a refund may be obtained.

Exempt holders of Old Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines of Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions.

To prevent backup withholding, each tendering holder of Old Notes must provide its correct TIN by completing the "Substitute Form W-9" set forth below, certifying that the TIN provided is correct (or that such holder is awaiting a TIN) and that (i) the holder is exempt from backup withholding, (ii) the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of a failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the tendering holder of Old Notes is a nonresident alien or foreign entity not subject to backup withholding, such holder must give the Exchange Agent a completed Form W-8 BEN, Certificate of Foreign Status. These forms may be obtained from the Exchange Agent. If the Old Notes are in more than one name or are not in the name of the actual owner, such holder should consult the W-9 Guidelines for information on which TIN to report. If such holder does not have a TIN, such holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 1 of the Substitute Form W-9 and write "applied for" in lieu of its TIN. Note: checking this box and writing "applied for" on the form means that such holder has already applied for a TIN or that such holder intends to apply for one in the near future. If such holder does not provide its TIN to the Exchange Agent within 60 days, backup withholding will begin and continue until such holder furnishes its TIN to the Exchange Agent.

6. TRANSFER TAXES.

The Company will pay all transfer taxes, if any, applicable to the transfer of Old Notes to it or its order pursuant to the Exchange Offer. If, however, New Notes and/or substitute Old Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Old Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 6, it is not necessary for transfer tax stamps to be affixed to the Old Notes specified in this Letter.

7. WAIVER OF CONDITIONS.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

8. NO CONDITIONAL TENDERS.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Old Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Old Notes for exchange.



Neither the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Old Notes nor shall any of them incur any liability for failure to give any such notice.

9. MUTILATED, LOST, STOLEN OR DESTROYED OLD NOTES.

Any holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter, may be directed to the Exchange Agent, at the address and telephone number indicated above.

TO BE COMPLETED BY ALL TENDERING HOLDERS  
(SEE INSTRUCTION 5)

SUBSTITUTE FORM  
W-9

Request for Taxpayer Identification Number (TIN) and Certification

Give form to the requester. Do not send to the IRS.

NAME

BUSINESS NAME, IF DIFFERENT FROM ABOVE

CHECK APPROPRIATE BOX:

Individual/Sole proprietor     Corporation     Partnership  
 Other

ADDRESS:

ADDRESS (LINE 2):

CHECK THE BOX IF YOU ARE EXEMPT FROM WITHHOLDING   

PART 1 - PLEASE PROVIDE YOUR TIN IN THE BOX BELOW AND CERTIFY BY SIGNING AND DATING BELOW. For individuals, your TIN is your social security number. However, for a resident alien, sole proprietor, or disregarded entity, see the W-9 Guidelines. For other entities, it is your employer identification number (EIN). If you do not have a number, see HOW TO GET A TIN in the W-9 Guidelines.

Tax Identification Number (SSN or EIN)

NOTE: If the account is in more than one name, see the chart in the W-9 Guidelines on whose number to enter.

PART 2 - CERTIFICATION

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), AND
2. I am not subject to backup withholding because: (A) I am exempt from backup withholding, or (B) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (C) the IRS has notified me that I am no longer subject to backup withholding, AND
3. I am a U.S. person (including a U.S. resident alien).

CERTIFICATION INSTRUCTIONS. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return.

Signature \_\_\_\_\_ Date \_\_\_\_\_

NOTE: FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 30% OF ANY REPORTABLE PAYMENT MADE TO YOU. PLEASE REVIEW THE W-9 GUIDELINES FOR ADDITIONAL DETAILS.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER-- Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer Identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the Payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF --	FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF-- NUMBER OF--
1. Individual	The individual.	6. Sole proprietorship or single-owner LLC	The owner
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals	7. A valid trust, trust, estate, or pension trust	The legal entity
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor	8. Corporate or LLC electing corporate status of Form 8832	The corporation
4. a.The usual revocable savings trust grantor is also trustee)	The grantor-trustee	9. Association, club, religious, charitable, educational or other tax-exempt organization	The organization
b.So-called trust account that is not a legal or valid trust under state law	The actual owner		
5. Sole proprietorship or single-owner LLC	The owner	10. Partnership	The partnership
		11. A broker or registered nominee	The broker or nominee
		12. Account with the Department of Agriculture in the name of a public entity (such as State or local government, school district, or prison) that receives agricultural program payments	The public entity

List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

Circle the minor's name and furnish the minor's social security number.

YOU MUST SHOW YOUR INDIVIDUAL NAME, but you may also enter your business or "DBA" name. You may use either your SSN or EIN (if you have one).

List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE:If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9

Section references are to the Internal Revenue Code.

HOW TO GET A TIN

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form on-line at [WWW.SSA.GOV/ONLINE/SS5.HTML](http://WWW.SSA.GOV/ONLINE/SS5.HTML). You may also get this form by calling 1-800-772-1213. Use Form W-7 to apply for an ITIN (for resident aliens not eligible for an SSN), or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can get Forms SS-4 and W-7 from the IRS by calling 1-800-TAX-FORM or from the IRS website at [WWW.IRS.GOV](http://WWW.IRS.GOV).

NONRESIDENT ALIEN WHO BECOMES A RESIDENT ALIEN

Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the recipient has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

PAYEE'S EXEMPT FROM BACKUP WITHHOLDING

Backup withholding is not required on any payments made to the following payees:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2);
2. The United States or any of its agencies or instrumentalities;
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities;
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities; or
5. An international organization or any of its agencies or instrumentalities.

Payments made to the following payees MAY BE EXEMPT from backup withholding:

6. A corporation;
7. A foreign central bank of issue;
8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States;
9. A futures commission merchant registered with the Commodity Futures Trading commission;
10. A real estate investment trust;
11. An entity registered at all times during the tax year under the Investment Company Act of 1940;
12. A common trust fund operated by a bank under section 584(a);
13. A financial institution;
14. A middleman known in the investment community as a nominee or custodian; or
15. A trust exempt from tax under section 664 or described in section 4947.

INTEREST AND DIVIDEND PAYMENTS. All of the payees listed above, except for that listed in item 9, are exempt from backup withholding for interest and dividend payments.

BROKER TRANSACTIONS. All of the payees listed in items 1 through 13 are exempt if the payment is for broker transactions. A person registered under the Investment Advisors Act of 1940 who regularly acts as a broker is also exempt.

PAYMENTS REPORTABLE UNDER SECTIONS 6041 AND 6041A. These payments are generally exempt from backup withholding only if made to payees listed in items 1 through 7.

BARTER EXCHANGE TRANSACTIONS AND PATRONAGE DIVIDENDS. Only payees listed in items 1 through 5 are exempt from backup withholding on these payments.

Exempt Payees described above should file a Substitute Form W-9 to avoid possible erroneous backup withholding. EXEMPT PAYEES SHOULD FURNISH THE APPROPRIATE TIN, CHECK THE BOX FOR TAXPAYERS EXEMPT FROM BACKUP WITHHOLDING, AND SIGN AND RETURN THE FORM TO THE PAYER.

#### PRIVACY ACT NOTICE

Section 6109 requires a payee to give his or her correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to the payee, mortgage interest paid by the

payee, the acquisition or abandonment of secured property, cancellation of debt, or contributions made to an IRA or Archer MSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of tax returns. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia to carry out their tax laws. The IRS may also disclose this information to other countries under a Tax Treaty or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism.

Payees must provide taxpayer identification numbers whether or not they are required to file a tax return. Payers must generally withhold 30.5% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

#### PENALTIES

- (1) FAILURE TO FURNISH TIN. If a payee fails to furnish the correct TIN to a payer, he or she is subject to a penalty of \$50 for each such failure unless the failure is due to reasonable cause and not to willful neglect.
- (2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING A payee who makes false statements with no reasonable basis that results in no backup withholding is subject to a \$500 penalty.
- (3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION Willfully falsifying certifications or affirmations may subject a payee to criminal penalties including fines and/or imprisonment.
- (4) MISUSE OF TINS. If the payer discloses or uses TINs in violation of Federal law, the payer may be subject to civil and criminal penalties.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE