





The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities or accept offers to buy these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 29, 2003

PROSPECTUS

\$97,000,000

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE

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

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

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

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

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

Old subordinated notes may be tendered only in integral multiples of \$1,000. You may withdraw a tender of old subordinated notes at any time prior to the expiration of the exchange offer. All old subordinated notes that are validly tendered and not validly withdrawn will be exchanged.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 SUBORDINATED NOTES AND THE EXCHANGE OFFER INVOLVE RISKS. SEE "RISK FACTORS" ON PAGE 18.

-----

PRINCIPAL  
INTEREST  
FINAL  
SCHEDULED  
AMOUNT  
RATE  
PAYMENT  
DATE - ---  
-----  
-----  
-----  
-----  
-----  
-----

\$97,000,000  
USD 3-  
Month  
LIBOR +  
7.50%  
December  
6, 2007

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 ---- PRESENTATION OF  
INFORMATION..... 3  
INCORPORATION OF CERTAIN DOCUMENTS  
BY  
REFERENCE.....  
    4 PROSPECTUS  
SUMMARY..... 6 The  
Exchange Offer..... 6  
    Summary of Terms of  
    Notes..... 9  
Collateral.....  
    10 The Subordinated  
    Notes..... 11 Summary  
    Financial and Operating  
Data.....  
    14 RISK  
FACTORS.....  
    18 Terrorist Attacks and  
    International  
Hostilities.....  
    18 Risk Factors Relating to the  
Company.....  
    18 Risk Factors Relating to the  
    Airline  
Industry.....  
    21 Risk Factors Relating to the  
Subordinated Notes and the Exchange  
Offer..... 22 USE OF  
PROCEEDS..... 25  
    RATIO OF EARNINGS TO FIXED  
    CHARGES..... 26 THE  
COMPANY.....  
    27 Domestic  
    Operations..... 27  
    International  
    Operations..... 28  
Outlook.....  
    29 THE EXCHANGE  
OFFER..... 33 Terms  
of the Exchange Offer..... 33  
    Interest on the New Subordinated  
Notes.....  
    35 Procedures for  
Tendering..... 36 Acceptance  
of Old Subordinated Notes for  
Exchange; Delivery of New  
Subordinated Notes.....  
    37 Book-Entry  
    Transfer..... 38  
    Guaranteed Delivery  
Procedures..... 38 Withdrawal of  
Tenders..... 39  
Conditions.....  
    39 Exchange  
Agent..... 40 Fees  
and Expenses..... 40  
DESCRIPTION OF THE SUBORDINATED  
NOTES.....  
    41  
General.....  
    41 Payments of Principal and  
Interest... 41 Determination of  
LIBOR..... 42 Break  
Amount..... 43  
Redemption.....  
    43  
Collateral.....  
    44

PAGE ---- Event of  
Default..... 49  
Remedies.....  
    49 Controlling  
Party..... 51 Priority  
of Distributions..... 53  
    Modifications and Waiver of the  
    Indenture and Certain Other  
Agreements..... 55  
Merger, Consolidation and Transfer of  
Assets..... 57  
Indemnification.....  
    57 Governing  
Law..... 58 The  
Trustee..... 58  
Book Entry; Delivery and Form.....  
    58 DESCRIPTION OF THE SENIOR  
NOTES..... 60  
General.....  
    60 Payments of Principal and  
Interest... 60  
Redemption.....  
    61

Collateral.....

61 DESCRIPTION OF THE LIQUIDITY FACILITY FOR THE SENIOR NOTES..... 62

General..... 62

Drawings.....

62 Reimbursement of Drawings..... 64 Liquidity Events of Default and Termination..... 65

Liquidity Provider.....

66 DESCRIPTION OF THE POLICY FOR THE SENIOR NOTES.....

67 The Policy..... 67

General..... 69

Definitions.....

69 The Policy Provider Agreement..... 70 Policy Provider..... 70

DESCRIPTION OF THE APPRAISAL..... 71 MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES.....

73 Exchange of Old Subordinated Notes for New Subordinated Notes..... 73

PLAN OF DISTRIBUTION..... 73

LEGAL MATTERS..... 74

EXPERTS.....

74 FORWARD-LOOKING STATEMENTS..... 74 WHERE YOU CAN FIND MORE INFORMATION.... 74

INDEX OF TERMS..... APPENDIX I

APPRAISAL LETTER..... APPENDIX II

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 Quarterly Report on Form 10-Q for the  
quarter ended June 30,  
2003.....  
July 17, 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..... 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 Current Report on Form 8-  
K..... June 5, 2003 Current  
Report on Form 8-K..... June  
5, 2003 Current Report on Form 8-  
K..... June 12, 2003 Current  
Report on Form 8-K..... July  
2, 2003 Current Report on Form 8-  
K..... August 4, 2003  
Current Report on Form 8-  
K..... August 5, 2003  
Current Report on Form 8-  
K..... September 3, 2003  
Current Report on Form 8-  
K..... September 17, 2003

Our Commission file number is 1-10323.

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

You may obtain any of these incorporated documents from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference in such document. You may

obtain documents incorporated by reference in this prospectus from our website (www.continental.com) or by requesting them from us in writing or by telephone at the following address:

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

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 May 9, 2003, Continental issued an aggregate of \$100,000,000 Floating Rate Secured Subordinated Notes due 2007 in transactions exempt from or not subject to the registration requirements of the Securities Act. Continental subsequently acquired and surrendered for cancellation \$3,000,000 principal amount of such notes.

When we use the term "Old Subordinated Notes" in this Prospectus, we mean the Floating Rate Secured Subordinated Notes due 2007 which were issued on May 9, 2003 and which were not registered with the Commission.

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

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

When we use the term "Senior Notes" in this Prospectus, we mean the Floating Rate Secured Notes due 2007, which were originally issued by Continental on December 6, 2002, including notes issued in exchange therefor pursuant to Continental's exchange offer described in its prospectus, dated June 25, 2003. The Exchange Offer being made pursuant to this Prospectus does not relate to the Senior Notes.

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

Registration Rights Agreement.....

On May 9, 2003, 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 Subordinated Notes in exchange for an equal principal amount of Old Subordinated Notes. The New Subordinated Notes will be issued to satisfy Continental's obligations under the Registration Rights Agreement. As of the date of this Prospectus, \$97,000,000 aggregate principal amount of Old Subordinated Notes are outstanding. Old Subordinated Notes may be tendered only in integral multiples of \$1,000.

Resale of New Subordinated Notes.....

We believe that you can offer for resale, resell or otherwise transfer the New Subordinated Notes without complying with the

registration and prospectus delivery requirements of the Securities Act if:

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

If any of these conditions is not satisfied and you transfer any New Subordinated 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 Subordinated Notes in exchange for Old Subordinated 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 Subordinated Notes. A broker-dealer may use this prospectus for an offer to resell, resale or other transfer of such New Subordinated 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 Subordinated 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 Subordinated Notes.....

If you wish to accept the Exchange Offer, you must deliver your Old Subordinated 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 Subordinated Notes. A Letter of Transmittal has been sent to Subordinated Noteholders and a form is attached as an exhibit to the Registration Statement.

If you hold Old Subordinated 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 Subordinated Notes and your Old Subordinated Notes are not immediately available, you cannot deliver your Old Subordinated 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 Subordinated 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 Subordinated Notes at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old Subordinated 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 Subordinated Notes and Delivery of New Subordinated Notes..... | Subject to certain conditions, any and all Old Subordinated 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 Subordinated Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date.   |
| Registration, Clearance and Settlement.....                                      | The New Subordinated 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 Subordinated Notes.....                  | Once the Exchange Offer has been completed, if you do not exchange your Old Subordinated Notes for New Subordinated 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 Subordinated Notes, unless (i) such Old Subordinated 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 Subordinated Notes for New Subordinated 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 Subordinated Notes for the New Subordinated Notes.   |

SUMMARY OF TERMS OF NOTES

|                                       | Subordinated Notes                             | Senior Notes(1)   |
|---------------------------------------|--|---|
| Original Principal Amount.....        | \$100,000,000                                  | \$200,000,000   |
| Outstanding Principal Amount(2).....  | \$97,000,000                                   | \$194,500,000   |
| Loan to Collateral Value(3).....      | 67.4%  | 45.0%   |
| Maximum Loan to Collateral Value..... | 67.5%  | 45.0%   |
| Interest Rate.....                    | USD 3-Month<br>LIBOR + 7.50%                   | USD 3-Month<br>LIBOR + .90%(4)  |
| Interest Payment Dates.....           | March 6, June 6, September<br>6 and December 6 | March 6, June 6, September<br>6 and December 6  |
| Final Scheduled Payment Date.....     | December 6, 2007                               | December 6, 2007  |
| Final Legal Maturity Date.....        | Not applicable                                 | December 6, 2009  |
| Minimum Denomination.....             | \$1,000  | \$1,000   |
| Section 1110 Protection(5).....       | Yes  | Yes   |
| Liquidity Facility Coverage.....      | None   | 8 quarterly interest<br>payments(6)   |
| Policy Provider Coverage.....         | None   | Interest when due and<br>principal no later than the<br>Final Legal Maturity<br>Date(6) |

(1) The Exchange Offer being made pursuant to this Prospectus does not relate to the Senior Notes.

(2) The amounts listed are determined as of the date of this Prospectus and reflect the purchase by Continental and subsequent cancellation by the Trustee in September 2003 of \$5,500,000 of Senior Notes and \$3,000,000 of Subordinated Notes.

(3) These percentages have been determined by dividing the outstanding principal amount of the Senior Notes as of the date of this Prospectus plus, in the case of the percentage applicable to the Subordinated Notes, the outstanding principal amount of the Subordinated Notes as of the date of this Prospectus by the appraised value of the Collateral determined as of June 25, 2003. 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 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. In September 2003, Continental acquired and delivered to the Trustee for cancellation \$5,500,000 of Senior Notes and \$3,000,000 of Subordinated Notes so that such maximum percentage would be satisfied based on the appraisal as of June 25, 2003. As a result, Continental was repaid such Cash Collateral. An appraised value is only an estimate and reflects certain assumptions. See "Description of the Appraisal".

(4) 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.

(5) 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.

(6) 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.

COLLATERAL

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

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

and not appropriate for installation on or use in any other model of aircraft currently operated by Continental or engine utilized on any such other model of aircraft. The Senior 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 June 25, 2003:

| SPARE PARTS QUANTITY(1)           | -----                          | -----         | -----                      | ----- |
|-----------------------------------|--------------------------------|---------------|----------------------------|-------|
|                                   |                                | APPRAISED     |                            |       |
| AIRCRAFT MODEL                    | EXPENDABLES                    | ROTABLES      | TOTAL VALUE(2)             | ----- |
| --- 737-                          |                                |               |                            |       |
| 700.....                          |                                |               | 675 40 715 737-            |       |
| 700/800.....                      |                                |               | 276,685 6,759 283,444 737- |       |
| 800.....                          |                                |               | 3,964 201 4,165 737-       |       |
| 900.....                          |                                |               | 851 10 861                 |       |
| 737-7/8/9                         |                                |               |                            |       |
| Subtotal.....                     |                                | 282,175       |                            |       |
|                                   | 7,010 289,185                  | \$180,554,900 | 757-                       |       |
| 200.....                          |                                |               |                            |       |
| 175,886 3,364 179,250 72,852,100  |                                |               | 757-                       |       |
| 300.....                          |                                |               |                            |       |
|                                   | 10,459 97 10,556 2,940,400     |               | 767-                       |       |
| 200.....                          |                                |               |                            |       |
|                                   | 25,387 219 25,606 9,353,200    |               | 767-                       |       |
| 400.....                          |                                |               |                            |       |
|                                   | 52,193 1,594 53,787 57,750,400 |               | 777-                       |       |
| 200.....                          |                                |               |                            |       |
| 106,538 2,941 109,479 108,868,000 |                                |               | ---                        |       |
| -----                             |                                |               |                            |       |
| Total.....                        |                                |               |                            |       |
|                                   | 652,638 15,225 667,863         | \$432,319,100 |                            |       |

- (1) This quantity of spare parts used in preparing the appraised value was determined as of June 25, 2003. 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.

THE SUBORDINATED NOTES

Issuer..... Continental Airlines, Inc.

Notes Offered..... Floating Rate Secured Subordinated Notes due 2007.

Use of Proceeds..... The proceeds from the sale of the Old Subordinated Notes were used for general corporate purposes. Continental will not receive any proceeds from the exchange of the New Subordinated Notes for the Old Subordinated Notes.

Trustee and Paying Agent..... Wilmington Trust Company.

Final Scheduled Payment  
Date..... The entire principal amount of the Subordinated Notes is scheduled for payment on December 6, 2007.

Interest..... The Subordinated Notes will accrue interest at a variable rate per annum set forth on the cover page of this Prospectus. 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 Subordinated Notes--Determination of LIBOR".

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

Subordination..... The Subordinated Notes rank junior to the obligations relating to the Senior Notes (including amounts owed to the Policy Provider and Liquidity Provider) with respect to payments received from Continental, proceeds from liquidation of the Collateral and otherwise. Unlike the Senior Notes, the Subordinated Notes will not have the benefit of a liquidity facility or an insurance policy.

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

Optional Redemption..... The Subordinated Notes may not be redeemed by Continental prior to May 9, 2004. Thereafter, Continental may elect to redeem all or (so long as no Payment Default has occurred and is continuing) some of the Subordinated Notes at any time prior to maturity. The redemption price in such case will be the principal amount of the Subordinated Notes, together with accrued and unpaid interest, LIBOR break amount, if any, and, if redeemed prior to the fourth anniversary of the Issuance Date (except in connection with a redemption to satisfy the maximum Collateral Ratio or minimum Rotable Ratio requirement), a Premium equal to the following percentage of the principal amount prepaid:

IF  
REDEEMED  
DURING THE  
YEAR PRIOR  
TO THE  
ANNIVERSARY  
OF THE  
ISSUANCE  
DATE  
INDICATED  
BELOW  
PREMIUM --  
-----  
-----  
-----  
2nd 3.00%  
3rd 2.00  
4th 1.00

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 maximum loan to Collateral value ratio and minimum Rotables to loan ratio applicable to the Senior Notes is not then satisfied, unless the Policy Provider shall otherwise agree.

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

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

and not appropriate for installation on or use in any other model of aircraft currently operated by Continental or engine utilized on any such other model of aircraft. The Senior 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:

- the ratio of the outstanding principal amount of the Senior Notes to the Collateral value is greater than 45.0%;
- the ratio of the outstanding principal amount of the Senior Notes and the Subordinated Notes to Collateral value is greater than 67.5%;
- 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
- 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 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.

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:

- Except as provided below, MBIA Insurance Corporation, the policy provider that has provided an insurance policy to support payments of principal and interest on the Senior Notes.
- 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.
- 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.
- Under certain circumstances, Morgan Stanley Capital Services Inc., the liquidity provider that is providing support for certain payments of interest on the Senior Notes.

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.







THREE MONTHS SIX MONTHS  
 ENDED JUNE 30, ENDED JUNE  
 30, YEAR ENDED DECEMBER  
 31, -----

----- 2003 2002 2003  
 2002 2002 2001 2000 1999  
 1998 -----

(IN MILLIONS OF DOLLARS,  
 EXCEPT OPERATING DATA, PER  
 SHARE DATA AND RATIOS)  
 OPERATING DATA: MAINLINE  
 JET STATISTICS: Revenue

passengers

(thousands).....

10,120 10,727 19,365  
 20,784 41,016 44,238  
 46,896 45,540 43,625

Revenue passenger miles  
 (millions)

(3)..... 14,673  
 15,486 27,947 29,518  
 59,349 61,140 64,161

60,022 53,910 Cargo ton  
 miles (millions)...

225  
 224 458 432 908 917 1,096  
 1,000 856 Available seat  
 miles (millions)

(4)..... 19,168  
 20,573 38,244 39,525  
 80,122 84,485 86,100

81,946 74,727 Passenger  
 load factor(5).....

76.5%  
 75.3% 73.1% 74.7% 74.1%  
 72.4% 74.5% 73.2% 72.1%

Passenger revenue per  
 available seat mile

(cents).....

8.86 8.82 8.66 8.79 8.61  
 8.98 9.84 9.12 9.23 Total  
 revenue per available seat  
 mile (cents).....

9.81 9.44 9.56 9.42 9.27  
 9.58 10.52 9.75 9.85

Operating cost per  
 available seat mile

(cents)(6)..... 8.67  
 9.91 9.46 10.00 9.53 9.22

9.68 9.07 9.03 Special  
 items per available seat  
 mile (cents)(1).....

(0.83) 0.78 (0.24) 0.64  
 0.31 (0.36) N/A 0.09 0.14

Average yield per revenue  
 passenger mile (cents)

(7)..... 11.58  
 11.71 11.84 11.77 11.63  
 12.42 13.20 12.45 12.79

Average price per gallon  
 of fuel, excluding fuel  
 taxes

(cents).....  
 83.90 68.27 91.17 64.37  
 69.97 78.24 84.21 46.56

46.83 Average price per  
 gallon of fuel, including  
 fuel taxes

(cents).....

88.10 72.34 95.44 68.51  
 74.01 82.48 88.54 50.78  
 51.20 Fuel gallons  
 consumed

(millions).....

308 332 613 640 1,296  
 1,426 1,533 1,536 1,487

Average fare per revenue  
 passenger.....

\$167.87 \$169.11 \$170.93  
 \$167.22 \$168.25 \$171.59  
 \$180.66 \$164.11 \$158.02

Average length of aircraft  
 flight

(miles)..... 1,252  
 1,230 1,254 1,203 1,225  
 1,185 1,159 1,114 1,044

Average daily utilization  
 of each aircraft (hours)

(8)... 9:21 9:41 9:20 9:36  
 9:31 10:19 10:36 10:29  
 10:13 Actual aircraft in  
 fleet at end of  
 period(9)..... 358

374 358 374 366 352 371  
 363 363 REGIONAL JET AND  
 TURBOPROP STATISTICS:(10)  
 Revenue passenger miles  
 (millions)  
 (3)..... 1,456  
 1,003 2,534 1,838 3,952  
 3,388 2,947 2,149 1,564  
 Available seat miles  
 (millions)  
 (4)..... 2,073  
 1,533 3,840 2,956 6,219  
 5,437 4,735 3,431 2,641  
 Passenger load  
 factor(5)..... 70.2% 65.4%  
 66.0% 62.2% 63.5% 62.3%  
 62.2% 62.6% 59.2%  
 CONSOLIDATED STATISTICS:  
 Consolidated passenger  
 load  
 factor.....  
 75.9% 74.6% 72.4% 73.8%  
 73.3% 71.8% 73.9% 72.8%  
 71.7% Consolidated  
 breakeven passenger load  
 factor(11).....  
 70.1% 85.7% 77.2% 86.4%  
 82.5% 73.5% 67.9% 64.0%  
 63.6%



- (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. On August 5, 2003 and September 3, 2003, Holdings repurchased 9.3 million shares and 516,000 shares, respectively, of its common stock from Continental, reducing Continental's ownership of Holdings common stock from 53.1% to 44.6%. On September 9, 2003, Continental contributed approximately 7.4 million shares of Holdings common stock to its defined benefit pension plan, further reducing Continental's ownership of Holdings to 30.9%. 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 (7.4), 8.3, (2.3), 6.6, 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 former 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 Air Transportation Safety and System Stabilization Act and the Emergency Wartime Supplemental Appropriations Act, and by 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, and additional hostilities could potentially 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 late 2002 and the first quarter of 2003 and remain 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 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 post-war unrest 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 net losses of \$451 million in 2002 and \$142 million for the first six months of 2003, and expects to incur a significant loss for the fourth quarter and the full year 2003. Passenger revenue per available seat mile for Continental's mainline jet operations has declined since September 11, 2001, dropping 4.1% for the year ended December 31, 2002 versus the same period in 2001 and declining 1.5% during the first six months of 2003 versus the same period in 2002. Overall passenger revenue declined 7.0% during 2002 compared to 2001 and was relatively flat during the first six months and second quarter of 2003 compared to the same periods in 2002. Business traffic, Continental's most profitable source of revenue, and yields are down significantly from historical levels, 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 six months ended June 30, 2003, Continental's net loss of \$142 million included net income for ExpressJet of \$52 million. During the third quarter of 2003, Continental sold approximately 9.8 million shares of Holdings and contributed approximately 7.4 million shares of Holdings common stock to its defined benefit pension plan, thereby reducing its ownership of ExpressJet from 53.1% to 30.9%.

#### 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. Continental also has significant operating lease and facility rental obligations, as well as significant future funding requirements for a noncontributory defined benefit plan. During 2002, the amount of Continental's long-term debt increased 26%. 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 June 30, 2003, Continental had approximately:

- \$5.8 billion (including current maturities) of long-term debt and capital lease obligations.
- \$248 million liquidation amount of Continental-obligated mandatorily redeemable preferred securities of trust (\$241 million net of unamortized discount).
- \$633 million of stockholders' equity.
- \$1.63 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 June 30, 2003, Continental had firm purchase commitments for 67 aircraft from Boeing, with an estimated cost of approximately \$2.7 billion, and options to purchase an additional 87 Boeing aircraft. During the second quarter of 2003, Continental agreed to defer firm deliveries of 36 Boeing 737 aircraft that were originally scheduled for delivery in 2005, 2006 and 2007. These aircraft will now be delivered in 2008 and beyond. Additionally, Continental is in discussions with Boeing regarding the terms of delivery of the 11 Boeing 757-300 aircraft that Continental has on order. 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 June 30, 2003, Continental had firm commitments to purchase eight spare engines related to the new Boeing aircraft for approximately \$53 million. Continental has financing in place for the first three of these spare engines, which are scheduled for delivery between September and December 2003. Continental does not have any financing currently in place for the remaining five spare engines, which are scheduled to be delivered in 2004 and the first quarter of 2005. Further financing will be needed to satisfy Continental's capital



commitments for its firm aircraft. There can be no assurance that sufficient financing will be available for the aircraft on order and other related capital expenditures.

As of June 30, 2003, ExpressJet had firm commitments for an additional 62 regional jets from Empresa Brasileira de Aeronautica S.A. ("Embraer") delivering through 2006, with an estimated aggregate cost of \$1.2 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 purchase commitments. 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, as well as significant future funding requirements for its noncontributory defined benefit plan. 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, including March and April 2003, 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, 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 of and reduce the financing available to Continental in the future. Continental does not have debt obligations that would be accelerated as a result of a credit rating downgrade.

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

Fuel costs, which are at historically high levels, 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% of Continental's operating expenses for the six months and quarter ended June 30, 2003, compared to 10.3% and 11.0% for the same periods in 2002. Fuel prices and supplies are influenced significantly by international political and economic circumstances, such as the political crises in Venezuela and Nigeria and post-war unrest 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 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 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. Many of Continental's work groups are represented by unions and others are seeking such representation. 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. Earlier this year, American Airlines, Inc. ("American Airlines") agreed with its major labor groups on significant labor cost reductions. Delta and Northwest Airlines have each announced that they are seeking to decrease their labor costs significantly. 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 and is expected to continue to increase.

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 Operations".) Other major U.S. airlines have alliances or planned alliances more extensive than Continental's, providing them with route systems of 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. 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. However, pursuant to the Emergency Wartime Supplemental Appropriations Act, some of these costs have been reimbursed by the U.S. government. In May 2003, Continental received and recognized in earnings \$176 million in cash from the U.S. government pursuant to the Emergency Wartime Supplemental Appropriations Act. This amount is reimbursement for Continental's proportional share of passenger security and air carrier security fees paid or collected by U.S. carriers as of the date of enactment of the legislation, together with other items. 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. 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. 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.

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.

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

If you do not exchange your Old Subordinated Notes for New Subordinated Notes pursuant to the Exchange Offer, or if your tender of Old Subordinated Notes is not accepted, your Old Subordinated Notes

will continue to be subject to the restrictions on transfer of such Old Subordinated Notes as set forth in the legend thereon. In general, you may not offer or sell Old Subordinated 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 Subordinated Notes under the Securities Act. To the extent that Old Subordinated Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Subordinated Notes could be adversely affected.

#### APPRAISAL AND REALIZABLE VALUE OF COLLATERAL

Simat, Helliessen & 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 June 25, 2003. A letter, dated July 23, 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 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. In September 2003, Continental acquired and delivered to the Trustee for cancellation \$5,500,000 of Senior Notes and \$3,000,000 of Subordinated Notes so that such maximum percentage would be satisfied based on the appraisal as of June 25, 2003. As a result, Continental was repaid such Cash Collateral. See "Description of the Subordinated 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 and the Subordinated Notes. If such proceeds are not sufficient to repay all such amounts due on the Subordinated Notes, then holders of Subordinated Notes (to the extent not repaid from the proceeds of the sale of Collateral) would have only unsecured claims against Continental.

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. Other airlines may file for bankruptcy protection as well. Moreover, 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 Subordinated 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 Subordinated 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 Subordinated Notes or foreclosing the lien on the Collateral securing the Subordinated Notes. See "Description of the Subordinated Notes--Remedies".

The Controlling Party will be:

- The Policy Provider (except as provided below).
- 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.
- 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.
- 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 Subordinated Notes--Controlling Party".

## TERMS OF SUBORDINATION

The Subordinated Notes rank junior to the obligations relating to the Senior Notes (including amounts owed to the Policy Provider and Liquidity Provider) with respect to payments made by Continental, proceeds from liquidation of the Collateral and otherwise. Accordingly, if cash available for distribution under the Indenture is insufficient to cover all amounts then due, the Senior Notes and sums due to the Policy Provider and the Liquidity Provider will be paid in full before any amounts are paid with respect to the Subordinated Notes. See "Description of the Subordinated Notes--Priority of Distributions". In addition, if there is a payment default with respect to the Subordinated Notes or any other default under the Indenture, Subordinated Noteholders will not be entitled to accelerate the Subordinated Notes and cause the Trustee to exercise remedies unless they are the Controlling Party or they have the right to direct the Policy Provider in acting as the Controlling Party. See "--Control over Amendments, Waivers and Sale of Collateral".

#### CERTAIN LIMITATIONS WITH RESPECT TO THE COLLATERAL

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

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 Subordinated 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 Subordinated 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 SUBORDINATED NOTES

Prior to the Exchange Offer, there has been no public market for the Subordinated Notes. Continental does not intend to apply for listing of the Subordinated Notes on any national securities exchange or otherwise. The Initial Purchaser has previously made a market in the Old Subordinated Notes and Continental has been advised by the Initial Purchaser that it presently intends to make a market in the New Subordinated 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 Subordinated Notes or the New Subordinated 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 Subordinated Notes or that any active public market for the Subordinated 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 Subordinated Notes.

#### USE OF PROCEEDS

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



## 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 ExpressJet Airlines, Inc. (operating as Continental Express and referred to in this Prospectus as "ExpressJet") and Continental's wholly owned subsidiary, Continental Micronesia, Inc. ("CMI"), served 226 airports worldwide at August 1, 2003. Continental indirectly owns a 30.9% equity interest in ExpressJet. As of August 1, 2003, Continental flew to 129 domestic and 97 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 August 1, 2003, and is one of the leading airlines providing service to Mexico and Central America, serving 29 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 August 1, 2003, Continental and ExpressJet operated 67% of the average daily jet departures from Liberty International, 85% of the average daily jet departures from Bush Intercontinental, and 70% of the average daily jet departures from Hopkins International (in each case including regional jets). Each of Continental's domestic hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic.

## EXPRESSJET

Continental's mainline jet service at each of its domestic hub cities is coordinated with ExpressJet, which operates new-generation regional jets. In April 2002, ExpressJet Holdings, Inc. ("Holdings"), Continental's then wholly owned subsidiary and the sole stockholder of ExpressJet, sold 10 million shares of its common stock in an initial public offering and used the net proceeds to repay \$147 million of ExpressJet's indebtedness to Continental. In addition, Continental sold 20 million of its shares of Holdings common stock in the offering for net proceeds of \$300 million. At Continental's request, Holdings filed a shelf registration statement with the Commission on May 1, 2003 relating to the remaining shares of Holdings common stock held by Continental to enable Continental to sell such common stock free of certain restrictions under the Securities Act. On August 5, 2003 and September 3, 2003, Holdings repurchased 9.3 million shares and 516,000 shares, respectively, of its common stock from Continental, reducing Continental's ownership of Holdings to 44.6%. On September 9, 2003, Continental contributed approximately 7.4 million shares of Holdings common stock to its defined benefit pension plan, further reducing Continental's ownership of Holdings to 30.9%. Continental does not currently intend to remain a stockholder of Holdings over the long term. Subject to market conditions, Continental expects to sell or otherwise dispose of some or all of its shares of Holdings common stock in the future.

Effective January 1, 2001, Continental entered into a capacity purchase agreement with ExpressJet pursuant to which Continental currently purchases all of ExpressJet's available seat miles for a negotiated price. Under the agreement, ExpressJet has the right through December 31, 2006 to be Continental's sole provider of regional jet service from Continental's hubs. Continental is responsible for all scheduling, pricing and seat inventories of ExpressJet's flights and is entitled to all revenue associated with those flights. Continental pays ExpressJet based on scheduled block hours (the hours from departure gate to arrival gate) in



accordance with a formula designed to provide ExpressJet with an operating margin of approximately 10% before taking into account variations in some costs and expenses that are generally controllable by ExpressJet. ExpressJet's overall operating margin was 13.6% in 2002. Continental assumes the risk of revenue volatility associated with fares and passenger traffic, price volatility for specified expense items such as fuel and the cost of all distribution and revenue-related costs. The capacity purchase agreement replaced Continental's prior revenue-sharing arrangement.

As of August 1, 2003, ExpressJet served 106 destinations in the U.S., 15 cities in Mexico and 5 cities in Canada. Since December 2002, ExpressJet's fleet has been comprised entirely of regional jets. Continental believes ExpressJet's regional jet service complements Continental's operations by carrying traffic that connects onto Continental's mainline jets and allowing more frequent flights to smaller cities than could be provided economically with larger jet aircraft. Continental believes that ExpressJet's regional jets provide greater comfort and enjoy better customer acceptance than turboprop aircraft. The regional jets also allow ExpressJet to serve certain routes that cannot be served by turboprop aircraft. Additional commuter feed traffic is currently provided to Continental by other codesharing partners.

#### DOMESTIC CARRIER ALLIANCES

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

Continental has a long-term global alliance with Northwest Airlines, Inc. ("Northwest Airlines") through 2025, subject to earlier termination by either carrier in the event of certain changes in control of either Northwest Airlines or Continental. The alliance with Northwest Airlines 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 began in June 2003.

#### 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 August 1, 2003 Continental and ExpressJet served 16 European cities, six Canadian cities, four Mexican

cities, six Central American cities, four South American cities, 14 Caribbean destinations, Tel Aviv, Hong Kong and Tokyo.

Continental's Houston hub is the focus of its operations in Mexico and Central America. As of August 1, 2003, Continental and ExpressJet flew from Bush Intercontinental to 20 cities in Mexico, every country in Central America, six cities in South America, four cities in Canada, three cities in Europe, three Caribbean destinations and Tokyo.

From Continental's Cleveland hub, Continental and ExpressJet flew to Montreal, Toronto, London, Cancun, Mexico and San Juan, Puerto Rico as of August 1, 2003.

#### CONTINENTAL MICRONESIA

From its hub operations based on the island of Guam, as of August 1, 2003, CMI provided service to eight cities in Japan, more than any other United States carrier, as well as other Pacific Rim destinations, including Taiwan, the Philippines, Hong Kong, Australia and Indonesia.

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

#### FOREIGN CARRIER ALLIANCES

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

In October 2001, Continental announced that it had signed a cooperative marketing agreement with KLM Royal Dutch Airlines ("KLM") that includes extensive codesharing and reciprocal frequent flyer program participation and airport lounge access. In January 2002, Continental placed its code on selected flights operated by KLM and KLM Cityhopper from Amsterdam to more than 40 destinations in Europe, Africa and the Middle East, and KLM placed its code on selected flights to U.S. destinations operated by Continental beyond its New York and Houston hubs. Subject to government approval, Continental will place its code on KLM flights from Amsterdam to an additional 29 destinations. 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 cooperative agreement was extended in June 2003 and currently terminates in 2010.

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. Also, on September 15, 2003, Continental and Emirates, the Dubai-based international carrier, will begin codesharing on certain flights.

#### 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. 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, in late 2002 and early 2003, fuel prices significantly escalated due to the war in Iraq and political tensions in Venezuela and Nigeria, and fuel prices remain at historically high levels. 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 2004 (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:

- 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 third quarter of 2003 to be breakeven, including required debt payments and capital expenditures. In addition, Continental expects to incur significant losses for the full year 2003.
- Continental believes that reduced demand persists not only because of the weak economy, but also because of some customers' concerns about further terrorist attacks and reprisals. The war in Iraq significantly reduced Continental's bookings and lowered passenger traffic. In addition, the spread of SARS in China and elsewhere caused a further decline in passenger traffic, particularly to Hong Kong and certain other cities in Asia that Continental serves. Both of these events disproportionately affected Continental's international passenger traffic. Continental responded to the reduced actual and anticipated demand by announcing temporary capacity reductions on certain trans-Atlantic and trans-Pacific routes and by reducing its summer schedule. Continental believes that demand is further weakened by customer dissatisfaction with the hassles and delays of heightened airport security and screening procedures.
- Fuel costs rose significantly in late 2002 and early 2003 and remain 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.

- 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 the Emergency Wartime Supplemental Appropriations Act, 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 million for security fees paid or collected since February 2002.
- 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 \$1.63 billion of cash, cash equivalents and short-term investments at June 30, 2003. On August 5, 2003 and September 3, 2003, Continental sold 9.3 million shares and 516,000 shares, respectively, of Holdings, the publicly traded parent of ExpressJet, thereby reducing Continental's ownership of Holdings from 53.1% to 44.6%. On September 9, 2003, Continental contributed approximately 7.4 million shares of Holdings common stock to its defined benefit pension plan, further reducing Continental's ownership of Holdings to 30.9%. The remaining shares of Holdings common stock that Continental continues to own are not pledged to creditors. Continental intends to sell or otherwise dispose of some or all of its interest in Holdings, subject to market conditions.
- The nature of the airline industry is changing dramatically as business travelers change their spending patterns and low-cost carriers continue to gain market share. Continental has announced and is implementing plans to modify its product for the large segment of its customers who are not willing to pay for a premium product, to reduce costs and to generate additional revenue. Other carriers have announced similar plans to create lower-cost products, or to offer separate low cost products (such as a low cost "airline within an airline"). In addition, carriers emerging from bankruptcy will have significantly reduced cost structures and operational flexibility that will allow them to compete more effectively.
- Current conditions may cause consolidation of the airline industry, domestically and globally. The extremity of current conditions could result in a reduction of some of the regulatory hurdles that historically have limited consolidation. Depending on the nature of the consolidation, Continental could benefit from it or be harmed by it. Continental continues to monitor developments throughout the industry and has entered into a marketing alliance with Northwest Airlines and Delta to permit Continental to compete more effectively with other carriers and alliance groups.
- Continental has a noncontributory defined benefit plan covering substantially all of Continental's employees. As of December 31, 2002, this benefit plan was underfunded by approximately \$1.2 billion as measured by SFAS 87, "Employers Accounting for Pensions". Continental contributed \$272 million in cash to the plan in the period from June 30, 2003 through September 12, 2003. In addition, Continental contributed approximately 7.4 million shares of Holdings common stock valued at approximately \$100 million to the plan on September 9, 2003. As a result, Continental has satisfied all minimum required contributions to the plan during 2003. Absent any changes to the plan (which in most cases are subject to collective bargaining agreements with our unions) or any changes in governing legislation, 2004 minimum funding requirements relating to the 2003 plan year will be less than \$40 million. However, subject to investment returns on plan assets and changes to the discount

rate used to value the pension liability, Continental will continue to have significant funding requirements for its pension plan beyond 2004.

- Under the most restrictive provisions of a credit facility agreement with an outstanding balance of \$71 million at June 30, 2003, Continental is required to maintain a minimum unrestricted cash balance of \$600 million. Also, under a separate credit facility agreement with an outstanding balance of \$43 million at June 30, 2003 Continental is required 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.

## 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 Subordinated 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 Subordinated Notes, the Initial Purchaser and its assignees became entitled to the benefits of the Registration Rights Agreement.

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

- file the Registration Statement of which this Prospectus is a part for a registered exchange offer with respect to an issue of new notes identical in all material respects to the Old Subordinated Notes within 120 days after May 9, 2003, which is the date on which the Old Subordinated Notes were issued (the "Issuance Date");
- cause the Registration Statement to become effective under the Securities Act within 180 days after the Issuance Date;
- cause the Registration Statement to remain effective until the closing of the Exchange Offer; and
- consummate the Exchange Offer within 210 calendar days after the Issuance Date.

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

Upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying letter of transmittal (the "Letter of Transmittal") (which together constitute the Exchange Offer), all Old Subordinated 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 Subordinated Notes will be issued in exchange for an equal face amount of outstanding Old Subordinated Notes accepted in the Exchange Offer. Old Subordinated 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 Subordinated Notes as of [ ], 2003. The Exchange Offer is not conditioned upon any minimum principal amount of Old Subordinated Notes being tendered for exchange. However, the obligation to accept Old Subordinated Notes for exchange pursuant to the Exchange Offer is subject to certain conditions, as set forth herein under "--Conditions".

Old Subordinated 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 Subordinated Notes for the purposes of receiving the New Subordinated Notes and delivering New Subordinated 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 Subordinated Notes issued pursuant to the Exchange Offer in exchange for Old Subordinated Notes may be offered for resale, resold or otherwise transferred by holders thereof (other than (i) a broker-dealer who acquired such Old Subordinated 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 Subordinated 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 Subordinated Notes and have no arrangement with any person to participate in a distribution of such New Subordinated Notes.

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

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

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

- as promptly as practicable file with the Commission a shelf registration statement (the "Shelf Registration Statement") covering resales of the Old Subordinated Notes;
- use its best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act by the 180th calendar day after the Issuance Date; and
- use its best efforts to keep effective the Shelf Registration Statement for a period of two years after its effective date (or for such shorter period as shall end when all of the Old Subordinated 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 Subordinated 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 Subordinated Notes otherwise become

transferable by Subordinated 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 Subordinated 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 Subordinated Notes who do not exchange their Old Subordinated Notes for New Subordinated Notes in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Subordinated Notes, unless such Old Subordinated 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 Subordinated Notes and the Exchange Offer--Consequences of Failure to Exchange".

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

The term "Expiration Date" shall mean [ ], 2003 ([ ] 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 Subordinated Notes an announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Such announcement may state that the Company is extending the Exchange Offer for a specified period of time.

Continental reserves the right:

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

The New Subordinated Notes will bear interest at the Stated Interest Rate from the most recent date to which interest has been paid on the Old Subordinated Notes. Accordingly, registered holders of New Subordinated 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 Subordinated Notes accepted for exchange will cease to accrue interest from and after the date of completion of the Exchange Offer. Holders of Old Subordinated Notes whose Old Subordinated Notes are accepted for exchange will not receive any payment for accrued interest on the Old Subordinated 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 Subordinated 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 Subordinated Notes are tendered in accordance with the procedure for book-entry transfer described below, an Agent's Message in lieu of the Letter of Transmittal), have the signatures thereon guaranteed if required by the Letter of Transmittal and mail or otherwise deliver such Letter of Transmittal or such facsimile or have the Agent's Message delivered, together with any other required documents, to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. In addition, either

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

The method of delivery of Old Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes may tender such Old Subordinated Notes in the Exchange Offer. The term "holder" with respect to the Exchange Offer means any person in whose name Old Subordinated 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 Subordinated 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 Subordinated Notes, either make appropriate arrangements to register ownership of the Old Subordinated 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 Subordinated 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 Subordinated Notes listed therein, such Old Subordinated Notes must be endorsed or accompanied by bond powers and a proxy which authorizes such person to tender the Old Subordinated Notes on behalf of the registered holder, in each case as the name of the registered holder or holders appears on the Old Subordinated Notes.

If the Letter of Transmittal or any Old Subordinated 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 Subordinated 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 Subordinated Notes not properly tendered or any Old Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes, nor shall any of them incur any liability for failure to give such notification. Tenderees of Old Subordinated Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Old Subordinated 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 Subordinated Notes (or, in the case of Old Subordinated Notes tendered by the book-entry transfer procedures described below, such nonexchanged Old Subordinated 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 Subordinated 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 Subordinated 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 SUBORDINATED NOTES FOR EXCHANGE; DELIVERY OF NEW SUBORDINATED NOTES

All Old Subordinated Notes properly tendered will be accepted, and the New Subordinated 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 Subordinated 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 Subordinated Notes for Old Subordinated Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of:

- certificates for such Old Subordinated Notes or a timely Book-Entry Confirmation of such Old Subordinated Notes into the Exchange Agent's account at DTC;

- a properly completed and duly executed Letter of Transmittal or an Agent's Message in lieu thereof; and
- all other required documents.

If any tendered Old Subordinated Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Subordinated Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or nonexchanged Old Subordinated Notes will be returned without expense to the tendering holder thereof (or, in the case of Old Subordinated Notes tendered by the book-entry transfer procedures described below, such nonexchanged Old Subordinated Notes will be credited to an account maintained with DTC), unless otherwise provided in the Letter of Transmittal, promptly following the Expiration Date.

New Subordinated Notes will be initially issued only in the form of Global Notes registered in the name of a nominee for DTC. Accordingly, interests in New Subordinated Notes may only be held through DTC Participants or Indirect Participants. See "Description of the Subordinated Notes--Book Entry; Delivery and Form."

#### BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Old Subordinated 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 Subordinated Notes in the Exchange Offer. Any DTC Participant may make book-entry delivery of Old Subordinated Notes by causing DTC to transfer such Old Subordinated Notes into the Exchange Agent's account at DTC in accordance with DTC's ATOP procedures for transfer. However, although delivery of Old Subordinated 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 Subordinated 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 Subordinated Notes desires to tender such Old Subordinated Notes, and (i) the Old Subordinated Notes are not immediately available, or (ii) time will not permit such holder's Old Subordinated Notes, the Letter of Transmittal or any other required documents to reach the Exchange Agent before the Expiration Date, or (iii) the procedures for book-entry transfer cannot be completed on a timely basis, a tender may be effected if:

- the tender is made through an Eligible Institution;
- prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof or Agent's Message in lieu thereof) and Notice of Guaranteed Delivery, substantially in the form provided by Continental (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Subordinated Notes and the amount of Old Subordinated 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 Subordinated Notes in proper form for transfer, or a Book-Entry Confirmation, as the case may be, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof or Agent's Message in lieu thereof) and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent; and

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

The following summary describes the material terms of the Subordinated Notes. The summary does not purport to be complete. We urge you to read the Subordinated 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 Subordinated Notes were issued by Continental under an Amended and Restated Indenture (the "Indenture") among Continental, Wilmington Trust Company, as trustee (the "Trustee"), the Policy Provider and the Liquidity Provider. The New Subordinated Notes will also be issued by Continental under the Indenture.

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

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

The New Subordinated 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 Subordinated Notes will be issued only in minimum denominations of \$1,000 or integral multiples thereof, except that one Subordinated Note may be issued in a different denomination. (Section 2A.1(b))

The Subordinated Notes are secured by a lien on the Collateral. The Subordinated Notes rank junior to the Senior Notes, as well as amounts owed to the Policy Provider and the Liquidity Provider relating to the Senior Notes.

### PAYMENTS OF PRINCIPAL AND INTEREST

Continental originally issued \$100,000,000 in aggregate principal amount of Old Subordinated Notes. As of the date of this Prospectus, \$97,000,000 aggregate principal amount of Old Subordinated Notes are outstanding. 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 December 6, 2007 (the "Final Scheduled Payment Date").

Interest accrues on the unpaid principal amount of each Subordinated 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) (the "Stated Interest Rate"). 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 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 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 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, 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)

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 Subordinated 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 Subordinated 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 and the Trustee. Holders of the Subordinated Notes (the "Subordinated Noteholders" and, together with the Senior 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:

$$\text{Break Amount} = Z - Y$$

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 Subordinated Notes may not be redeemed by the Company 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 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 Subordinated Notes to and including the date of redemption. In addition, if a Subordinated Note is redeemed before the fourth anniversary of the Issuance Date (except in connection with a redemption to satisfy the maximum Collateral Ratio or minimum Rotable Ratio requirements discussed under "--Collateral--Appraisals and Maintenance of Ratios"), such redemption price will include a premium (the "Premium") equal to the following percentage of the principal amount of such Subordinated Note: (i) if redeemed before the second anniversary of the Issuance Date, 3.00%; (ii) if redeemed on or after such second anniversary and before the third anniversary of the Issuance Date, 2.00%; and (iii) if redeemed on or after such third anniversary and before the fourth anniversary of the Issuance Date, 1.00%. 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)

At least 15 days but not more than 60 days before any redemption date, the Trustee will send a notice of redemption to each Subordinated Noteholder whose Subordinated Notes are to be redeemed, identifying the Subordinated Notes and the principal amount thereof to be redeemed. If less than all of the Subordinated Notes are to be redeemed, the Trustee will select the Subordinated 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 Subordinated Notes or portions thereof called for redemption, unless Continental fails to make the redemption payment for such Subordinated 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 Subordinated Notes are secured by a lien on spare parts (including appliances) first placed in service after October 22, 1994, and owned by Continental that are appropriate for installation on or use in

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

and not appropriate for installation on or use in any other model of aircraft currently operated by Continental or engine utilized on any such other model of aircraft ("Qualified Spare Parts"), together with certain records relating to such spare parts, certain rights of Continental with respect to such spare parts and certain proceeds of the foregoing (collectively, the "Collateral"). The Senior 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 Senior Notes 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 Senior Notes 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 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:

- 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;

- 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;
- 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
- 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:

- subject additional Qualified Spare Parts to the lien of the Security Agreement;
- grant a security interest in other property to secure the Notes for the benefit of the Noteholders (which thereafter will be included as "Collateral" for purposes of the Notes), but only if the Policy Provider agrees and Continental shall have received written confirmation from each nationally recognized rating agency then rating the 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;
- provide additional Cash Collateral to the Security Agent under the Security Agreement (provided that if Continental's cash, cash equivalents and certain other marketable securities as of the applicable determination date was less than \$600,000,000, then the total amount of Cash Collateral may not exceed \$20,000,000);
- deliver Notes to the Trustee for cancellation;
- redeem some or all of the Notes; or
- any combination of the foregoing;

such that the 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:

- subject additional Rotables to the lien of the Security Agreement;
- provide additional Cash Collateral to the Security Agent under the Security Agreement (provided that if Continental's cash, cash equivalents and certain other marketable securities as of the applicable

determination date was less than \$600,000,000, then the total amount of Cash Collateral may not exceed \$20,000,000);

- deliver Notes to the Trustee for cancellation;
- redeem some or all of the Notes; or
- any combination of the foregoing;

such that the 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 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%. In September 2003, Continental acquired and delivered to the Trustee for cancellation \$5,500,000 of Senior Notes and \$3,000,000 of Subordinated Notes so that the maximum Senior Collateral Ratio and Subordinated Collateral Ratio would be satisfied based on the appraisal of the Collateral as of June 25, 2003. As a result, Continental was repaid such Cash Collateral.

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

- 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").
- 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.
- Any representation or warranty made by Continental in the Indenture or any Operative Document (a) shall prove to have been untrue or inaccurate in any material respect as of the date made, (b) such untrue or inaccurate representation or warranty is material at the time in question and (c) the same shall remain uncured (to the extent of the adverse impact of such incorrectness on the Trustee) for more than 30 days after the date of written notice from the Trustee to Continental.
- The occurrence of certain events of bankruptcy, reorganization or insolvency of Continental (each, a "Continental Bankruptcy Event"). (Section 7.1)

If an event occurs and is continuing which is, or after notice or passage of time, or both, would be an Event of Default (a "Default") and if such Default is known 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 Senior Notes 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:

- 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),
- 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
- 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 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:

- The Policy Provider (except as provided below).
- 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.
- 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.
- 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 for the Senior Notes--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:

- 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.
- To the Liquidity Provider to the extent required to pay the Liquidity Expenses and to the Policy Provider to pay the Policy Expenses.
- To the Liquidity Provider to the extent required to pay interest accrued on the Liquidity Obligations (as determined after giving effect to certain payments by the Policy Provider to the Liquidity Provider), to the Policy Provider to the extent required to pay interest accrued on certain Policy Provider Obligations and, if the Policy Provider has paid to the Liquidity Provider all outstanding drawings and interest thereon owing to the Liquidity Provider, to the Policy Provider to the extent required to reimburse the Policy Provider for the amount of such payment made to the Liquidity Provider attributable to interest accrued on such drawings.
- To (i) the Liquidity Provider to the extent required to pay the outstanding amount of all Liquidity Obligations (as determined after giving effect to certain payments by the Policy Provider to the Liquidity Provider), (ii) if applicable, unless (x) on such Distribution Date the 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.
- 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.
- To the Senior Noteholders to the extent required to pay in full amounts due on such Distribution Date.
- To the Policy Provider to the extent required to pay Policy Provider Obligations (other than amounts payable pursuant to the first four clauses above).

- To the Subordinated Noteholders to the extent required to pay in full amounts due on such Distribution Date.
- To the Trustee for the payment of certain fees and expenses (other than amounts payable pursuant to the first and fifth clauses above).
- To the Company (unless on such Distribution Date (i) an Event of Default has occurred and is continuing or (ii) any amount due to the Liquidity Provider or the Policy Provider from the Company has not been paid). (Section 3.2)

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

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

"Non-Performing" means, with respect to any 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:

- To provide for uncertificated Notes of any series in addition to or in place of certificated Notes of such series.
- To provide for the assumption of the Company's obligations under the Operative Documents and the Notes in the case of a merger, consolidation or conveyance, transfer or lease of all or substantially all of the assets of the Company.
- To comply with any requirements of the Commission in connection with the qualification of the Indenture under the TIA.
- To provide for a replacement Liquidity Provider.
- To provide for the effectiveness of any additional Collateral Agreement.
- To 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.
- 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.
- To cure any ambiguity, defect or inconsistency.
- To make any other change not inconsistent with the Indenture provided that such action does not materially adversely affect the interests of any Noteholder. (Section 10.1)

The Company, 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:

- Reduce the amount of Senior Notes whose holders must consent to an amendment, supplement or waiver.
- Reduce the rate or extend the time for payment of interest on any Senior Note.
- Reduce the amount or extend the time for payment of principal of, or Premium, if any, or Break Amount, if any, with respect to (in each case, whether on redemption or otherwise), any Senior Note.
- 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.
- Change the priority of distributions and application of payments specified in the Indenture.

- Waive a default in the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Senior Note.
- 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.
- 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:

- Reduce the amount of Subordinated Notes whose holders must consent to an amendment, supplement or waiver.
- Reduce the rate or extend the time for payment of interest on any Subordinated Note.
- Reduce the amount or extend the time for payment of principal of, or Premium, if any, or Break Amount, if any, with respect to (in each case, whether on redemption or otherwise), any Subordinated Note.
- Change the definitions of "Maximum Subordinated Collateral Ratio" or "Subordinated Collateral Ratio".
- Increase the principal amount of, or the rate of interest on, the Senior Notes.
- 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.
- Change the priority of distributions and application of payments specified in the Indenture.
- Waive a default in the payment of the principal of, interest on, or Premium, if any, or Break Amount, if any, with respect to, any Subordinated Note.
- Make any changes to provisions in the Indenture that involve the waiver of defaults, the right of Noteholders to receive payment of principal of, interest on, and Premium, if any, and Break Amount, if any, with respect to, any Subordinated Note on or after the respective due dates.
- 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 "--Collateral--Appraisals and Maintenance of Ratios", "--Collateral--Fleet Reduction", "--Collateral--Liens", "--Collateral--Maintenance", "--Collateral--Insurance" and "--Collateral--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:

- 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");
- that the maximum Subordinated Collateral Ratio be complied with in connection with such appraisals (see "--Collateral--Appraisals and Maintenance of Ratios");
- that the outstanding principal amount of the Subordinated Notes be reduced if there is a fleet reduction (see "--Collateral--Fleet Reduction"); or
- 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:

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

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

#### INDEMNIFICATION

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

## GOVERNING LAW

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

## THE TRUSTEE

The Trustee is Wilmington Trust Company. Except as otherwise provided in the Indenture, the Trustee, in its individual capacity, will not be answerable or accountable under the Indenture or under the Notes under any circumstances except, among other things, for its own willful misconduct or gross negligence. Continental and its affiliates may from time to time enter into banking and trustee relationships with the Trustee and its affiliates. The Trustee's address is Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

## BOOK ENTRY; DELIVERY AND FORM

### GENERAL

The New Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 2A.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 Subordinated Notes as Definitive Notes to Note Owners. (Section 2A.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 Subordinated Note, however, will be made only upon presentation and surrender of such Subordinated Note at the office or agency specified in the notice of final distribution to Subordinated 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 Subordinated 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 Subordinated Notes.

Any Subordinated 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 Subordinated 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 Subordinated Notes.



## DESCRIPTION OF THE SENIOR NOTES

The following summary describes terms of the Senior Notes that are material to a holder of Subordinated Notes. The summary does not purport to be complete. We urge you to read the Senior 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 December 6, 2002 (the "Senior Notes Issuance Date"), Continental issued the Senior Notes under the Indenture. The Senior Notes are secured by a lien on the Collateral. The Senior Notes, as well as amounts owed to the Policy Provider and the Liquidity Provider relating to the Senior Notes, rank senior to the Subordinated Notes.

On the Senior Notes Issuance Date, the Trustee, for the benefit of the Senior 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 originally issued \$200,000,000 in aggregate principal amount of Senior Notes. As of the date of this Prospectus, \$194,500,000 aggregate principal amount of Senior Notes are outstanding. 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 the Final Scheduled Payment Date. The "Final Legal Maturity Date" applicable to the Senior Notes is December 6, 2009.

Interest accrues on the unpaid principal amount of each Senior Note at LIBOR plus 0.90% (plus, if applicable, 0.50% during the periods specified in the registration rights agreement applicable to the Senior Notes), 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 "Senior Notes Stated Interest Rate"). For all other periods, the interest rate on the Senior Notes will not be capped. Accrued interest on the Senior 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 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 accrues from the most recent date to which interest has been paid or, if no interest has been paid, from the Senior Notes 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, Senior 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 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 Senior Notes 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 Senior Notes Premium, if any, or Break Amount, if any, with respect to, the Senior Notes or for any amounts with respect to the Subordinated Notes. See "Description of the Liquidity Facility for the Senior Notes".

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 Senior Notes Stated Interest Rate will be supported by the Policy provided by the Policy Provider. Payment of principal of the Senior Notes no later than the Final Legal Maturity Date will also be supported by the Policy. Amounts payable with

respect to the Subordinated Notes are not supported by the Policy. See "Description of the Policy for the Senior Notes--The Policy".

#### 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 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 Senior Notes to and including the date of redemption. In addition, if a Senior Note is redeemed before the third anniversary of the Senior 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 Subordinated Notes--Collateral--Appraisals and Maintenance of Ratios"), such redemption price will include a premium (the "Senior Notes Premium") equal to the following percentage of the principal amount of such Senior Note: (i) if redeemed before the first anniversary of the Senior Notes Issuance Date, 1.5%; (ii) if redeemed on or after such first anniversary and before the second anniversary of the Senior Notes Issuance Date, 1.0%; and (iii) if redeemed on or after such second anniversary and before the third anniversary of the Senior Notes Issuance Date, 0.5%. (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 Senior Notes are secured by a lien on the Collateral. See "Description of the Subordinated Notes--Collateral".

## DESCRIPTION OF THE LIQUIDITY FACILITY FOR THE SENIOR NOTES

The following summary describes terms of the Liquidity Facility for the Senior Notes and certain provisions of the Indenture relating to the Liquidity Facility that are material to a holder of Subordinated Notes. 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

The Subordinated Notes do not have the benefit of a Liquidity Facility, unlike the Senior Notes. With respect to the Senior Notes, Morgan Stanley Capital Services Inc. (the "Liquidity Provider") has entered into a revolving credit agreement (the "Liquidity Facility") with the Trustee. The Indenture and the Liquidity Facility provide that certain payments to the Liquidity Provider be made prior to payments to the holders of Subordinated Notes. See "Description of the Subordinated Notes--Priority of Distributions".

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 Senior Notes 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 holders of the Senior Notes (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

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 Senior Notes 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.

The "Capped Interest Rate" is 12% per annum.

The Liquidity Facility does not provide for drawings thereunder to pay for principal of, or Senior Notes 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 Subordinated Notes--Controlling Party" or "Description of the Policy for the Senior Notes--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 Liquidity 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 Liquidity Facility is subsequently provided, the balance of the Cash Collateral Account will be repaid to the replaced Liquidity Provider.

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

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

- 364 days after the Senior Notes Issuance Date (counting from, and including, the Senior Notes Issuance Date).
- The date on which the Trustee delivers to the Liquidity Provider a certification that all of the Senior Notes have been paid in full.
- The date on which the Trustee delivers to the Liquidity Provider a certification that a replacement Liquidity Facility has been substituted for such Liquidity Facility.
- The fifth Business Day following receipt by the Trustee of a Termination Notice from the Liquidity Provider (see "--Liquidity Events of Default and Termination").

- The date on which no amount is or may (by reason of reinstatement) become available for drawing under the Liquidity Facility.
- The occurrence of the Liquidity Provider Reimbursement Date.

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

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

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))

#### REIMBURSEMENT OF DRAWINGS

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

#### INTEREST DRAWINGS AND FINAL DRAWINGS

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

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

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

interest period in an amount approximately equal to the principal amount of the LIBOR Advance to which such interest period is to apply and for a period comparable to such interest period.

#### DOWNGRADE DRAWINGS AND NON-EXTENSION DRAWINGS

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

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

Any Downgrade Drawing, other than any portion thereof applied to the payment of interest on the 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:

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

If any Liquidity Event of Default has occurred and is continuing and the 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:

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

Notwithstanding the foregoing, the Trustee will be obligated to pay amounts owing to the Liquidity Provider only to the extent of funds available therefor after giving effect to the payments in accordance with the provisions set forth under "Description of the Subordinated Notes--Priority of Distributions". (Liquidity Facility, Section 6.01) Upon the circumstances described above under "Description of the Subordinated

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 FOR THE SENIOR NOTES

The following summary describes terms of the Policy for the Senior Notes and certain provisions of the Policy Provider Agreement that are material to a holder of Subordinated Notes. 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 Subordinated Notes do not have the benefit of a Policy, unlike the Senior Notes. MBIA Insurance Corporation (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 Indenture, the Policy and the Policy Provider Agreement provide that certain payments to the Policy Provider be made prior to payments to the holders of Subordinated Notes. See "Description of the Subordinated Notes--Priority of Distributions".

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 Senior Notes 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 Senior Notes Stated Interest Rate (calculated assuming that Continental will not cure the nonpayment of interest and excluding any accrued and unpaid Senior Notes 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:

- Any shortfall on the Non-Performance Payment Date in funds required to pay accrued interest on the Senior Notes.
- Thereafter, on each Distribution Date, an amount equal to the scheduled principal (on the Final Scheduled Payment Date) and interest (without regard to any acceleration thereof) payable on the 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 proceeds of any Policy Drawing under the Policy (other than a Policy Drawing as described in "--The Policy--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.

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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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.

#### POLICY PROVIDER

The Policy Provider is MBIA Insurance Corporation. Moody's rates the financial strength of MBIA Insurance Corporation "Aaa".

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 June 25, 2003. A letter, dated July 23, 2003, summarizing such appraisal is annexed to this Prospectus as Appendix II. The appraisal is subject to a number of assumptions and limitations and was prepared based on certain specified methodologies. In preparing its appraisal, SH&E conducted only a limited physical inspection of certain locations at which Continental maintains the spare parts. An appraisal that is subject to other assumptions and limitations and based on other methodologies may result in valuations that are materially different from those contained in SH&E's appraisal.

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

| SPARE PARTS QUANTITY(1) | EXPENDABLES | ROTABLES | TOTAL VALUE |
|-------------------------|-------------|----------|-------------|
| 700                     | 675         | 40       | 715         |
| 700/800                 | 276,685     | 6,759    | 283,444     |
| 800                     | 3,964       | 201      | 4,165       |
| 900                     |             |          |             |
| 851 10 861              |             |          | 737-        |
| 7/8/9 Subtotal          | 282,175     | 7,010    | 289,185     |
| 200                     | 175,886     | 3,364    | 179,250     |
| 300                     | 10,459      | 97       | 10,556      |
| 200                     | 25,387      | 219      | 25,606      |
| 400                     | 52,193      | 1,594    | 53,787      |
| 200                     | 106,538     | 2,941    | 109,479     |
| Total                   | 652,638     | 15,225   | 667,863     |

(1) This quantity of spare parts used in preparing the appraised value was determined as of June 25, 2003. 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 Subordinated Notes--Collateral".

In connection with the issuance of the 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.

Pursuant to the Indenture, SH&E prepared a subsequent appraisal, dated as of January 24, 2003, of the spare parts included in the Collateral as of December 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 \$436,841,900.

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

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

### EXCHANGE OF OLD SUBORDINATED NOTES FOR NEW SUBORDINATED NOTES

The following summary describes the material U.S. federal income tax consequences to Subordinated Noteholders of the exchange of the Old Subordinated Notes for New Subordinated Notes. This summary is intended to address the beneficial owners of Subordinated 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 Subordinated Notes as capital assets. The summary does not address all of the federal income tax consequences that may be relevant to all Subordinated 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 Subordinated Notes for New Subordinated Notes (the "Exchange") pursuant to the Exchange Offer will be treated as a continuation of the holder's investment in the Old Subordinated Notes and will not be a taxable event for U.S. federal income tax purposes. As a result, a holder of an Old Subordinated Note whose Old Subordinated 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 Subordinated Noteholder that does not participate in the Exchange Offer. A tendering holder's tax basis in the New Subordinated Notes will be the same as such holder's tax basis in its Old Subordinated Notes. A tendering holder's holding period for the New Subordinated Notes received pursuant to the Exchange Offer will include its holding period for the Old Subordinated Notes surrendered therefor.

ALL HOLDERS OF OLD SUBORDINATED 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 SUBORDINATED NOTES FOR NEW SUBORDINATED NOTES AND OF THE OWNERSHIP AND DISPOSITION OF NEW SUBORDINATED NOTES RECEIVED IN THE EXCHANGE OFFER IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

### PLAN OF DISTRIBUTION

Each broker-dealer that receives New Subordinated 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 Subordinated 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 Subordinated Notes received in exchange for Old Subordinated Notes where such Old Subordinated 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 Subordinated Notes may be required to deliver a prospectus.

Continental will not receive any proceeds from any sale of New Subordinated Notes by broker-dealers. New Subordinated 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 Subordinated 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 Subordinated Notes. Any broker-dealer that resells New Subordinated 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 Subordinated Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit of any such resale of New Subordinated 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 Subordinated Noteholders and certain transfer taxes, and will indemnify the holders of the New Subordinated Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

#### LEGAL MATTERS

The validity of the New Subordinated 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/A-1) 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 references to SH&E, and to its appraisal reports, dated as of October 31, 2002, January 24, 2003, and July 23, 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 current 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 with the Commission.



APPENDIX I--INDEX OF TERMS

PAGE ---- Agent's

Message..... 38  
     American

Airlines..... 21  
     Applicable

Date..... 43

ATOP.....  
     38 Aviation Security

Act..... 21 Avoided

Payment..... 69  
     Base

Rate..... 64  
     Book-Entry

Confirmation..... 36 Break

Amount..... 43  
     Bush

Intercontinental..... 27  
     Business

Day..... 54  
     Capped Interest

Rate..... 62 Cash

Collateral..... 44  
     Cash Collateral

Account..... 63

Cede.....  
     58

CMI.....  
     27

Collateral.....  
     44 Collateral

Agents..... 44  
     Collateral

Agreements..... 44  
     Collateral Maintenance

Agreement..... 44 Collateral

Ratios..... 45

Commission.....  
     4

Company.....  
     27

Continental.....  
     27 Continental Bankruptcy

Event..... 52 Controlling

Party..... 52

Copa.....  
     29 Debt

Balance..... 48

Default.....  
     49 Definitive

Notes..... 58

Delta.....  
     28 Designated

Locations..... 48  
     Distribution

Date..... 42  
     Downgrade

Drawing..... 63

DTC.....  
     36 DTC

Participant..... 38

earnings.....  
     26 Eligible

Institution..... 37

Embraer.....  
     20

Equipment.....  
     51 Event of

Default..... 49  
     Event of

Loss..... 48

PAGE ----

Exchange.....  
     73 Exchange

Agent..... 40  
     Exchange

Offer..... 6  
     Expiration

Date..... 35

ExpressJet.....  
     27

FAA.....  
     18 Fair Market

Value..... 44 Final

Drawing..... 64  
     Final Legal Maturity

Date..... 60 Final

Order..... 69  
     Final Scheduled Payment

Date..... 41 Fixed

charges..... 26  
     Global

|                        |                       |
|------------------------|-----------------------|
| Notes.....             | 58                    |
| holder.....            | 36                    |
| Holdings.....          | 27 Hopkins            |
| International.....     | 27                    |
| Houston.....           | 27                    |
| Indenture.....         | 41 Indirect           |
| Participants.....      | 58                    |
| Initial Interest       |                       |
| Period.....            | 42 Initial            |
| Purchaser.....         | 6                     |
| Insolvency             |                       |
| Proceeding.....        | 69                    |
| Interest               |                       |
| Drawing.....           | 62                    |
| Interest Payment       |                       |
| Date.....              | 41 Interest           |
| Period.....            | 42                    |
| Issuance               |                       |
| Date.....              | 33                    |
| KLM.....               | 29 Letter of          |
| Transmittal.....       | 33                    |
| Liberty                |                       |
| International.....     | 27                    |
| LIBOR.....             | 42 Liquidity Event of |
| Default.....           | 65 Liquidity          |
| Expenses.....          | 54                    |
| Liquidity              |                       |
| Facility.....          | 62                    |
| Liquidity Facility     |                       |
| LIBOR.....             | 64 Liquidity          |
| Obligations.....       | 54                    |
| Liquidity              |                       |
| Provider.....          | 62                    |
| Liquidity Provider     |                       |
| Guarantor.....         | 66 Liquidity          |
| Provider Reimbursement |                       |
| Date.....              | 69 Maximum Available  |
| Commitment.....        | 62                    |
| Moody's.....           | 63 New Subordinated   |
| Notes.....             | 6                     |
| Newark.....            | 27                    |

|                               |                 |
|-------------------------------|-----------------|
| PAGE ---- Non-Extension       |                 |
| Drawing.....                  | 64 Non-         |
| Performance Payment Date..... | 68              |
| Non-                          |                 |
| Performing.....               | 54              |
| Non-Performing                |                 |
| Period.....                   | 67 Northwest    |
| Airlines.....                 | 28 Note         |
| Owners.....                   | 58              |
| Noteholders.....              |                 |
|                               | 42              |
| Notes.....                    |                 |
| 6 Old Subordinated            |                 |
| Notes.....                    | 6 Operative     |
| Documents.....                | 41              |
| Outstanding                   |                 |
| Amount.....                   | 67              |
| Participating Broker-         |                 |
| Dealer.....                   | 34 Payment      |
| Default.....                  | 49              |
| Pledged Spare                 |                 |
| Parts.....                    | 44              |
| Policy.....                   |                 |
| 67 Policy                     |                 |
| Drawing.....                  | 54              |
| Policy                        |                 |
| Expenses.....                 | 54              |
| Policy                        |                 |
| Provider.....                 | 67              |
| Policy Provider               |                 |
| Agreement.....                | 70 Policy       |
| Provider Default.....         | 52              |
| Policy Provider               |                 |
| Election.....                 | 68 Policy       |
| Provider Obligations.....     | 54              |
| Premium.....                  |                 |
| 43 Prior                      |                 |
| Funds.....                    | 67              |
| Qualified Spare               |                 |
| Parts.....                    | 44 Rating       |
| Agency.....                   | 45              |
| Reference Agency              |                 |
| Agreement.....                | 42 Reference    |
| Agent.....                    | 42              |
| Reference                     |                 |
| Date.....                     | 42              |
| Registration                  |                 |
| Event.....                    | 34              |
| Registration Rights           |                 |
| Agreement.....                | 33 Registration |
| Statement.....                | 75 Relevant     |
| Date.....                     | 67              |

|                                 |                 |
|---------------------------------|-----------------|
| PAGE ---- Required              |                 |
| Amount.....                     | 62              |
| Rotable                         |                 |
| Ratios.....                     | 45              |
| Rotables.....                   |                 |
|                                 | 71              |
| SARS.....                       |                 |
| 30 Scheduled Interest Payment   |                 |
| Date.....                       | 41 Section      |
| 1110.....                       | 51              |
| Section 1110                    |                 |
| Period.....                     | 51 Security     |
| Agent.....                      | 44              |
| Security                        |                 |
| Agreement.....                  | 44              |
| Senior Collateral               |                 |
| Ratio.....                      | 44 Senior       |
| Noteholders.....                | 62              |
| Senior                          |                 |
| Notes.....                      | 6               |
| Senior Notes Issuance           |                 |
| Date.....                       | 60 Senior Notes |
| Premium.....                    | 61 Senior       |
| Notes Stated Interest Rate..... | 60              |
| Senior Rotable                  |                 |
| Ratio.....                      | 45              |
| SH&E.....                       |                 |
| 23 Shelf Registration           |                 |
| Statement.....                  | 34 Standard &   |
| Poor's.....                     | 63 Stated       |
| Interest Rate.....              | 41              |
| Subordinated Collateral         |                 |
| Ratio.....                      | 45 Subordinated |
| Noteholders.....                | 42              |
| Subordinated                    |                 |
| Notes.....                      | 6               |
| Subordinated Rotable            |                 |
| Ratio.....                      | 45 Support      |
| Documents.....                  | 60              |
| Termination                     |                 |
| Date.....                       | 69              |

Termination

Notice..... 65

Threshold

Rating..... 63

TIA.....

44

Trustee.....

41

TSA.....

22

United.....

21 US

Airways.....

21



A SEMIANNUAL APPRAISAL OF SELECTED SPARE PARTS

Prepared for:

CONTINENTAL AIRLINES

Prepared by:  
SH&E

JULY 23, 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.....9  
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" or the "Client") has retained Simat, Helliesen & Eichner, Inc. ("SH&E") to prepare a semiannual 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 January 24, 2003.

As part of the appraisal, SH&E conducted limited physical inspections of Continental's warehouse facilities at Los Angeles (2 locations), Houston - George Bush Intercontinental (4 locations) and Guam. Together, these locations account for 38.9% of the subject asset value.

1.2 DETERMINATION

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

\$ 432.3 MILLION

This is a decrease of \$4.5 million from the previous report and is principally the result of a change in part condition mix arising from fewer, new rotatable parts in stock and a slight improvement in rotatable part serviceability.

- - - - -

(1) Adjustments were made to the CMV to reflect part condition, serviceability level and inventory accuracy



TABLE 1-1: UNADJUSTED CURRENT MARKET VALUE (\$ 000)

| SH&E Value Group<br>----- | Serviceable<br>----- | Unserviceable<br>----- | Total<br>----- |
|---------------------------|----------------------|------------------------|----------------|
| 737-7/8/9                 | \$156,251.5          | \$48,968.4             | \$205,219.8    |
| 757-200                   | \$66,793.4           | \$15,493.5             | \$82,286.9     |
| 757-300                   | \$2,749.0            | \$485.8                | \$3,234.8      |
| 767-200                   | \$6,828.2            | \$6,430.2              | \$13,258.3     |
| 767-400                   | \$54,794.9           | \$7,533.4              | \$62,328.3     |
| 777-200                   | \$90,954.5           | \$36,045.0             | \$126,999.5    |
| Total                     | \$378,371.4          | \$114,956.3            | \$493,327.7    |

TABLE 1-2: ADJUSTED CURRENT MARKET VALUE (SERVICEABILITY AND ACCURACY)

| SH&E Value Group<br>----- | Serviceable<br>----- | Unserviceable<br>----- | Total<br>----- |
|---------------------------|----------------------|------------------------|----------------|
| 737-7/8/9                 | \$156,095.2          | \$24,459.7             | \$180,554.9    |
| 757-200                   | \$66,666.5           | \$6,185.6              | \$72,852.1     |
| 757-300                   | \$2,746.3            | \$194.1                | \$2,940.4      |
| 767-200                   | \$6,794.0            | \$2,559.2              | \$9,353.2      |
| 767-400                   | \$54,740.1           | \$3,010.4              | \$57,750.4     |
| 777-200                   | \$90,863.5           | \$18,004.5             | \$108,868.0    |
| Total                     | \$377,905.6          | \$54,413.5             | \$432,319.1    |

### 1.3 ASSUMPTIONS

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

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

- -----

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

2.1 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, repairable parts, because they are ultimately consumed, are classified as Expendables with a notation in the part record that the part is to be "recovered" and inspected to determine if a repair or overhaul is cost effective.

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 inservice 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 June 25, 2003. 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 levels remained flat from the prior appraisal and grew only by \$1.18 million in cost, 810 part numbers, and 3,362 individual parts. The new inventory consisted of 26,275 line items with a total of 793,099 individual parts. A total of 2,648 line items containing 125,236 parts (see Appendix B) were excluded from the inventory as provided by Continental for the following reasons:

1. The parts are owned by vendors but tracked in the Continental maintenance system (brake and tire sets).
2. The parts are branded parts specific to Continental and can only be used by the airline (seat covers, carpet and cushion, and fabric).

These parts were also removed from the previous appraisal.

The majority of the Subject Assets were assessed to be in a new or overhauled maintenance condition although the proportion of new parts has decreased slightly from the prior appraisal. This condition shift is reflected in a decrease in the value of rotatable parts of approximately \$8.3 million. The condition shift was offset by a one percent increase in the proportion of serviceable parts worth approximately \$2.0 million in CMV.

Continental represents 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 (BEFORE EXCLUSIONS)

| Value Group     | Fleet       | Expendable | Rotable | Grand Total |
|-----------------|-------------|------------|---------|-------------|
| 737-7/8/9       | 737-700     | 1,236      | 40      | 1,276       |
|                 | 737-700/800 | 317,795    | 6,759   | 324,554     |
|                 | 737-800     | 9,910      | 201     | 10,111      |
|                 | 737-900     | 1,289      | 10      | 1,299       |
|                 |             | -----      | --      | -----       |
| 737-7/8/9 Total |             | 330,230    | 7,010   | 337,240     |
| 757-200         | 757-200     | 202,615    | 3,460   | 206,075     |
| 757-300         | 757-300     | 12,232     | 125     | 12,357      |
| 767-200         | 767-200     | 26,246     | 225     | 26,471      |
| 767-400         | 767-400     | 73,114     | 1,639   | 74,753      |
| 777-200         | 777-200     | 132,947    | 3,256   | 136,203     |
|                 |             | -----      | -----   | -----       |
| Grand Total     |             | 777,384    | 15,715  | 793,099     |

2.3 COMPARISON OF THE TWO APPRAISALS

For this appraisal SH&E used data as of June 25, 2003; in the prior appraisal, the inventory was dated as of December 25, 2002.

2.3.1 INVENTORY SIZE COMPARISON

The inventory as of June 25, 2003 contained 810 more Continental part numbers and contained 3,362 more individual parts as compared to the previous inventory. The following tables summarize the differences.(3)

TABLE 2-2: INVENTORY AS OF JUNE 2003

| Aircraft    | Lines  | Parts   |
|-------------|--------|---------|
| 737-7/8/9   | 6,365  | 337,240 |
| 757-200     | 7,691  | 206,075 |
| 757-300     | 690    | 12,357  |
| 767-200     | 1,330  | 26,471  |
| 767-400     | 4,141  | 74,753  |
| 777-200     | 6,058  | 136,203 |
|             | -----  | -----   |
| Grand Total | 26,275 | 793,099 |

TABLE 2-3: 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 |

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



TABLE 2-4: INVENTORY - DIFFERENCES

| Aircraft<br>- - - - - | Lines<br>- - - - - | Parts<br>- - - - - |
|-----------------------|--------------------|--------------------|
| 737-7/8/9             | 329                | 1,487              |
| 757-200               | 123                | -6,288             |
| 757-300               | 16                 | -305               |
| 767-200               | 32                 | -103               |
| 767-400               | 171                | 7,156              |
| 777-200               | 139                | 1,415              |
|                       | ---                | ---                |
| Grand Total           | 810                | 3,362              |

The change in inventory represents an increase in unadjusted current market value of approximately \$1.2 Million.

2.3.2 SIGNIFICANT CHANGES IN THE INVENTORY

SH&E noted that the proportion of unserviceable parts was functionally unchanged since the previous inventory. In the prior appraisal the inventory had grown approximately \$50 million on a cost basis whereas in this appraisal, growth was only \$1.8 million on a cost basis. The airline has publicly stated that it has instituted a cost control program and is also negotiating deferring certain aircraft deliveries to better match capacity and demand.

### 2.3.3 OTHER OBSERVATIONS

- - At Newark Liberty International Airport, Continental recently completed the construction of a new spare parts facility that consolidates material from several locations and incorporates modern, more efficient, inventory handling equipment and procedures. As of June 2003 the Company was still in the process of moving parts into the new facility and the facility was not ready for inspection. SH&E will inspect the facility at the next appraisal scheduled in January 2004.
- - Several recommendations for improved packaging of spare parts have been implemented in Houston and Los Angeles.
- - SH&E performed its first visit to the Guam facility. The facility is the major parts storage location for aircraft operated by Continental Micronesia, Inc. It should be noted that in the fourth quarter of 2002, the facility was damaged by a typhoon. Our inspection disclosed that the facility had been repaired and some parts, previously exposed to an excessive amount of water, had been inspected, repaired if necessary, and repackaged.

## 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 longterm 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 23,627 line items after exclusions. 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 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 or catalogue prices.

### 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. The sources included airline parts pooling price lists and inventory and purchase records from seven major U.S. and European airlines and were reviewed in order to determine additional current market values. More than five million parts pricing records were examined in order to match a part number and reference price for each part in the Continental inventory.

Although not required to re-price the inventory for this update, there were several large new additions to SH&E's pricing database since the prior appraisal, and all pricing was updated using the new information. SH&E obtained a market price for the small sample of parts based on an assumption that each part would be purchased independently, as a single unit, and in a new or overhauled condition for rotables and new condition for expendables. In cases where more than one quote was obtained, SH&E attempted to determine the most reasonable value.

This file matching procedure, using both the initial sample and SH&E's internal resources, was successful in determining market price for approximately 18,400 line items representing approximately 78% of the line items and 85% of the historic cost.

While the size of the inventory was relatively constant, the value decreased slightly as the proportion of new rotatable parts decreased. Many of the parts once valued at a new price are now priced at the slightly lower "overhauled" price. The impact was of the change was approximately \$8.3 million dollars.

#### 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 were 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 Los Angeles and Houston (George Bush) and performed a first time visit to Guam to physically inspect the assets and to verify the accuracy of the inventory reporting system. SH&E sampled 694 line items representing 3,622 individual parts and \$51.8 million on a historical cost basis at the three facilities and found discrepancies in 10 parts' records representing approximately \$20,000 of cost. The error represented by these parts is well within the quantity adjustment applied to the entire population of parts by SH&E. As before, the accuracy of Continental's inventory was above industry standard. SH&E's review of the associated records also revealed no discrepancies.

#### 4.0 THE MARKET FOR THE SUBJECT ASSETS

Since the prior appraisal, the market for Continental's spare parts has improved slightly as part dealers are reentering the market in greater numbers to purchase new generation parts, of the type in this inventory. While there is little immediate need for most of these parts as the associated aircraft are so new, there is a significant incentive to acquire these parts in advance of customer demand because in most cases, there are few, if any, of these parts on the secondary market.

Most of the Continental inventory is associated with aircraft that have enjoyed extensive production runs and also have a wide operator base. The exceptions are the 757-300 and the 767-400 aircraft, both of which have limited production runs and small operator bases. There have been a total of 62 757-300 aircraft ordered for 8 operators and 37 767-400 aircraft ordered for two operators, Continental and Delta. There is, however, very significant commonality between the 757-200 and 757-300 aircraft and also between the 767-400 and the 777.

The non-OEM parts aftermarket, generally estimated to approximate \$1.2 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 material available on the parts aftermarket. The same is true for the engine market where the OEMs have maintained 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 and London, 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

July 23, 2003

APPENDIX A

VALUE BY AIRCRAFT TYPE BY  
MATERIAL CLASS BY MATERIAL CLASS

SELECTED SPARE PARTS VALUATION SUMMARY  
 BY MATERIAL CLASS

ADJUSTED CURRENT MARKET (\$000)

|             | ROTABLE<br>----- | EXPENDABLE<br>----- | TOTAL<br>----- |
|-------------|------------------|---------------------|----------------|
| 737-7/8/9   | \$156,095.2      | \$24,459.7          | \$180,554.9    |
| 757-200     | \$66,666.5       | \$6,185.6           | \$72,852.1     |
| 757-300     | \$2,746.3        | \$194.1             | \$2,940.4      |
| 767-200     | \$6,794.0        | \$2,559.2           | \$9,353.2      |
| 767-400     | \$54,740.1       | \$3,010.4           | \$57,750.4     |
| 777-200     | \$90,863.5       | \$18,004.5          | \$108,868.0    |
|             | -----            | -----               | -----          |
| Grand Total | \$377,905.6      | \$54,413.5          | \$432,319.1    |

APPENDIX B

SUMMARY OF INVENTORY ADJUSTMENTS

SELECTED SPARE PARTS: SUMMARY OF INVENTORY  
ADJUSTMENTS

BEGINNING INVENTORY

STARTING CO INVENTORY

| GROUP       | LINES  | QTY     |
|-------------|--------|---------|
| 737-7/8/9   | 6,365  | 337,240 |
| 757-200     | 7,691  | 206,075 |
| 757-300     | 690    | 12,357  |
| 767-200     | 1,330  | 26,471  |
| 767-400     | 4,141  | 74,753  |
| 777-200     | 6,058  | 136,203 |
| Grand Total | 26,275 | 793,099 |

ADJUSTMENTS

LESS BRAKES AND TIRES

| GROUP       | LINES | QTY |
|-------------|-------|-----|
| 737-7/8/9   |       |     |
| 757-200     | 3     | 96  |
| 757-300     | 2     | 28  |
| 767-200     | 2     | 9   |
| 767-400     | 1     | 45  |
| 777-200     | 3     | 315 |
| Grand Total | 11    | 493 |

LESS CO SPECIFIC ITEMS

| GROUP       | LINES | QTY     |
|-------------|-------|---------|
| 737-7/8/9   | 594   | 48,055  |
| 757-200     | 583   | 26,729  |
| 757-300     | 57    | 1,773   |
| 767-200     | 48    | 856     |
| 767-400     | 355   | 20,921  |
| 777-200     | 1,000 | 26,409  |
| Grand Total | 2,637 | 124,743 |

TOTAL EXCLUSIONS

| GROUP       | LINES | QTY     |
|-------------|-------|---------|
| 737-7/8/9   | 594   | 48,055  |
| 757-200     | 586   | 26,825  |
| 757-300     | 59    | 1,801   |
| 767-200     | 50    | 865     |
| 767-400     | 356   | 20,966  |
| 777-200     | 1,003 | 26,724  |
| Grand Total | 2,648 | 125,236 |

FINAL INVENTORY

INVENTORY AFTER ADJUSTMENTS

| GROUP     | LINES | QTY     |
|-----------|-------|---------|
| 737-7/8/9 | 5,771 | 289,185 |
| 757-200   | 7,105 | 179,250 |
| 757-300   | 631   | 10,556  |
| 767-200   | 1,280 | 25,606  |
| 767-400   | 3,785 | 53,787  |
| 777-200   | 5,055 | 109,479 |

GRAND TOTAL

23,627  
=====

667,863  
=====

APPENDIX C

PROPORTION OF SERVICEABLE AND  
UNSERVICEABLE PARTS

CONTINENTAL AIRLINES SELECTED PARTS VALUATION SUMMARY (\$000) JUNE 2003

| VALUE GROUP | UNADJUSTED CURRENT MARKET VALUE |                |             | ADJUSTED CURRENT MARKET VALUE |                |             | % UNSERVICEABLE |
|-------------|---------------------------------|----------------|-------------|-------------------------------|----------------|-------------|-----------------|
|             | SERVICEABLE                     | UN-SERVICEABLE | TOTAL       | SERVICEABLE                   | UN-SERVICEABLE | TOTAL       |                 |
| 737-7/8/9   | \$156,251.5                     | \$48,968.4     | \$205,219.8 | \$156,095.2                   | \$24,459.7     | \$180,554.9 | 13.5%           |
| 757-200     | \$66,793.4                      | \$15,493.5     | \$82,286.9  | \$66,666.5                    | \$6,185.6      | \$72,852.1  | 8.5%            |
| 757-300     | \$2,749.0                       | \$485.8        | \$3,234.8   | \$2,746.3                     | \$194.1        | \$2,940.4   | 6.6%            |
| 767-200     | \$6,828.2                       | \$6,430.2      | \$13,258.3  | \$6,794.0                     | \$2,559.2      | \$9,353.2   | 27.4%           |
| 767-400     | \$54,794.9                      | \$7,533.4      | \$62,328.3  | \$54,740.1                    | \$3,010.4      | \$57,750.4  | 5.2%            |
| 777-200     | \$90,954.5                      | \$36,045.0     | \$126,999.5 | \$90,863.5                    | \$18,004.5     | \$108,868.0 | 16.5%           |
| TOTAL       | \$378,371.4                     | \$114,956.3    | \$493,327.7 | \$377,905.6                   | \$54,413.5     | \$432,319.1 | 12.6%           |

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

|           | UNADJUSTED CURRENT MARKET VALUE |                |             | ADJUSTED CURRENT MARKET VALUE |                |             | % UNSERVICEABLE |
|-----------|---------------------------------|----------------|-------------|-------------------------------|----------------|-------------|-----------------|
|           | SERVICEABLE                     | UN-SERVICEABLE | TOTAL       | SERVICEABLE                   | UN-SERVICEABLE | TOTAL       |                 |
| 737-7/8/9 | \$157,991.7                     | \$56,175.8     | \$214,167.6 | \$157,991.7                   | \$27,980.8     | \$185,972.6 | 15.0%           |
| 757-200   | \$62,373.7                      | \$17,599.7     | \$79,973.4  | \$62,373.7                    | \$6,979.1      | \$69,352.8  | 10.1%           |
| 757-300   | \$2,944.5                       | \$434.0        | \$3,378.4   | \$2,944.5                     | \$172.2        | \$3,116.7   | 5.5%            |
| 767-200   | \$6,340.1                       | \$7,193.2      | \$13,533.3  | \$6,340.1                     | \$2,606.6      | \$8,946.7   | 29.1%           |
| 767-400   | \$51,935.1                      | \$9,576.8      | \$61,511.8  | \$51,935.1                    | \$3,806.1      | \$55,741.2  | 6.8%            |
| 777-200   | \$97,444.4                      | \$32,665.2     | \$130,109.6 | \$97,444.4                    | \$16,267.6     | \$113,712.0 | 14.3%           |
| TOTAL     | \$379,029.5                     | \$123,644.7    | \$502,674.2 | \$379,029.5                   | \$57,812.4     | \$436,841.9 | 13.2%           |

DIFFERENCE

|           | UNADJUSTED CURRENT MARKET VALUE |                |             | ADJUSTED CURRENT MARKET VALUE |                |             |
|-----------|---------------------------------|----------------|-------------|-------------------------------|----------------|-------------|
|           | SERVICEABLE                     | UN-SERVICEABLE | TOTAL       | SERVICEABLE                   | UN-SERVICEABLE | TOTAL       |
| 737-7/8/9 | (\$1,740.3)                     | (\$7,207.5)    | (\$8,947.7) | (\$1,896.5)                   | (\$3,521.1)    | (\$5,417.6) |
| 757-200   | \$4,419.7                       | (\$2,106.2)    | \$2,313.5   | \$4,292.8                     | (\$793.5)      | \$3,499.3   |
| 757-300   | (\$195.4)                       | \$51.8         | (\$143.6)   | (\$198.2)                     | \$21.9         | (\$176.3)   |
| 767-200   | \$488.1                         | (\$763.0)      | (\$275.0)   | \$453.9                       | (\$47.4)       | \$406.5     |
| 767-400   | \$2,859.8                       | (\$2,043.4)    | \$816.5     | \$2,805.0                     | (\$795.8)      | \$2,009.3   |
| 777-200   | (\$6,489.9)                     | \$3,379.8      | (\$3,110.1) | (\$6,580.9)                   | \$1,736.9      | (\$4,844.0) |
| TOTAL     | (\$658.0)                       | (\$8,688.4)    | (\$9,346.5) | (\$1,123.8)                   | (\$3,398.9)    | (\$4,522.8) |



PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

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

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

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

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

directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

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

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

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

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

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

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

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

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

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

The Company maintains directors' and officers' liability insurance.

ITEM 21. EXHIBITS.

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

ITEM 22. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

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

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

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

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

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

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

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

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

annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on September 29, 2003.

CONTINENTAL AIRLINES, INC.

By: /s/ JENNIFER L. VOGEL

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

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated, on September 29, 2003.

SIGNATURE  
TITLE -----

-----  
\* Chairman  
of the  
Board,  
Chief  
Executive  
Officer - -

-----  
-----  
-----  
-----  
-----  
(Principal  
Executive  
Officer)  
and  
Director  
Gordon M.  
Bethune \*  
President,  
Chief  
Operating  
Officer and  
Director -

-----  
-----  
-----  
Lawrence W.  
Kellner \*  
Senior Vice  
President  
and Chief  
Financial  
Officer - -

-----  
-----  
-----  
(Principal  
Financial  
Officer)  
Jeffrey J.  
Misner \*  
Vice  
President  
and  
Controller

-----  
-----  
-----  
(Principal  
Accounting  
Officer)  
Chris Kenny  
\* Director

-----  
-----  
-----  
Thomas J.  
Barrack,  
Jr. \*  
Director -

David  
Bonderman \*  
Director -  
-----  
-----  
-----  
-----  
-----  
Kirbyjon  
Caldwell \*  
Director -  
-----  
-----  
-----  
-----  
-----  
Patrick  
Foley \*  
Director -  
-----  
-----  
-----  
-----  
-----  
Douglas H.  
McCorkindale  
Director -  
-----  
-----  
-----  
-----  
-----  
Henry L.  
Meyer III

SIGNATURE

TITLE --

-----

----- \*

Director

-----

-----

-----

-----

-----

-----

George

G.C.

Parker \*

Director

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

Jennifer

L. Vogel

Attorney-

in-Fact

EXHIBIT INDEX

| EXHIBIT<br>NUMBER<br>EXHIBIT<br>DESCRIPTION  |
|--|
| -----<br>----- 4.1<br>Amended and<br>Restated<br>Indenture,<br>dated as of<br>May 9, 2003,<br>among<br>Continental<br>Airlines,<br>Inc.,<br>Wilmington<br>Trust<br>Company, as<br>Trustee,<br>Morgan<br>Stanley<br>Capital<br>Services<br>Inc., as<br>Liquidity<br>Provider,<br>and MBIA<br>Insurance<br>Corporation,<br>as Policy<br>Provider,<br>made with<br>respect to<br>the issuance<br>of Floating<br>Rate Secured<br>Notes due<br>2007 and the<br>Floating<br>Rate Secured<br>Subordinated<br>Notes due<br>2007<br>(incorporated<br>by reference<br>to Exhibit<br>4.1 to<br>Continental<br>Airlines,<br>Inc.'s<br>Registration<br>Statement on<br>Form S-4<br>(File No.<br>333-104689)<br>(the "April<br>2003 S-4")) |
| 4.2 Form of<br>Exchange<br>Floating<br>Rate Secured<br>Subordinated<br>Note Due<br>2007<br>(included in<br>Exhibit 4.1)  |
| 4.3<br>Collateral<br>Maintenance<br>Agreement,<br>dated as of<br>December 6,<br>2002,<br>between<br>Continental<br>Airlines,<br>Inc. and<br>MBIA<br>Insurance<br>Corporation<br>(incorporated<br>by reference<br>to Exhibit<br>4.3 to the<br>April 2003<br>S-4)  |
| 4.4<br>Amendment<br>No. 1 to<br>Collateral<br>Maintenance<br>Agreement,<br>dated as of   |



May 9, 2003,  
between  
Continental  
Airlines,  
Inc. and  
MBIA  
Insurance  
Corporation  
(incorporated  
by reference  
to Exhibit  
4.11 to the  
April 2003  
S-4) 4.5  
Spare Parts  
Security  
Agreement,  
dated as of  
December 6,  
2002,  
between  
Continental  
Airlines,  
Inc. and  
Wilmington  
Trust  
Company, as  
Security  
Agent  
(incorporated  
by reference  
to Exhibit  
4.4 to the  
April 2003  
S-4) 4.6  
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  
(incorporated  
by reference  
to Exhibit  
4.12 to the  
April 2003  
S-4) 4.7  
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  
(incorporated  
by reference  
to Exhibit  
4.5 to the  
April 2003  
S-4) 4.8  
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  
(incorporated  
by reference  
to Exhibit  
4.13 to the  
April 2003  
S-4) 4.9  
Revolving  
Credit  
Agreement,  
dated as of  
December 6,  
2002,  
between  
Wilmington  
Trust  
Company, as  
Trustee, and  
Morgan  
Stanley  
Capital  
Services  
Inc., as  
Liquidity  
Provider  
(incorporated  
by reference  
to Exhibit  
4.6 to the  
April 2003  
S-4) 4.10  
Guarantee  
Agreement,  
dated as of  
December 6,  
2002, by  
Morgan  
Stanley,  
relating to  
the  
Revolving  
Credit  
Agreement  
(incorporated  
by reference  
to Exhibit  
4.7 to the  
April 2003  
S-4) 4.11  
Financial  
Guarantee  
Insurance  
Policy  
#39753 of  
MBIA  
Insurance  
Corporation  
(incorporated  
by reference  
to Exhibit  
4.8 to the  
April 2003  
S-4) 4.12  
Exchange and  
Registration  
Rights  
Agreement,  
dated as of  
May 9, 2003,  
between  
Continental  
Airlines,  
Inc. and  
Morgan  
Stanley &  
Co.  
Incorporated  
4.13  
Purchase  
Agreement,  
dated as of  
May 2, 2003,  
between  
Continental  
Airlines,  
Inc. and  
Morgan  
Stanley &  
Co.  
Incorporated,  
as Initial  
Purchaser  
5.1 Opinion  
of Hughes  
Hubbard &  
Reed LLP

relating to  
validity of  
the New  
Subordinated  
Notes 12.1  
Computation  
of Ratio of  
Earnings to  
Fixed  
Charges 23.1  
Consent of  
Ernst &  
Young LLP  
23.2 Consent  
of Hughes  
Hubbard &  
Reed LLP  
(included in  
its opinion  
filed as  
exhibit 5.1)  
23.3 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  
Subordinated  
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

=====

Exchange and Registration Rights Agreement

Dated as of May 9, 2003

between

Continental Airlines, Inc.

and

Morgan Stanley & Co. Incorporated.

Continental Airlines  
Floating Rate Secured Subordinated Notes due 2007

=====

EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

THIS EXCHANGE AND REGISTRATION RIGHTS AGREEMENT (the "AGREEMENT") is made and entered into as of May 9, 2003, between Continental Airlines, Inc., a Delaware corporation (the "COMPANY"), and Morgan Stanley & Co. Incorporated (the "INITIAL PURCHASER").

This Agreement is made pursuant to the Purchase Agreement dated May 2, 2003 between the Company and the Initial Purchaser (the "PURCHASE AGREEMENT"), which provides that the Company will issue and sell an aggregate of \$100,000,000 principal amount of Floating Rate Secured Subordinated Notes due 2007 (the "INITIAL SECURITIES"). In order to induce the Initial Purchaser to enter into the Purchase Agreement, the Company has agreed to provide to the Initial Purchaser and its successors, assigns and direct and indirect transferees the exchange and registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. DEFINITIONS. The definitions set forth in this Agreement shall apply equally to both singular and plural forms of the terms defined. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"1933 ACT" shall mean the Securities Act of 1933, as amended from time to time.

"1934 ACT" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"AGREEMENT" shall have the meaning set forth in the preamble of this Agreement.

"BUSINESS DAY" shall mean any day on which the New York Stock Exchange, Inc. is open for trading and banks in The City of New York are open for business; references to "day" shall mean a calendar day.

"CLOSING DATE" shall mean the Closing Date as defined in the Purchase Agreement.

"COMPANY" shall have the meaning set forth in the preamble of this Agreement and shall include the Company's successors.

"DTC" shall mean the Depository Trust Company or any other depository appointed by the Company; PROVIDED, HOWEVER, that any such depository must have an address in the Borough of Manhattan, in The City of New York.

"EXCHANGE OFFER" shall mean the exchange offer by the Company of Exchange Securities for Registrable Securities pursuant to Section 2(a) hereof.

"EXCHANGE OFFER REGISTRATION" shall mean a registration under the 1933 Act effected pursuant to Section 2(a) hereof.

"EXCHANGE OFFER REGISTRATION STATEMENT" shall mean a Registration Statement on Form S-4 (or, if applicable, on another appropriate form) filed with the SEC pursuant to Section 2(a) hereof, and all amendments and supplements to such Registration Statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"EXCHANGE SECURITIES" shall mean the securities issued under the Indenture and otherwise containing terms identical in all material respects to the Initial Securities (except that, with respect to the Exchange Securities, (i) interest thereon shall accrue as set forth in Section 2(a) hereof, (ii) the transfer restrictions thereon shall be eliminated, (iii) certain provisions relating to an increase in the stated rate of interest thereon shall be eliminated and (iv) such Exchange Securities shall initially be available only in book-entry form) to be offered to Holders of Initial Securities in exchange for Initial Securities pursuant to the Exchange Offer.

"HOLDER INFORMATION" shall have the meaning set forth in Section 5(a) of this Agreement.

"HOLDERS" shall mean the Initial Purchaser, for so long as it owns any Registrable Securities, and its successors, assigns and direct and indirect transferees who become registered owners of Registrable Securities under the Indenture; PROVIDED that for purposes of Section 5 hereof, the term "Holder" shall include Participating Broker-Dealers.

"INDENTURE" shall mean the Amended and Restated Indenture dated as of May 9, 2003, among (i) the Company, (ii) the Trustee, (iii) the Liquidity Provider and (iv) the Policy Provider under which the Initial Securities are issued, as amended from time to time in accordance with the provisions thereof.

"INITIAL PURCHASER" shall have the meaning set forth in the preamble of this Agreement.

"INITIAL SECURITIES" shall have the meaning set forth in the preamble of this Agreement.

"LIQUIDITY PROVIDER" shall have the meaning set forth in the Indenture.

"MAJORITY HOLDERS" shall mean the Holders of a majority of the aggregate principal amount of outstanding Registrable Securities; PROVIDED that whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or any of its "affiliates" (as such term is defined in Rule 405 under the 1933 Act) (other than the Initial Purchaser

or subsequent holders of Registrable Securities if such subsequent holders are deemed to be affiliates solely by reason of their holding of such Registrable Securities) shall be disregarded in determining whether such consent or approval was given by the Holders of such required percentage or amount.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"PARTICIPATING BROKER-DEALER" shall have the meaning set forth in Section 3(f) hereof.

"PERSON" shall mean an individual, partnership, limited liability company, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"POLICY PROVIDER" shall have the meaning set forth in the Indenture.

"PROSPECTUS" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"PURCHASE AGREEMENT" shall have the meaning set forth in the preamble of this Agreement.

"REGISTRABLE SECURITIES" shall mean the Initial Securities; PROVIDED, HOWEVER, that the Initial Securities shall cease to be Registrable Securities when (i) a Shelf Registration Statement with respect to such Initial Securities shall have been declared effective under the 1933 Act and such Initial Securities shall have been disposed of pursuant to such Shelf Registration Statement, (ii) such Initial Securities shall have been sold to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the 1933 Act or may then be sold to the public pursuant to paragraph (k) of said Rule 144 (or any similar provision then in force) by Holders other than "affiliates" or former "affiliates" (as such term is defined in paragraph (a) of Rule 144) of the Company, (iii) such Initial Securities shall have ceased to be outstanding or (iv) such Initial Securities have been exchanged for Exchange Securities upon consummation of the Exchange Offer.

"REGISTRATION DEFAULT" shall have the meaning set forth in Section 2(b) hereof.

"REGISTRATION EVENT" shall mean the declaration of the effectiveness by the SEC of an Exchange Offer Registration Statement or a Shelf Registration Statement.

"REGISTRATION EXPENSES" shall mean any and all expenses incident to performance of or compliance by the Company with this Agreement, including without limitation: (i) all SEC, stock exchange or NASD registration and filing fees, (ii) all fees and expenses incurred in connection with compliance with state or other securities or blue sky laws and compliance with the rules of the NASD (including reasonable fees and disbursements of counsel for any underwriters or Holders in connection with state or other securities or blue sky qualification of any of the Exchange Securities or Registrable Securities), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, (iv) all fees charged by rating agencies for rating the Initial Securities or the Exchange Securities at the Company's request (including annual surveillance fees related to the Initial Securities or the Exchange Securities as long as they are outstanding), (v) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Securities on any securities exchange or exchanges, (vi) all fees and disbursements relating to the qualification of the Indenture under applicable securities laws, (vii) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, (viii) the fees and expenses of the Trustee, including its counsel, and any custodian, and (ix) any reasonable fees and disbursements of the underwriters, if any, and the reasonable fees and expenses of any special experts retained by the Company in connection with any Registration Statement, in each case as are customarily required to be paid by issuers or sellers of securities, but excluding fees of counsel to the underwriters or the Holders and underwriting discounts and commissions and transfer taxes, if any relating to the sale or disposition of Registrable Securities by a Holder.

"REGISTRATION STATEMENT" shall mean any registration statement of the Company which covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"SEC" shall mean the Securities and Exchange Commission, as from time to time constituted or created under the 1934 Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties on such date.

"SHELF REGISTRATION" shall mean a registration under the 1933 Act effected pursuant to Section 2(b) hereof.

"SHELF REGISTRATION STATEMENT" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2(b) hereof which covers some or all of



the Registrable Securities on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"STAFF" shall mean the Staff of the Division of Corporation Finance of the SEC.

"TIA" shall have the meaning set forth in Section 3(1) hereof.

"TRUSTEE" shall mean the trustee under the Indenture.

2. REGISTRATION UNDER THE 1933 ACT. (a) EXCHANGE OFFER REGISTRATION.

To the extent not prohibited by any applicable law or applicable interpretation of the Staff, the Company shall use its best efforts (A) to file with the SEC within 120 days after the Closing Date an Exchange Offer Registration Statement covering the offer by the Company to the Holders to exchange all of the Registrable Securities for Exchange Securities, (B) to cause such Exchange Offer Registration Statement to be declared effective by the SEC within 180 days after the Closing Date, (C) to cause such Registration Statement to remain effective until the closing of the Exchange Offer and (D) to consummate the Exchange Offer within 210 days after the Closing Date. Upon the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Holder (other than Participating Broker-Dealers) eligible and electing to exchange Registrable Securities for Exchange Securities (assuming that such Holder is not an affiliate of the Company within the meaning of Rule 405 under the 1933 Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements or understandings with any person to participate in the Exchange Offer for the purpose of distributing the Exchange Securities) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the 1933 Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

In connection with the Exchange Offer, the Company shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Exchange Offer open for not less than 30 days after the date notice thereof is mailed to the Holders (or longer if required by applicable law);

(iii) use the services of DTC for the Exchange Offer with respect to Initial Securities evidenced by global certificates;

(iv) permit Holders to withdraw tendered Registrable Securities at any time prior to the close of business, New York City time, on the last Business Day on which the Exchange Offer shall remain open, by sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable Securities delivered for exchange, and a statement that such Holder is withdrawing its election to have such Registrable Securities exchanged;

(v) use its best efforts to ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that in no such case shall the Company be responsible for the Holder Information included in the Exchange Offer Registration Statement, any Prospectus forming a part thereof, or any amendment or supplement thereto, as the case may be; and

(vi) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

As soon as practicable after the close of the Exchange Offer, the Company shall:

(i) accept for exchange Registrable Securities duly tendered and not validly withdrawn pursuant to the Exchange Offer in accordance with the terms of the Exchange Offer Registration Statement and the letter of transmittal which is an exhibit thereto;

(ii) cancel or cause to be canceled all Registrable Securities so accepted for exchange by the Company; and

(iii) promptly cause to be authenticated and delivered Exchange Securities to each Holder of Registrable Securities equal in amount to the Registrable Securities of such Holder so accepted for exchange.

Interest on each Exchange Security will accrue from the last date on which interest was paid on the Registrable Securities surrendered in exchange therefor or, if no interest has been paid on the Registrable Securities, from the Closing Date. The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer, or the making of any exchange by a Holder, does not violate applicable law or any applicable interpretation of the Staff. Each Holder of Registrable Securities (other than Participating Broker-Dealers) who wishes to exchange such Registrable Securities for Exchange Securities in the Exchange Offer

shall represent that (i) it is not an "affiliate" of the Company within the meaning of Rule 405 under the 1933 Act, (ii) any Exchange Securities to be received by it were acquired in the ordinary course of business and (iii) it has no arrangement with any Person to participate in the distribution (within the meaning of the 1933 Act) of the Exchange Securities.

(b) SHELF REGISTRATION. (i) If, because of any change in law or applicable interpretations thereof by the Staff, the Company is not permitted to effect the Exchange Offer as contemplated by Section 2(a) hereof, or (ii) if for any other reason the Exchange Offer Registration Statement is not declared effective within 180 days after the Closing Date or the Exchange Offer is not consummated within 210 days after the Closing Date (a "REGISTRATION DEFAULT"), or (iii) if any Holder (other than the Initial Purchaser) is not eligible to participate in the Exchange Offer or (iv) upon the request of the Initial Purchaser (with respect to any Registrable Securities which it acquired directly from the Company) following the consummation of the Exchange Offer if the Initial Purchaser shall hold Registrable Securities which it acquired directly from the Company and if the Initial Purchaser is not permitted, in the opinion of counsel to the Initial Purchaser, pursuant to applicable law or applicable interpretation of the Staff to participate in the Exchange Offer, the Company shall, at its cost:

(A) as promptly as practicable, file with the SEC a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by the Majority Holders of such Registrable Securities and set forth in such Shelf Registration Statement, and use its best efforts to cause such Shelf Registration Statement to be declared effective by the SEC by the 180th day after the Closing Date (or promptly in the event of a request by any Holder pursuant to clause (iii) above or the Initial Purchaser pursuant to clause (iv) above). In the event that the Company is required to file a Shelf Registration Statement upon the request of any Holder (other than the Initial Purchaser) not eligible to participate in the Exchange Offer pursuant to clause (iii) above or upon the request of the Initial Purchaser pursuant to clause (iv) above, the Company shall file and have declared effective by the SEC both an Exchange Offer Registration Statement pursuant to Section 2(a) hereof with respect to all Registrable Securities and a Shelf Registration Statement (which may be a combined Registration Statement with the Exchange Offer Registration Statement) with respect to offers and sales of Registrable Securities held by such Holder or the Initial Purchaser after completion of the Exchange Offer. If the Company files a Shelf Registration Statement pursuant to Section 2(b)(i) or (ii) hereof, the Company will no longer be required to effect the Exchange Offer;

(B) use its best efforts to keep the Shelf Registration Statement continuously effective, in order to permit the Prospectus forming part thereof to be usable by Holders, until the end of the period referred to in Rule 144(k) (or one year from the Closing Date if such Shelf Registration Statement is filed upon the request of the Initial Purchaser pursuant to clause (iv) above) or such shorter period as shall end when all of the Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement; and

(C) notwithstanding any other provisions hereof, use its best efforts to ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that in no such case shall the Company be responsible for the Holder Information included in the Shelf Offer Registration Statement, any Prospectus forming a part thereof, or any amendment or supplement thereto, as the case may be.

The Company further agrees, if necessary, to supplement or amend the Shelf Registration Statement if reasonably requested by the Majority Holders with respect to information relating to the Holders and otherwise as required by Section 3(b) hereof, to use all reasonable efforts to cause any such amendment to become effective and such Shelf Registration Statement to become usable as soon as practicable thereafter and to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC.

The Company shall be allowed a period of five days, beginning on the first day a Registration Default occurs, to cure such Registration Default before the Company will be required to comply with the requirements of Section 2(b) hereof.

(c) EXPENSES. The Company shall pay all Registration Expenses in connection with the registration pursuant to Section 2(a) or 2(b) hereof and, in the case of any Shelf Registration Statement, will reimburse the Holders or the Initial Purchaser for the reasonable fees and disbursements of one firm or counsel designated in writing by the Majority Holders to act as counsel for the Holders of the Registrable Securities in connection therewith. Each Holder shall pay all expenses of its counsel, other than as set forth in the preceding sentence, underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.

(d) EFFECTIVE REGISTRATION STATEMENT. (i) The Company will be deemed not to have used its best efforts to cause the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, to become, or to remain, effective during the requisite period if the Company voluntarily takes any action that would result in any such Registration Statement not being declared effective or in the Holders of Registrable Securities covered thereby not being able to exchange or offer and sell such Registrable Securities during that period unless (A) such action is required by applicable law or (B) such action is taken by the

Company in good faith and for valid business reasons (not including avoidance of the Company's obligations hereunder), including, without limitation, the acquisition or divestiture of assets, so long as the Company promptly complies with the requirements of Section 3(j) hereof, if applicable.

(ii) An Exchange Offer Registration Statement pursuant to Section 2(a) hereof or a Shelf Registration Statement pursuant to Section 2(b) hereof will not be deemed to have become effective unless it has been declared effective by the SEC; PROVIDED, HOWEVER, that if, after it has been declared effective, the offering of Registrable Securities pursuant to a Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume.

(e) INCREASE IN INTEREST RATE. In the event that no Registration Event has occurred on or prior to the 210th day after the Closing Date, the interest rate per annum payable in respect of the Initial Securities shall be increased by 0.50%, effective from and including such 210th day to but excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which there cease to be any Registrable Securities. In the event that the Shelf Registration Statement (if it is filed), after it is declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) hereof for more than 60 days, whether or not consecutive, during any 12-month period, the interest rate payable in respect of the Initial Securities shall be increased by 0.50% per annum from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective until such time as the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) hereof).

3. REGISTRATION PROCEDURES. In connection with the obligations of the Company with respect to the Registration Statements pursuant to Sections 2(a) and 2(b) hereof, the Company shall:

(a) prepare and file with the SEC a Registration Statement, within the time period specified in Section 2 hereof, on the appropriate form under the 1933 Act, which form (i) shall be selected by the Company, (ii) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the selling Holders thereof and (iii) shall comply as to form in all material respects with the requirements of the applicable form;

(b) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period; cause each Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the 1933 Act;

(c) in the case of a Shelf Registration, (i) notify each Holder of Registrable Securities when a Shelf Registration Statement with respect to the Registrable Securities has been filed and advise such Holders that the distribution of Registrable Securities will be made in accordance with the method elected by the Majority Holders; (ii) furnish to each Holder of Registrable Securities included within the coverage of the Shelf Registration Statement at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all reports, other documents and exhibits (including those incorporated by reference) at the expense of the Company; (iii) furnish to each Holder of Registrable Securities included within the coverage of the Shelf Registration Statement, to counsel for the Holders and to each underwriter of an underwritten offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto as such Holder or underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities; and (iv) subject to the last paragraph of Section 3 hereof, consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Registrable Securities included in the Shelf Registration Statement in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto;

(d) use its best efforts to register or qualify the Registrable Securities or cooperate with the Holders of Registrable Securities and their counsel in the registration or qualification of such Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder of Registrable Securities covered by a Registration Statement and each underwriter of an underwritten offering of Registrable Securities shall reasonably request in writing to cooperate with the Holders in connection with any filings required to be made with the NASD, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holders to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holders; PROVIDED, HOWEVER, that in no event shall the Company be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d) or (ii) take any action which would subject it to general service of process or taxation in any such jurisdiction if it is not then so subject;

(e) in the case of a Shelf Registration, notify each Holder of Registrable Securities promptly and, if requested by such Holder or its counsel, confirm such advice in writing promptly (i) when a Shelf Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for post-effective amendments and supplements to a Shelf Registration Statement and Prospectus or for additional information after the Shelf Registration Statement has become effective, (iii) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of a Shelf Registration Statement or the initiation of any proceedings for that purpose, (iv) at the closing of any sale of Registrable Securities if, between the

effective date of a Shelf Registration Statement and such closing, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to such offering cease to be true and correct in all material respects, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (vi) of the happening of any material event or the discovery of any material facts during the period a Shelf Registration Statement is effective which makes any statement made in such Registration Statement or the related Prospectus untrue or which requires the making of any changes in such Registration Statement or Prospectus in order to make the statements therein (in the case of the Prospectus in the light of the circumstances under which they were made) not misleading and (vii) of any determination by the Company that a post-effective amendment to a Registration Statement would be appropriate;

(f) (A) in the case of the Exchange Offer, (i) include in the Exchange Offer Registration Statement a "Plan of Distribution" section covering the use of the Prospectus included in the Exchange Offer Registration Statement by broker-dealers who have exchanged their Registrable Securities for Exchange Securities for the resale of such Exchange Securities, (ii) furnish to each broker-dealer who desires to participate in the Exchange Offer, without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such broker-dealer may reasonably request, (iii) include in the Exchange Offer Registration Statement a statement that any broker-dealer who holds Registrable Securities acquired for its own account as a result of market-making activities or other trading activities (a "PARTICIPATING BROKER-DEALER"), and who receives Exchange Securities for Registrable Securities pursuant to the Exchange Offer, may be a statutory underwriter and must deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities, (iv) subject to the last paragraph of Section 3 hereof, hereby consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto, by any broker-dealer in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto, and (v) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) the following provision:

"If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Registrable Securities, it represents that the Registrable Securities to be exchanged for Exchange Securities were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities pursuant to the

Exchange Offer; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the 1933 Act"; and

(y) a statement to the effect that a broker-dealer making the acknowledgment described in subclause (x) and by delivering a Prospectus in connection with the exchange of Registrable Securities, the broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the 1933 Act;

(B) to the extent any Participating Broker-Dealer participates in the Exchange Offer, use its best efforts to cause to be delivered at the request of an entity representing the Participating Broker-Dealers (which entity shall be the Initial Purchaser, unless it elects not to act as such representative) only one, if any, "cold comfort" letter with respect to the Prospectus in the form existing on the last date for which exchanges are accepted pursuant to the Exchange Offer and with respect to each subsequent amendment or supplement, if any, effected during the period specified in clause (C) below;

(C) to the extent any Participating Broker-Dealer participates in the Exchange Offer, use its best efforts to maintain the effectiveness of the Exchange Offer Registration Statement for the 180-day period specified in clause (D) below; and

(D) not be required to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement as would otherwise be contemplated by Section 3(b) hereof, or take any other action as a result of this Section 3(f), for a period exceeding 180 days after the last date for which exchanges are accepted pursuant to the Exchange Offer (as such period may be extended by the Company) and Participating Broker-Dealers shall not be authorized by the Company to, and shall not, deliver such Prospectus after such period in connection with resales contemplated by this Section 3;

(g) (i) in the case of an Exchange Offer, furnish counsel for the Initial Purchaser and (ii) in the case of a Shelf Registration, furnish counsel for the Holders of Registrable Securities copies of any request by the SEC or any state securities authority for amendments or supplements to a Registration Statement and Prospectus or for additional information;

(h) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement as soon as practicable and provide immediate notice to each Holder of the withdrawal of any such order;

(i) unless any Registrable Securities are in book entry form only, in the case of a Shelf Registration, cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold free from any restrictive legends; and cause such Registrable Securities to be in such denominations (consistent with the provisions of the Indenture)



and registered in such names as the selling Holders or the underwriters, if any, may reasonably request at least one Business Day prior to the closing of any sale of Registrable Securities;

(j) in the case of a Shelf Registration, upon the occurrence of any event or the discovery of any facts, each as contemplated by Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, use its best efforts to prepare a post-effective amendment to a Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, such Prospectus will not contain at the time of such delivery any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company agrees to notify each Holder to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event, and each Holder hereby agrees to suspend use of the Prospectus as promptly as practicable upon receipt of such notice until the Company has amended or supplemented the Prospectus to correct such misstatement or omission, PROVIDED that the Company shall cause such suspension not to last more than 30 days per occurrence or more than 60 days in aggregate in a calendar year. At such time as such public disclosure is otherwise made or the Company determines that such disclosure is not necessary, in each case to correct any misstatement of a material fact or to include any omitted material fact, the Company agrees promptly to notify each Holder of such determination and to furnish each Holder such numbers of copies of the Prospectus, as amended or supplemented, as such Holder may reasonably request;

(k) obtain a CUSIP number for all Exchange Securities, or Registrable Securities, as the case may be, not later than the effective date of an Exchange Offer Registration Statement or Shelf Registration Statement, as the case may be, and provide the Trustee with printed certificates evidencing the Exchange Securities or the Registrable Securities, as the case may be, held in book entry form, in a form eligible for deposit with DTC;

(l) (i) cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (the "TIA"), in connection with the registration of the Exchange Securities, or Registrable Securities, as the case may be, (ii) cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and (iii) execute, and use its best efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(m) in the case of a Shelf Registration, enter into such customary agreements (including underwriting agreements in customary form) and take all other customary and appropriate actions (including those reasonably requested by the Holders of a majority in principal amount of Registrable Securities being sold) in order to expedite or facilitate the disposition of such Registrable Securities and in such connection whether or not an

underwriting agreement is entered into and whether or not the registration is an underwritten registration:

(i) make such representations and warranties to the Holders of such Registrable Securities and the underwriters, if any, in form, substance and scope as are customarily made by the Company to underwriters in similar underwritten offerings as may be reasonably requested by them;

(ii) obtain opinions of counsel to the Company (who may be the general counsel of the Company) and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, or if there are no such managing underwriters, to the Holders of a majority in principal amount of the Registrable Securities being sold) addressed to each selling Holder and the underwriters, if any, covering the matters customarily covered in opinions requested in sales of securities or underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters;

(iii) obtain a "cold comfort" letter and updates thereof from the Company's independent certified public accountants addressed to the underwriters, if any, and use its best efforts to have such letter addressed to the selling Holders of Registrable Securities, such letter to be in customary form and covering such matters of the type customarily covered in "cold comfort" letters in connection with similar underwritten offerings as the Holders of a majority in principal amount of the Registrable Securities being sold shall request;

(iv) enter into a securities sales agreement with the Holders and an agent of the Holders providing for, among other things, the appointment of such agent for the selling Holders for the purpose of soliciting purchases of Registrable Securities, which agreement shall be in form, substance and scope customary for similar offerings;

(v) if an underwriting agreement is entered into, cause the same to set forth indemnification provisions and procedures substantially equivalent to the indemnification provisions and procedures set forth in Section 5 hereof with respect to all parties to be indemnified pursuant to said Section; and

(vi) deliver such other documents and certificates as may be reasonably requested by Holders of a majority in principal amount of Registrable Securities being sold and as are customarily delivered in similar offerings.

The above shall be done at (i) the effectiveness of such Registration Statement (and, if appropriate, each post-effective amendment thereto) if appropriate in connection with any particular disposition of Registrable Securities and (ii) each closing under any underwriting or similar agreement as and to the extent required thereunder. In the case of

any underwritten offering, the Company shall provide written notice to the Holders of all Registrable Securities of such underwritten offering at least 30 days prior to the filing of a prospectus supplement for such underwritten offering. Such notice shall (x) offer each such Holder the right to participate in such underwritten offering, (y) specify a date, which shall be no earlier than 10 days following the date of such notice, by which such Holder must inform the Company of its intent to participate in such underwritten offering and (z) include the instructions such Holder must follow in order to participate in such underwritten offering;

(n) in the case of a Shelf Registration, make available for inspection by representatives of the Holders of the Registrable Securities and any underwriters participating in any disposition pursuant to a Shelf Registration Statement and any counsel or accountant retained by such Holders or underwriters, all financial and other records, pertinent corporate documents and properties of the Company reasonably requested by it, and cause the respective officers, directors, employees, and any other agents of the Company to make reasonably available all relevant information reasonably requested by any such representative, underwriter, counsel or accountant in connection with a Registration Statement, in each case as is customary for similar due diligence examinations; PROVIDED, HOWEVER, that any information that is designated in writing by the Company, in good faith, as confidential at the time of delivery of such information shall be kept confidential by such representatives, underwriters, counsel or accountant, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality; and PROVIDED FURTHER that the foregoing inspection and information gathering shall, to the extent reasonably possible, be coordinated on behalf of the Holders and the other parties entitled thereto by one counsel designated by and on behalf of such Holders and other parties;

(o) (i) a reasonable time prior to the filing of any Exchange Offer Registration Statement, any Prospectus forming a part thereof, any amendment to an Exchange Offer Registration Statement or amendment or supplement to a Prospectus, provide copies of such document to the Initial Purchaser, and use its best efforts to reflect in any such document when filed such comments as the Initial Purchaser or its counsel may reasonably request; (ii) in the case of a Shelf Registration, a reasonable time prior to filing any Shelf Registration Statement, any Prospectus forming a part thereof, any amendment to such Shelf Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Holders of Registrable Securities, to the Initial Purchaser, to counsel on behalf of the Holders and to the underwriter or underwriters of an underwritten offering of Registrable Securities, if any, and use its best efforts to reflect such comments in any such document when filed as the Holders of Registrable Securities, their counsel and any underwriter may reasonably request; and (iii) cause the representatives of the Company to be available for discussion of such document as shall be reasonably requested by the Holders of Registrable Securities, the Initial Purchaser on behalf of such Holders or any underwriter and shall not at any time make any filing of any such document of which such Holders, the Initial Purchaser on

behalf of such Holders, their counsel or any underwriter shall not have previously been advised and furnished a copy or to which such Holders, the Initial Purchaser on behalf of such Holders, their counsel or any underwriter shall reasonably object;

(p) in the case of a Shelf Registration, use its best efforts to cause the Registrable Securities to be rated with the appropriate rating agency at the time of effectiveness of such Shelf Registration Statement, unless the Registrable Securities are already so rated; and

(q) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC and make generally available to its security holders, as soon as reasonably practicable after the effective date of a Registration Statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder.

In the case of a Shelf Registration Statement, the Company may (as a condition to such Holder's participation in the Shelf Registration) require each Holder of Registrable Securities to furnish to the Company such information regarding such Holder and the proposed distribution by such Holder of such Registrable Securities as the Company may from time to time reasonably request and the Company may exclude from such registration the Registrable Securities of any Holder that fails to furnish such information within a reasonable time after receiving such request.

In the case of a Shelf Registration Statement, each Holder agrees that, upon receipt of any notice from the Company of the happening of any event or the discovery of any facts, each of the kind described in Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, such Holder will forthwith discontinue disposition of Registrable Securities pursuant to such Shelf Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(j) hereof, and, if so directed by the Company, such Holder will deliver to the Company (at the Company's expense) all copies in its possession other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. If the Company shall give any such notice to suspend the disposition of Registrable Securities pursuant to a Shelf Registration Statement as a result of the happening of any event or the discovery of any facts, each of the kind described in Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, the Company shall be deemed to have used its best efforts to keep the Shelf Registration Statement effective during such period of suspension provided that the Company shall use its best efforts to file and have declared effective (if an amendment) as soon as practicable an amendment or supplement to the Shelf Registration Statement and shall extend the period during which the Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the Holders shall have received copies of the supplemented or amended Prospectus necessary to resume such dispositions.

4. UNDERWRITTEN OFFERING. The Holders of Registrable Securities covered by a Shelf Registration Statement who desire to do so may sell such Registrable Securities in an underwritten offering. In any such underwritten offering, the investment banker or bankers and manager or managers that will administer the offering will be selected by, and the underwriting arrangements with respect thereto will be approved by, the Holders of a majority of the Registrable Securities to be included in such offering; PROVIDED, HOWEVER, that (i) such investment bankers and managers and underwriting arrangements must be reasonably satisfactory to the Company and (ii) the Company shall not be obligated to arrange for more than one underwritten offering during the period such Shelf Registration Statement is required to be effective pursuant to Section 2(b)(B) hereof. No Holder may participate in any underwritten offering contemplated hereby unless such Holder (a) agrees to sell such Holder's Registrable Securities in accordance with any approved underwriting arrangements, (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such approved underwriting arrangements and (c) at least 20% of the outstanding Registrable Securities are included in such underwritten offering. The Holders participating in any underwritten offering shall be responsible for any expenses customarily borne by selling securityholders, including underwriting discounts and commissions and fees and expenses of counsel to the selling securityholders.

5. INDEMNIFICATION AND CONTRIBUTION. (a) The Company agrees to indemnify and hold harmless each Holder and each Person, if any, who controls any such Holder within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, from and against all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any Holder or any such controlling Person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which Exchange Securities or Registrable Securities were registered under the 1933 Act, including all documents incorporated therein by reference, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or caused by any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (as amended or supplemented if the Company shall have furnished or filed with the Commission any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Holder furnished to the Company in writing by any selling Holder expressly for use therein ("HOLDER INFORMATION"); PROVIDED, HOWEVER, that the foregoing indemnity agreement with respect to any preliminary Prospectus shall not inure to the benefit of any Person from whom the Person asserting any such losses, claims, damages or liabilities purchased Registrable Securities, or any Person controlling such seller, if a copy of the final Prospectus (as then amended or supplemented if the Company shall have furnished or filed with the Commission any amendments or supplements thereto) was not sent or given by or on behalf of such seller to such purchaser with or prior to the written confirmation of the sale of the Registrable Securities to

such Person, and if the final Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities. In connection with any underwritten offering permitted by Section 4 hereof, the Company will also indemnify the underwriters participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the 1933 Act and the 1934 Act) to the same extent as provided above with respect to the indemnification of the Holders, if requested in connection with any Registration Statement.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company and the other selling Holders, and each of their respective directors, officers who sign the Registration Statement and each Person, if any, who controls the Company and any other selling Holder within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act to the same extent as the foregoing indemnity from the Company to the Holders, but only with reference to information relating to such Holder furnished to the Company in writing by such Holder expressly for use in any Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto).

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to either paragraph (a) or paragraph (b) above, such Person (the "INDEMNIFIED PARTY") shall promptly notify the Person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, or (iii) the indemnifying party shall have failed to retain counsel as required by the prior sentence to represent the indemnified party within a reasonable amount of time. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by (x) Morgan Stanley & Co. Incorporated, if Morgan Stanley & Co. Incorporated is a Holder at such time, or (y) otherwise, the Majority Holders in the case of parties indemnified pursuant to paragraph (a) above. Such firm shall be designated by the Company in the case of parties indemnified pursuant to paragraph (b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but, if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested

in writing an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this Section 5(c), the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 90 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party for such fees and expenses of counsel in accordance with such request prior to the date of such settlement, unless such fees and expenses are being disputed in good faith. The indemnifying party at any time may, subject to the last sentence of this Section 5(c), settle or compromise any proceeding described in this Section 5(c) at the expense of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which such indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (i) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) To the extent the indemnification provided for in paragraph (a) or paragraph (b) of this Section 5 is required to be made but is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities, then the applicable indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company and the Holders shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Holders' respective obligations to contribute pursuant to this Section 5(d) are several in proportion to the respective aggregate principal amount of Registrable Securities of such Holder that were registered pursuant to a Registration Statement, and not joint.

(e) The Company and each Holder agree that it would not be just or equitable if contribution pursuant to this Section 5 were determined by PRO RATA allocation or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5, no Holder shall be required to indemnify or contribute any amount in excess of the amount by which the total price at which Registrable Securities were sold by such Holder exceeds the amount of any damages that such

Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The indemnity and contribution provisions contained in this Section 5 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder or any Person controlling such Holder or by or on behalf of the Company, its officers or directors or any Person controlling the Company, (iii) acceptance of and payment for any of the Exchange Securities and (iv) any sale of Registrable Securities pursuant to a Shelf Registration Statement. The remedies provided for in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

6. MISCELLANEOUS. (a) RULE 144 AND RULE 144A. The Company covenants that (A) for so long as the Company is subject to the reporting requirements of Section 13 or 15 of the 1934 Act, it will file the reports required to be filed by it under Section 13(a) or 15(d) of the 1934 Act and the rules and regulations adopted by the SEC thereunder, and (B) if it ceases to be so required to file such reports, it will upon the request of any Holder of Registrable Securities (i) make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the 1933 Act, (ii) deliver such information to a prospective purchaser as is necessary to permit sales pursuant to Rule 144A under the 1933 Act and it will take such further action as any Holder of Registrable Securities may reasonably request, and (iii) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by (x) Rule 144 under the 1933 Act, as such Rule may be amended from time to time, (y) Rule 144A under the 1933 Act, as such Rule may be amended from time to time, or (z) any similar rules or regulations hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

(b) OTHER REGISTRATION RIGHTS. The Company may grant registration rights that would permit any Person the right to piggyback on any Shelf Registration Statement, PROVIDED that if the managing underwriter, if any, of an offering pursuant to such Shelf Registration Statement delivers an opinion of the selling Holders that the total amount of securities which they and the holders of such piggyback rights intend to include in any Shelf Registration Statement materially adversely affects the success of such offering (including the price at which such securities can be sold), then the amount, number or kind of securities to be offered for the account of holders of such piggyback rights will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount, number or kind recommended by such managing underwriter; and PROVIDED FURTHER that such piggyback registration rights shall in no event materially adversely affect the interests of any Holder.

(c) NO INCONSISTENT AGREEMENTS. The Company has not entered into nor will the Company on or after the date of this Agreement enter into any agreement which is



inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof.

(d) AMENDMENTS AND WAIVERS. Except as otherwise expressly permitted in the Indenture, the provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or consent to a departure; PROVIDED, HOWEVER, that no amendment, modification, supplement or waiver or consent to any departure from the provisions of Section 5 hereof shall be effective as against any Holder of Registrable Securities unless consented to in writing by such Holder.

(e) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (i) if to a Holder, at the most current address given by such Holder to the Company by means of a notice given in accordance with the provisions of this Section 6(e), which address initially is, with respect to the Initial Purchaser, the address set forth in the Purchase Agreement; and (ii) if to the Company, initially at the Company's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 6(e).

All such notices and communications shall be deemed to have been duly given; at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next Business Day if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the Person giving the same to the Trustee, at the address specified in the Indenture.

(f) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; PROVIDED that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) THIRD PARTY BENEFICIARIES. The Holders shall be third party beneficiaries to the agreements made hereunder and to the obligations of the Company hereunder and shall have the right to enforce such agreements and obligations directly to the extent any such Holder deems such enforcement necessary or advisable to protect its rights hereunder.

(h) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(i) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

(k) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) TERMINATION. This Agreement shall terminate and be of no further force or effect when there shall not be any Registrable Securities outstanding, except that the provisions of Sections 2(c), 2(e), 5, 6(g) and 6(j) hereof shall survive any such termination.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CONTINENTAL AIRLINES, INC.

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

Confirmed and accepted as of the date first above written:

MORGAN STANLEY & CO. INCORPORATED

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

CONTINENTAL AIRLINES, INC.

\$100,000,000

Floating Rate Secured Subordinated Notes due 2007

PURCHASE AGREEMENT

May 2, 2003

MORGAN STANLEY & CO. INCORPORATED  
1585 Broadway  
New York, New York 10036

Ladies and Gentlemen:

Continental Airlines, Inc., a Delaware corporation (the "COMPANY"), proposes to issue and sell to Morgan Stanley & Co. Incorporated (the "INITIAL PURCHASER") \$100,000,000 principal amount of its Floating Rate Secured Subordinated Notes due 2007 bearing interest at the rate of USD 3-Month LIBOR + 7.50% (the "OFFERED NOTES") to be issued pursuant to the provisions of an Amended and Restated Indenture to be dated as of the Closing Date (as defined below) (the "INDENTURE") among the Company, Wilmington Trust Company, as trustee (the "TRUSTEE"), Morgan Stanley Capital Services Inc., as Liquidity Provider (the "LIQUIDITY PROVIDER"), and MBIA Insurance Corporation, as Policy Provider (the "POLICY PROVIDER").

The holders of the Offered Notes will be entitled to the benefits of an Exchange and Registration Rights Agreement, in a form reasonably satisfactory to the Initial Purchaser to be dated as of the Closing Date (the "REGISTRATION RIGHTS AGREEMENT") between the Company and the Initial Purchaser, pursuant to which the Company will file a registration statement with the Securities and Exchange Commission (the "COMMISSION") registering the Exchange Securities referred to in such Registration Rights Agreement (the "EXCHANGE NOTES") or the Offered Notes under the Securities Act of 1933, as amended (the "SECURITIES ACT").

The Offered Notes will only be offered (A) in the case of offers inside the United States, to persons reasonably believed by the Initial Purchaser to be (1) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBS") in reliance on Rule 144A under the Securities Act or (2) not more than two institutional "accredited investors" (as defined

in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) ("INSTITUTIONAL ACCREDITED INVESTORS") that deliver a letter in the form annexed as Annex III to the Final Memorandum (as defined below) and (B) in the case of offers outside the United States, to persons other than U.S. persons (including dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust)) in accordance with Regulation S under the Securities Act ("REGULATION S").

In connection with the sale of the Offered Notes, the Company has prepared a preliminary offering memorandum dated April 24, 2003 (the "PRELIMINARY MEMORANDUM") and a final offering memorandum dated the date of this Agreement (the "FINAL MEMORANDUM" and, with the Preliminary Memorandum, each a "MEMORANDUM") including or incorporating by reference a description of the terms of the Offered Notes, the terms of the offering and a description of the Company. As used herein, the terms "Preliminary Memorandum", "Final Memorandum" and "Memorandum" shall include, in each case, the documents incorporated by reference therein. The terms "SUPPLEMENT", "AMENDMENT" and "AMEND" as used herein with respect to a Memorandum shall include all documents deemed to be incorporated by reference in such Memorandum that are filed subsequent to the date of such Memorandum with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT").

The Offered Notes and the Exchange Notes will be secured by a lien on the Collateral (as defined in the Indenture), which includes certain aircraft spare parts and related assets owned by the Company. The Offered Notes and the Exchange Notes will rank junior in right of payment to the Floating Rate Secured Notes due 2007 (the "SENIOR NOTES") previously issued by the Company, as well as amounts owed to the Policy Provider and the Liquidity Provider relating to the Senior Notes.

The holders of the Offered Notes and the Exchange Notes will be entitled to the benefits of the Spare Parts Security Agreement dated as of December 6, 2002 (the "ORIGINAL SECURITY AGREEMENT") between the Company and Wilmington Trust Company, as Security Agent (the "SECURITY AGENT"), as amended by Amendment No. 1 to Spare Parts Security Agreement to be dated as of the Closing Date ("AMENDMENT NO. 1 TO SECURITY AGREEMENT"; the Original Security Agreement as amended by Amendment No. 1 to Security Agreement, the "SECURITY AGREEMENT") between the Company and the Security Agent. The Policy Provider will be entitled to the benefits of the Collateral Maintenance Agreement dated as of December 6, 2002 (the "ORIGINAL COLLATERAL MAINTENANCE AGREEMENT") between the Company and the Policy Provider, as amended by Amendment No. 1 to Collateral Maintenance Agreement to be dated as of the Closing Date ("AMENDMENT NO. 1 TO COLLATERAL MAINTENANCE AGREEMENT"; the Original Collateral Maintenance Agreement as amended by Amendment No. 1 to Collateral Maintenance Agreement, the "COLLATERAL MAINTENANCE AGREEMENT") between the Company and the Policy Provider.

In addition, the Company, the Trustee and Wilmington Trust Company, as reference agent thereunder, have entered into a Reference Agency Agreement dated as of December 6, 2002 (the "ORIGINAL REFERENCE AGENCY AGREEMENT") 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. The Original Reference Agency Agreement, as amended by Amendment No. 1 to Reference Agency Agreement to be dated as of the Closing Date

("AMENDMENT NO. 1 TO REFERENCE AGENCY AGREEMENT"), shall be herein referred to as the "REFERENCE AGENCY AGREEMENT".

The Offered Notes and the Exchange Notes will not be entitled to the benefits of a liquidity facility or a financial guaranty insurance policy.

The Company understands that the Initial Purchaser proposes to make an offering of the Offered Notes on the terms, subject to the conditions and in the manner set forth in the Final Memorandum and Section 5 hereof, as soon as the Initial Purchaser deems advisable after this Agreement (as defined below) has been executed and delivered.

Capitalized terms used but not defined in this Purchase Agreement (the "AGREEMENT") shall have the meanings specified therefor in the Indenture. As used in this Agreement, the term "EXECUTION DOCUMENTS" shall mean the Indenture, Amendment No. 1 to Security Agreement, Amendment No. 1 to Collateral Maintenance Agreement, Amendment No. 1 to Reference Agency Agreement and the Registration Rights Agreement, and the term "OPERATIVE AGREEMENTS" shall mean the Execution Documents, the Reference Agency Agreement, the Collateral Maintenance Agreement and the Security Agreement.

1. REPRESENTATIONS AND WARRANTIES. (a) The Company represents and warrants to, and agrees with, the Initial Purchaser that:

(i) In connection with the sale of the Offered Notes, the Company has prepared the Preliminary Memorandum and the Final Memorandum. The Company hereby confirms that it has authorized the use of the Preliminary Memorandum in connection with the offer of the Offered Notes by the Initial Purchaser on and prior to the date of this Agreement and the Final Memorandum in connection with the offer and resale of the Offered Notes by the Initial Purchaser after the date of this Agreement. On the date of this Agreement, the Final Memorandum does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Final Memorandum based upon information furnished in writing by the Initial Purchaser to the Company expressly for use therein ("INITIAL PURCHASER INFORMATION").

(ii) The documents incorporated by reference in the Final Memorandum, at the time they were or hereafter, during the period mentioned in Section 4(a) hereof, are filed with the Commission, complied or will comply, as the case may be, in all material respects with the requirements of the Exchange Act.

(iii) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own, lease and operate its property and to conduct its business as described in the Final Memorandum; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the

failure to be so qualified would not have a material adverse effect on the condition (financial or otherwise), business, properties or results of operations of the Company and its consolidated subsidiaries taken as a whole (a "CONTINENTAL MATERIAL ADVERSE EFFECT").

(iv) Each of Continental Micronesia, Inc., Air Micronesia, Inc., ExpressJet Airlines, Inc., ExpressJet Holdings, Inc. and XJT Holdings, Inc. (together, the "SUBSIDIARIES") has been duly incorporated and is an existing corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Final Memorandum; and each Subsidiary is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not have a Continental Material Adverse Effect; all of the issued and outstanding capital stock of each Subsidiary has been duly authorized and validly issued and is fully paid and nonassessable; and, except as described in the Final Memorandum, each Subsidiary's capital stock owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects.

(v) Except as described in the Final Memorandum, the Company is not in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which it is a party or by which it may be bound or to which any of its properties may be subject, except for such defaults that would not have a Continental Material Adverse Effect. The execution and delivery of this Agreement, the Offered Notes, the Exchange Notes and the Execution Documents and the performance of this Agreement, the Offered Notes, the Exchange Notes and the Operative Agreements to which the Company is or will be a party, the consummation of the transactions contemplated herein and therein, the issuance and sale of the Offered Notes and the issuance and exchange of the Exchange Notes have been duly authorized by all necessary corporate action of the Company and will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance (other than any lien, charge or encumbrance created under any Operative Agreement) upon any property or assets of the Company pursuant to, any indenture, loan agreement, contract, mortgage, note, lease or other instrument to which the Company is a party or by which the Company may be bound or to which any of the property or assets of the Company is subject, which breach, default, lien, charge or encumbrance, individually or in the aggregate, would have a Continental Material Adverse Effect, nor will any such execution, delivery or performance result in any violation of the provisions of the charter or by-laws of the Company or any statute, rule, regulation or order of any governmental agency or body or any court having jurisdiction over the Company.

(vi) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required for the valid authorization, execution and delivery by the Company of this Agreement, the Offered Notes, the Exchange Notes and the Execution Documents to which it is or will be a party or for the

consummation of the transactions contemplated herein, therein and in the other Operative Agreements, except (x) such as may be required under the Securities Act, the Trust Indenture Act of 1939, as amended (the "TRUST INDENTURE ACT"), the securities or "blue sky" or similar laws of the various states and of foreign jurisdictions or rules and regulations of the National Association of Securities Dealers, Inc. ("NASD") in connection with the registration of the Offered Notes under the Securities Act pursuant to the Registration Rights Agreement, (y) filings or recordings with the Federal Aviation Administration (the "FAA") and under the UCC or other laws in effect in any applicable jurisdiction governing the perfection of security interests in the Collateral, which filings or recordings referred to in this clause (y) shall have been made, or duly presented for filing or recordation, or shall be in the process of being duly filed or filed for recordation, on or prior to the Closing Date and (z) the order of the Commission declaring the Exchange Offer Registration Statement or the Shelf Registration Statement effective.

(vii) This Agreement has been duly executed and delivered by the Company, and the Execution Documents to which the Company will be a party and the Offered Notes will be duly executed and delivered by the Company on or prior to the Closing Date, as the case may be, and the Exchange Notes will be duly executed and delivered by the Company on the date of their delivery as described in the Registration Rights Agreement.

(viii) The Operative Agreements, when the Execution Documents shall have been duly executed and delivered by the Company, assuming that the Operative Agreements have been duly authorized, executed and delivered by, and constitute the legal, valid and binding obligations of, each other party thereto, will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except (w) as enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, (x) as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and (y) with respect to indemnification and contribution provisions, as enforcement thereof may be limited by applicable law. The Operative Agreements will, upon execution and delivery of the Execution Documents, conform in all material respects to the descriptions thereof in the Final Memorandum.

(ix) The consolidated financial statements of the Company incorporated by reference in the Final Memorandum, together with the related notes thereto, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the consolidated results of operations and cash flows of the Company and its consolidated subsidiaries for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as otherwise stated therein and except that unaudited financial statements do not have all required footnotes. The financial statement schedules of the Company, if any,



incorporated by reference in the Final Memorandum present the information required to be stated therein.

(x) The Company is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, as amended, and holds an air carrier operating certificate issued pursuant to Chapter 447 of Title 49 of the United States Code, as amended, for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo. All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable.

(xi) When duly executed, authenticated, issued and delivered in the manner provided for in the Indenture and sold and paid for as provided in this Agreement, the Offered Notes will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except (w) as enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, (x) as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and (y) with respect to indemnification provisions, as enforcement thereof may be limited by applicable law, and the holders thereof will be entitled to the benefits of the Indenture. The Offered Notes will conform in all material respects to the description thereof in the Final Memorandum.

(xii) When duly executed, authenticated, issued and delivered in the manner provided for in the Indenture and the Registration Rights Agreement, the Exchange Notes will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except (w) as enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, (x) as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and (y) with respect to indemnification provisions, as enforcement thereof may be limited by applicable law, and the holders thereof will be entitled to the benefits of the Indenture. The Exchange Notes will conform in all material respects to the description thereof in the Final Memorandum.

(xiii) The security interest created by the Security Agreement will be for the benefit of the Holders and the Indemnitees and will constitute, on and at all times after the Closing Date until the termination of the Security Agreement, valid and perfected Liens on the Collateral purported to be covered thereby, subject to no equal or prior Lien, except Permitted Liens.

(xiv) Except as disclosed in the Final Memorandum, the Company and the Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances and defects except where the failure to have such title would not have a Continental Material Adverse

Effect; and except as disclosed in the Final Memorandum, the Company and the Subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions that would have a Continental Material Adverse Effect.

(xv) Except as disclosed in the Final Memorandum, there is no action, suit or proceeding before or by any governmental agency or body or court, domestic or foreign, now pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries or any of their respective properties that individually (or in the aggregate in the case of any class of related lawsuits), could reasonably be expected to result in a Continental Material Adverse Effect or that could reasonably be expected to materially and adversely affect the consummation of the transactions contemplated by this Agreement, the Offered Notes, the Exchange Notes or the Operative Agreements.

(xvi) Except as disclosed in the Final Memorandum, no labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent that could reasonably be expected to have a Continental Material Adverse Effect.

(xvii) Each of the Company and the Subsidiaries has all necessary consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, all self-regulatory organizations and all courts and other tribunals, to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Final Memorandum, except to the extent that the failure to so obtain, declare or file would not have a Continental Material Adverse Effect.

(xviii) Except as disclosed in the Final Memorandum, (x) neither the Company nor any of the Subsidiaries is in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances (collectively, "ENVIRONMENTAL LAWS"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim individually or in the aggregate is reasonably expected to have a Continental Material Adverse Effect, and (y) the Company is not aware of any pending investigation which might lead to such a claim that is reasonably expected to have a Continental Material Adverse Effect.

(xvix) The accountants that examined and issued an auditors' report with respect to the consolidated financial statements of the Company and the financial statement schedules of the Company, if any, included or incorporated by reference in the Final Memorandum are independent public accountants within the meaning of the Securities Act.

(xi) The Company is not (based on applicable law as in effect on the date hereof) an "investment company", or an entity "controlled" by an "investment company",

within the meaning of the Investment Company Act of 1940, as amended (the "INVESTMENT COMPANY ACT"), required to register under the Investment Company Act.

(xxi) The Offered Notes satisfy the eligibility requirements of Rule 144A(d)(3) under the Securities Act.

(xxii) Assuming the accuracy of the representations and warranties and compliance with the agreements made by the Initial Purchaser in this Agreement, the offer and sale of the Offered Notes to the Initial Purchaser in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof and Regulation S thereunder and, except as required under the Registration Rights Agreement, it is not necessary to qualify the Indenture under the Trust Indenture Act in respect of any such offer or sale.

(xxiii) Neither the Company nor any of its affiliates, nor any person acting on their behalf (other than the Initial Purchaser), (i) has, within the six-month period prior to the date hereof, offered or sold in the United States or to any U.S. person (as such terms are defined in Regulation S under the Securities Act) the Offered Notes or any security of the same class or series as the Offered Notes or (ii) has offered or will solicit any offer to buy, or will offer or sell the Offered Notes (x) in the United States by any form of "general solicitation" or "general advertising" within the meaning of Rule 502(c) under the Securities Act or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act or (y) with respect to any securities sold in reliance on Rule 903 of Regulation S under the Securities Act, by means of any "directed selling efforts" within the meaning of Rule 902(c) of Regulation S. The Company has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Notes except for this Agreement. The Company and its affiliates and any person acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S.

(xxiv) Simat, Helliesen & Eichner, Inc. ("SH&E") is not an affiliate of the Company and, to the knowledge of the Company, does not have a substantial interest, direct or indirect, in the Company. To the knowledge of the Company, none of the officers and directors of SH&E is connected with the Company or any of its affiliates as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

(xxv) The Company (A) makes and keeps books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the material assets of the Company and its consolidated subsidiaries and (B) maintains a system of internal accounting controls sufficient to provide reasonable assurances that (1) transactions are executed in accordance with management's general or specific authorization; (2) transactions are recorded as necessary: (x) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (y) to maintain accountability for assets; (3) access to material assets is permitted only in accordance with management's general

or specific authorization; and (4) the recorded accountability for material assets is compared with the existing material assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxvi) The information provided by the Company to SH&E for use by SH&E in preparation of its reports relating to the Collateral dated as of October 31, 2002 and January 24, 2003, taken as a whole with respect to each such report, did not contain an untrue statement of material fact or omit to state a material fact necessary to make such information not misleading.

(b) The parties agree that any certificate signed by a duly authorized officer of the Company and delivered to the Initial Purchaser, or to counsel for the Initial Purchaser, on the Closing Date and in connection with this Agreement or the offering of the Offered Notes, shall be deemed a representation and warranty by (and only by) the Company to the Initial Purchaser as to the matters covered thereby.

2. PURCHASE, SALE AND DELIVERY OF OFFERED NOTES. (a) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and the conditions herein set forth, the Company agrees to sell to the Initial Purchaser, and the Initial Purchaser agrees to purchase from the Company, the aggregate principal amount of Offered Notes at a purchase price of 95% of the principal amount thereof plus accrued interest, if any, from the date of issuance, less an amount equal to \$2,833,333, representing a commission of \$2,500,000 and a structuring fee of \$333,333.

(b) The Company shall issue and deliver against payment of the purchase price the Offered Notes purchased by the Initial Purchaser hereunder and to be offered and sold by the Initial Purchaser in reliance on Regulation S under the Securities Act (the "REGULATION S SECURITIES") in the form of one or more global securities in definitive, fully registered form without interest coupons (the "REGULATION S GLOBAL SECURITIES") which shall be deposited with the Trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC, for the respective accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("EUROCLEAR"), and Clearstream Banking societe anonyme, Luxembourg ("CLEARSTREAM"). On or prior to the 40th day after the later of the day on which the Offered Notes are first offered to persons other than distributors (as defined in Regulation S under the Securities Act) and the Closing Date, beneficial interests in the Regulation S Global Securities may be held only through Euroclear and Clearstream. Regulation S Securities shall be available only in book-entry form, except in the limited circumstances described in the Final Memorandum.

(c) The Company shall issue and deliver against payment of the purchase price the Offered Notes to be purchased by the Initial Purchaser hereunder and to be offered and sold by the Initial Purchaser to QIBs in reliance on Rule 144A under the Securities Act (the "144A SECURITIES") in the form of one or more permanent global securities in definitive, fully registered form without interest coupons (the "RESTRICTED GLOBAL SECURITIES" and, together with the Regulation S Global Securities, the "GLOBAL SECURITIES") which shall be deposited with the related Trustee as custodian for DTC and registered in the name of a nominee of DTC for credit to the account of the Initial Purchaser. Each Restricted Global Security shall include the legend

regarding restrictions on transfer set forth under "Transfer Restrictions" in the Final Memorandum. The Regulation S Securities and the 144A Securities shall be assigned separate CUSIP numbers.

(d) Payment for the Offered Notes shall be made by the Initial Purchaser in federal (same day) funds by official check or checks or wire transfer to an account previously designated to the Initial Purchaser by the Company at 10:00 a.m. (New York time), on May 9, 2003, or at such other date and time as may be agreed upon by the Company and the Initial Purchaser (such date and time of delivery and payment for the Offered Notes being herein referred to as the "CLOSING DATE"), against delivery to the Trustee as custodian for DTC at the offices of Hughes Hubbard & Reed LLP at One Battery Park Plaza, New York, New York 10004 (or at such other location as may be agreed to by the Initial Purchaser and the Company) of (i) the Regulation S Global Securities representing all of the Regulation S Securities for the respective accounts of the DTC participants for Euroclear and Clearstream and (ii) the Restricted Global Securities representing all of the 144A Securities. The Regulation S Global Securities and the Restricted Global Securities shall be made available for checking at the office of Hughes Hubbard & Reed LLP (or at such other location as may be agreed to by the Initial Purchaser and the Company) not later than 1:00 p.m. on the business day prior to the Closing Date.

(e) Notwithstanding the foregoing, any Offered Notes sold by the Initial Purchaser pursuant to Section 5(a) hereof to Institutional Accredited Investors who are not QIBs and are not purchasers of interests in the Regulation S Global Securities shall be issued in definitive, fully registered form without interest coupons ("DEFINITIVE SECURITIES") and shall bear the legend relating thereto set forth under "Transfer Restrictions" in the Final Memorandum, but shall be paid for in the manner set forth in Section 2(d) hereof. Upon transfer of Definitive Securities to a QIB or in accordance with Regulation S under the Securities Act, such Definitive Securities shall be exchanged for an interest in the appropriate Global Security. Definitive Securities shall be registered in such names and in such authorized denominations as the Initial Purchaser may request not less than two full business days in advance of the Closing Date.

3. CONDITIONS OF THE OBLIGATIONS OF THE INITIAL PURCHASER. The Initial Purchaser's obligations to purchase and pay for the Offered Notes pursuant to this Agreement are subject to the following conditions:

(a) On the Closing Date, the Initial Purchaser shall have received an opinion of Hughes Hubbard & Reed LLP, counsel for the Company, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(b) On the Closing Date, the Initial Purchaser shall have received an opinion of the General Counsel of the Company, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(c) On the Closing Date, the Initial Purchaser shall have received an opinion of Richards, Layton & Finger, P.A., counsel for Wilmington Trust Company, individually and as Trustee, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(d) On the Closing Date, the Initial Purchaser shall have received an opinion of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel for the Liquidity Provider and the Liquidity Provider Guarantor, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(e) On the Closing Date, the Initial Purchaser shall have received an opinion of in-house counsel for the Liquidity Provider and the Liquidity Provider Guarantor, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(f) On the Closing Date, the Initial Purchaser shall have received an opinion of Latham & Watkins, special New York counsel for the Policy Provider, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(g) On the Closing Date, the Initial Purchaser shall have received an opinion of in-house counsel for the Policy Provider, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(h) On the Closing Date, the Initial Purchaser shall have received an opinion of Lytle, Soule & Curlee, special counsel in Oklahoma City, Oklahoma, dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(i) On the Closing Date, the Initial Purchaser shall have received an opinion as to the perfection of the security interest in the Collateral of Richards, Layton & Finger, P.A., dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchaser.

(j) On the Closing Date, the Initial Purchaser shall have received an opinion of Milbank, Tweed, Hadley & McCloy LLP, counsel for the Initial Purchaser, dated the Closing Date, with respect to the validity of the Offered Notes, the Final Memorandum, the exemption from registration for the offer and sale of the Offered Notes to the Initial Purchaser as contemplated hereby and other related matters as the Initial Purchaser may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(k) Subsequent to the execution and delivery of this Agreement, there shall not have occurred any change, or any development involving a prospective change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries considered as one enterprise that, in the Initial Purchaser's judgment, is material and adverse and that makes it, in the Initial Purchaser's judgment, impracticable to market the Offered Notes on the terms and in the manner contemplated by the Final Memorandum.

(l) The Initial Purchaser shall have received on the Closing Date a certificate, dated the Closing Date and signed by the President or any Vice President of the Company, to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date as if made on the Closing Date (except to the extent that they relate solely to an earlier date, in which case they shall be true and accurate as of such

earlier date), that the Company has performed all its obligations to be performed hereunder on or prior to the Closing Date and that, subsequent to the execution and delivery of this Agreement, there shall not have occurred any material adverse change, or any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries considered as one enterprise, except as set forth in or contemplated by the Final Memorandum.

(m) The Initial Purchaser shall have received from Ernst & Young LLP a letter, dated the date hereof, in form and substance satisfactory to the Initial Purchaser.

(n) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have been any downgrading in the rating accorded any of the Company's securities (except for any pass through certificates) by any "nationally recognized statistical rating organization", as such term is defined for purposes of Rule 436(g)(2) under the Securities Act, or any public announcement that any such organization has under surveillance or review, in each case for possible change, its ratings of any such securities other than pass through certificates (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating).

(o) SH&E shall have furnished to the Initial Purchaser a letter, addressed to the Company and dated the Closing Date, confirming that SH&E and each of its directors and officers (i) is not an affiliate of the Company or any of its affiliates, (ii) does not have any substantial interest, direct or indirect, in the Company or any of its affiliates and (iii) is not connected with the Company or any of its affiliates as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

(p) At the Closing Date, each of the Execution Documents shall have been duly executed and delivered by each of the parties thereto; and the representations and warranties of the Company contained in each of such executed Execution Documents shall be true and correct as of the Closing Date (except to the extent that they relate solely to an earlier date, in which case they shall be true and correct as of such earlier date) and the Initial Purchaser shall have received a certificate of the President or a Vice President of the Company, dated as of the Closing Date, to such effect.

(q) On the Closing Date, the Offered Notes shall be rated "B1" by Moody's Investors Service, Inc.

(r) The Initial Purchaser shall have received from Ernst & Young LLP a letter, dated the Closing Date, which meets the requirements of subsection (m) of this Section 3, except that the specified date referred to in such subsection will be a date not more than three business days prior to the Closing Date for the purposes of this subsection.

(s) On the Closing Date (a) Amendment No. 1 to Security Agreement shall have been duly filed for recordation with the FAA in accordance with the Federal Aviation Act and (b) each Financing Statement shall have been duly filed in the appropriate jurisdiction.

The Company will furnish the Initial Purchaser with such conformed copies of such opinions, certificates, letters and documents as the Initial Purchaser reasonably requests.

4. CERTAIN AGREEMENTS OF THE COMPANY. The Company agrees with the Initial Purchaser that:

(a) During the period described in the following sentence of this Section 4(a), the Company shall advise the Initial Purchaser promptly of any proposal to amend or supplement the Final Memorandum (except by documents filed under the Exchange Act) and will not effect such amendment or supplement (except by documents filed under the Exchange Act) without the Initial Purchaser's consent, which consent will not be unreasonably withheld. If, at any time prior to the completion of the resale of the Offered Notes by the Initial Purchaser, any event shall occur as a result of which it is necessary to amend or supplement the Final Memorandum in order to make the statements therein, in the light of the circumstances when the Final Memorandum is delivered to a purchaser, not misleading in any material respect, the Company shall prepare and furnish to the Initial Purchaser, at the Company's own expense, either amendments or supplements to the Final Memorandum so that the statements in the Final Memorandum as so amended or supplemented will not, in the light of the circumstances when the Final Memorandum is delivered to a purchaser, be misleading in any material respect. Neither the Initial Purchaser's consent to, nor the Initial Purchaser's delivery to offerees or investors of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 3 hereof.

(b) Notwithstanding any provision of Section 4(a) hereof to the contrary, the Company's obligations under Section 4(a) hereof shall terminate on the earlier to occur of (i) the effective date of the Exchange Offer Registration Statement or Shelf Registration Statement and (ii) the date upon which the Initial Purchaser and the Initial Purchaser's affiliates cease to hold Offered Notes acquired as part of the Initial Purchaser's initial distributions.

(c) The Company will furnish to the Initial Purchaser copies of the Preliminary Memorandum, the Final Memorandum and all amendments and supplements to such documents (excluding all documents incorporated by reference therein), in each case as soon as available and in such quantities as the Initial Purchaser reasonably requests. So long as any of the Offered Notes are "Registrable Securities" (as defined in the Registration Rights Agreement), at any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will provide to any holder of such Registrable Securities, or to any prospective purchaser of such Registrable Securities designated by a holder, upon the request of such holder or prospective purchaser, any information required to be delivered to holders and prospective purchasers of the Offered Notes pursuant to Rule 144A(d)(4) under the Securities Act. This covenant is intended to be for the benefit of the holders, and prospective purchasers designated by such holders from time to time, of such Registrable Securities.

(d) If requested by the Initial Purchaser, the Company shall use its reasonable efforts to permit the Offered Notes to be designated PORTAL securities in accordance with the rules and regulations adopted by the NASD relating to trading in the PORTAL Market.



(e) The Company shall, in cooperation with the Initial Purchaser, endeavor to arrange for the qualification of the Offered Notes for offer and sale under the applicable securities or "blue sky" laws of such jurisdictions in the United States as the Initial Purchaser reasonably designates and will endeavor to maintain such qualifications in effect so long as required for the resale of the Offered Notes by the Initial Purchaser; PROVIDED that the Company shall not be required to (i) qualify as a foreign corporation or as a dealer in securities, (ii) file a general consent to service of process or (iii) subject itself to taxation in any such jurisdiction.

(f) During the period of ten years after the Closing Date, the Company will promptly furnish to the Initial Purchaser, upon request, copies of all Annual Reports on Form 10-K and any definitive proxy statement of the Company filed with the Commission; PROVIDED that providing a website address at which such Annual Reports and any such definitive proxy statements may be accessed will satisfy this clause (f).

(g) Between the date of this Agreement and the Closing Date, the Company shall not, without the prior written consent of the Initial Purchaser, offer, sell, or enter into any agreement to sell (as public debt securities registered under the Securities Act or as debt securities which may be resold in a transaction exempt from the registration requirements of the Securities Act in reliance on Rule 144A thereunder (other than the Offered Notes) and which are marketed through the use of a disclosure document containing substantially the same information as a prospectus for similar debt securities registered under the Securities Act), any notes of the Company secured by Spare Parts or Appliances (or rights relating thereto).

(h) During the period of two years after the Closing Date, the Company will, upon request, furnish to the Initial Purchaser and any holder of Offered Notes or Exchange Notes, as the case may be, a copy of the restrictions on transfer applicable to such Offered Notes or Exchange Notes.

(i) During the period of two years after the Closing Date, the Company will not, and will not permit any of its affiliates (as defined in Rule 144 under the Securities Act) to, resell any of the Offered Notes or Exchange Notes that have been reacquired by any of them.

(j) During the period of two years after the Closing Date (or, if shorter, the period beginning on the Closing Date and ending on the date on which there ceases to be any Registrable Securities), the Company will not be or become an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act, or a closed-end investment company required to be registered, but not registered, under the Investment Company Act.

(k) Neither the Company nor any affiliate of the Company will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which would be integrated with the sale of the Offered Notes in a manner which would require the registration under the Securities Act of the Offered Notes sold to the Initial Purchaser pursuant to this Agreement.

(1) The Company shall not take any action prohibited by Regulation M under the Exchange Act in connection with the distribution of the Offered Notes contemplated hereby.

5. OFFERING OF SECURITIES; RESTRICTIONS ON TRANSFER.

(a) The Initial Purchaser represents and warrants that it is an "accredited investor" within the meaning of Regulation D under the Securities Act. The Initial Purchaser represents, warrants and agrees with the Company that (i) it has not solicited and will not solicit offers for, or offer or sell, the Offered Notes by any form of "general solicitation" or "general advertising" (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act and (ii) it has solicited and will solicit offers for the Offered Notes only from, and has offered and will offer and sell the Offered Notes only to (A) in the case of offers and sales inside the United States, persons that it reasonably believes to be (1) QIBs in compliance with Rule 144A under the Securities Act or (2) not more than two Institutional Accredited Investors that, prior to their purchase of the Offered Notes, execute and deliver to the Initial Purchaser a letter in the form annexed as Annex III to the Final Memorandum and (B) in the case of offers and sales outside the United States, persons other than U.S. persons (including dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust)) in accordance with Regulation S under the Securities Act; provided, in the case of each of clauses (A) and (B) that, in purchasing such Offered Notes, such persons are deemed to have represented and agreed as provided in the Final Memorandum under the caption "Transfer Restrictions".

(b) The Initial Purchaser represents, warrants and agrees with respect to offers and sales outside the United States that:

(i) it understands that no action has been or will be taken in any jurisdiction by the Company that would permit a public offering of the Offered Notes, or possession or distribution of either the Preliminary Memorandum or the Final Memorandum or any other offering or publicity material relating to the Offered Notes, in any country or jurisdiction where action for that purpose is required;

(ii) it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Offered Notes or has in its possession or distributes either the Preliminary Memorandum or the Final Memorandum or any other offering or publicity material relating to the Offered Notes, in all cases at its own expense;

(iii) the Offered Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act;

(iv) it has offered the Offered Notes and will offer and sell the Offered Notes (A) as part of its distribution at any time and (B) otherwise until 40 days after the later of

the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S or as otherwise permitted in Section 5(a) hereof; neither the Initial Purchaser, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any "directed selling efforts" (within the meaning of Regulation S) with respect to the Offered Notes, and the Initial Purchaser, its affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S;

(v) it (A) has not offered or sold and, prior to the date six months after the Closing Date, will not offer or sell any Offered Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (B) has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Offered Notes in, from or otherwise involving the United Kingdom; and (C) will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Offered Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company;

(vi) it agrees that, at or prior to confirmation of sales of the Offered Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Offered Notes from it during the restricted period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Terms used in this Section 5 have the meanings given to them by Regulation S.

#### 6. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless the Initial Purchaser, and each Person, if any, who controls the Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by the Initial Purchaser or any such controlling person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Memorandum or the Final Memorandum (in each case, as supplemented or amended) or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in the light of

the circumstances under which they were made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon Initial Purchaser Information; PROVIDED, HOWEVER, that the foregoing indemnity agreement with respect to the Preliminary Memorandum shall not inure to the benefit of the Initial Purchaser, or to the benefit of any person controlling the Initial Purchaser, with respect to any such losses, claims, damages or liabilities asserted by a person who purchased Offered Notes from the Initial Purchaser, if a copy of the Final Memorandum (as then amended or supplemented if the Company shall have furnished or filed with the Commission any amendments or supplements thereto) was not sent or given by or on behalf of the Initial Purchaser to such person at or prior to the written confirmation of the sale of such Offered Notes to such person, and if the Final Memorandum (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities unless such failure to deliver the Final Memorandum was a result of noncompliance by the Company with its delivery requirements set forth in Section 4(a) hereof.

(b) The Initial Purchaser agrees to indemnify and hold harmless the Company, its directors, its officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to the Initial Purchaser, but only with reference to the Initial Purchaser Information.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either Section 6(a) or Section 6(b) hereof, such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing. The indemnifying party, upon request of the indemnified party, shall, and the indemnifying party may elect to, retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and the indemnifying party shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, or (iii) the indemnifying party shall have failed to retain counsel as required by the prior sentence to represent the indemnified party within a reasonable amount of time. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Initial Purchaser in the case of parties indemnified pursuant to Section 6(a) hereof and by the Company in the case of parties indemnified pursuant to Section 6(b) hereof. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the

indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested in writing an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this Section 6(c), the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 90 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement, unless such fees and expenses are being disputed in good faith. The indemnifying party at any time may, subject to the last sentence of this Section 6(c), settle or compromise any proceeding described in this Section 6(c) at the expense of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (i) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) To the extent the indemnification provided for in Section 6(a) or Section 6(b) hereof is required to be made but is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities, then the applicable indemnifying party under such Section, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Initial Purchaser, on the other hand, from the offering of the Offered Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Initial Purchaser on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Initial Purchaser on the other hand in connection with the offering of the Offered Notes shall be deemed to be in the same respective proportions as the proceeds from the offering of the Offered Notes received by the Company (before deducting expenses) and the total underwriting discounts received by the Initial Purchaser, bear to the aggregate offering price of the Offered Notes. The relative fault of the Company on the one hand and of the Initial Purchaser on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or information supplied by the Initial Purchaser, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Company and the Initial Purchaser agree that it would not be just or equitable if contribution pursuant to this Section 6 were determined by PRO RATA allocation or by any other method of allocation that does not take account of the equitable considerations referred

to in Section 6(d) hereof. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 6(d) hereof shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, the Initial Purchaser shall not be required to contribute any amount in excess of the amount by which the total price at which the Offered Notes resold by it in the initial placement of such Offered Notes were offered to investors exceeds the amount of any damages that the Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The indemnity and contribution provisions contained in this Section 6 and the representations and warranties of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Initial Purchaser or any person controlling the Initial Purchaser or by or on behalf of the Company, its officers or directors or any person controlling the Company, and (iii) acceptance of and payment for any of the Offered Notes. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

7. SURVIVAL OF CERTAIN REPRESENTATIONS AND OBLIGATIONS. The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the Initial Purchaser set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any termination of this Agreement, any investigation, or statement as to the results thereof, made by or on behalf of the Initial Purchaser, the Company or any of their respective representatives, officers or directors or any controlling person and will survive delivery of and payment for the Offered Notes. If for any reason the purchase of the Offered Notes by the Initial Purchaser is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 9 hereof and the respective obligations of the Company and the Initial Purchaser pursuant to Section 6 hereof shall remain in effect. If the purchase of the Offered Notes by the Initial Purchaser is not consummated for any reason other than solely because of the occurrence of the termination of the Agreement pursuant to Section 8 hereof, the Company will reimburse the Initial Purchaser for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) reasonably incurred by the Initial Purchaser in connection with the offering of such Offered Notes and will comply with its obligations under Sections 6 and 9 hereof.

8. TERMINATION. This Agreement shall be subject to termination by notice given by the Initial Purchaser to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been materially suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange or the NASD, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a major disruption of settlements of securities or clearance services in the United States that would materially impair settlement and clearance with respect to the Offered Notes, (iv) any general moratorium on commercial banking activities in New York shall have been declared by either

Federal or New York State authorities or (v) there shall have occurred any attack on, outbreak or escalation of hostilities or act of terrorism involving, the United States, or any change in financial markets or any calamity or crisis that, in each case, in the judgment of the Initial Purchaser, is material and adverse and (b) in the case of any of the events specified in clauses (a)(i) through (v), such event singly or together with any other such event makes it, in the judgment of the Initial Purchaser, impracticable to market the Offered Notes on the terms and in the manner contemplated in the Final Memorandum.

9. PAYMENT OF EXPENSES. (a) As between the Company and the Initial Purchaser, the Company shall pay all expenses incidental to the performance of the Company's obligations under this Agreement, including the following:

(i) expenses incurred in connection with (A) qualifying the Offered Notes or the Exchange Notes for offer and sale under the applicable securities or "blue sky" laws of such jurisdictions in the United States as the Initial Purchaser reasonably designates (including filing fees and fees and disbursements of counsel for the Initial Purchaser in connection therewith), (B) endeavoring to maintain such qualifications in effect so long as required for the distribution of such Offered Notes, (C) the review (if any) of the offering of the Offered Notes or the Exchange Notes by the NASD, (D) the determination of the eligibility of the Offered Notes or the Exchange Notes for investment under the laws of such jurisdictions as the Initial Purchaser may designate, (E) the preparation and distribution of any blue sky or legal investment memorandum by counsel for the Initial Purchaser and (F) qualifying the Offered Notes for trading in The PortalSM Market of the Nasdaq Stock Market and any expenses incidental thereto;

(ii) expenses incurred in connection with the preparation and distribution to the Initial Purchaser and the dealers (whose names and addresses the Initial Purchaser will furnish to the Company) to which Offered Notes or the Exchange Notes may have been sold by the Initial Purchaser on its behalf and to any other dealers upon request, of amendments or supplements to the Final Memorandum in order to make the statements therein, in the light of the circumstances when the Final Memorandum is delivered to a purchaser, not materially misleading;

(iii) expenses incurred in connection with the preparation, printing and distribution of the Preliminary Memorandum, the Final Memorandum and any amendments thereof or supplements thereto;

(iv) expenses incurred in connection with the preparation, printing and distribution of this Agreement, the Offered Notes, the Exchange Notes and the Execution Documents;

(v) expenses incurred in connection with the delivery of the Offered Notes to the Initial Purchaser;

(vi) reasonable fees and disbursements of the counsel and accountants for the Company;

(vii) to the extent the Company is so required under any Operative Agreement to which it is a party, the fees and expenses of the Trustee and the reasonable fees and disbursements of its counsel;

(viii) fees charged by rating agencies for rating the Offered Notes or the Exchange Notes at the Company's request (including annual surveillance fees related to the Offered Notes or the Exchange Notes as long as they are outstanding);

(ix) all fees and expenses relating to appraisals of the Pledged Spare Parts; and

(x) all other reasonable out-of-pocket expenses incurred by the Initial Purchaser in connection with the transactions contemplated by this Agreement;

PROVIDED, however, that notwithstanding the foregoing the fees and disbursements of counsel for the Initial Purchaser shall be paid by the Initial Purchaser.

(b) In connection with the offering, until the Initial Purchaser shall have notified the Company of the completion of the resale of the Offered Notes, neither the Company nor any of its affiliates has bid for or purchased or will bid for or purchase, either alone or with one or more other persons, for any account in which it or any of its affiliates has a beneficial interest any Offered Notes; and neither it nor any of its affiliates will make bids or purchases for the purpose of creating actual, or apparent, active trading in, or of raising the price of, the Offered Notes.

10. NOTICES. All communications hereunder will be in writing and, if sent to the Initial Purchaser, will be mailed, delivered or sent by facsimile transmission and confirmed to Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, NY 10036, Attention: Equipment Finance Group, facsimile number (212) 761-0786 and, if sent to the Company, will be mailed, delivered or sent by facsimile transmission and confirmed to it at 1600 Smith Street, HQSEO, Houston, TX 77002, Attention: Treasurer and General Counsel, facsimile number (713) 324-2447.

11. SUCCESSORS. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons referred to in Section 6 hereof, and no other person will have any right or obligation hereunder.

12. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

13. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.



14. JURISDICTION. Each of the parties hereto agrees that any legal suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby may be instituted in any U.S. federal or New York State court in the Borough of Manhattan in The City of New York and each of the parties hereto hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the jurisdiction of such courts, with respect to actions brought against it as defendant, in any suit, action or proceeding. Each of the parties to this Agreement agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law in accordance with applicable law.

15. LIBOR FOR INITIAL INTEREST PERIOD. The interest rate applicable for the initial Interest Period under the Indenture shall be LIBOR, determined by the Initial Purchaser as the rate for deposits in U.S. dollars for a period of three months which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on May 7, 2003.

If the foregoing is in accordance with the Initial Purchaser's understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement between the Initial Purchaser and the Company in accordance with its terms.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By: -----  
Name: Gerald Laderman  
Title: Senior Vice President-Finance

The foregoing Purchase Agreement is hereby confirmed and accepted as of the date first above written:

MORGAN STANLEY & CO. INCORPORATED

By: -----  
Name:  
Title:

Hughes Hubbard & Reed LLP  
One Battery Park Plaza  
New York, New York 10004

September 29, 2003

Continental Airlines, Inc.  
1600 Smith Street, Dept. HQSEO  
Houston, Texas 77002

Re: Continental Airlines, Inc. - Registration Statement on Form S-4

Ladies and Gentlemen:

We have acted as your counsel in connection with the Registration Statement on Form S-4 (the "Registration Statement") to be filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Act"), in respect of the registration under the Act of the Floating Rate Secured Subordinated Notes due 2007 (the "New Notes"), to be offered in exchange for all outstanding Floating Rate Secured Subordinated Notes due 2007 (the "Old Notes"), issued pursuant to an amended and restated indenture (the "Indenture") among Continental Airlines, Inc. (the "Company"), Wilmington Trust Company, as trustee (the "Trustee"), Morgan Stanley Capital Services Inc., as liquidity provider, and MBIA Insurance Corporation, as policy provider.

In connection with this opinion letter, we have examined: the Registration Statement, including the Prospectus which forms a part of the Registration Statement, the Indenture, the forms of Old Note and New Note, and originals, or copies certified or otherwise identified to our satisfaction, of such other documents, records, instruments and certificates of public officials as we have deemed necessary or appropriate to enable us to render this opinion. In addition, we have assumed: (i) that all signatures are genuine, (ii) that all documents submitted to us as originals are genuine, (iii) that all copies submitted to us conform to the originals, (iv) that the Indenture has been duly authorized, executed and delivered by all parties thereto (other than the Company) and is the legal, valid, binding and enforceable agreement of all parties thereto (other than the Company) and (v) that the Old Notes were duly and validly authenticated and delivered by the Trustee pursuant to the terms of the Indenture.

We are members of the bar of the State of New York, and the opinion set forth below is restricted to matters controlled by federal laws, the laws of the State of New York and the General Corporation Law of the State of Delaware.

Based on the foregoing, it is our opinion that, when (i) the applicable provisions of the Act and such "Blue Sky" or other state securities laws as may be applicable shall have been complied with and (ii) the New Notes, in the form included in the Indenture, have been duly executed and authenticated in accordance with the Indenture, and duly issued and delivered by the Company in exchange for an equal principal amount of Old Notes pursuant to the terms of the Exchange Offer described in the Registration Statement, the New Notes will be legal, valid, binding and enforceable obligations of the Company, subject to (a) limitations imposed by bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance, fraudulent transfer, preferential transfer and other laws of general application relating to or affecting the enforceability of creditors' rights and to general principles of equity, including, without limitation, reasonableness, good faith and fair dealing, and considerations of impracticability or impossibility or performance and defenses based upon unconscionability (regardless of whether such enforceability is considered or applied in a proceeding in equity or at law) and (b) the qualifications that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the heading "Legal Matters" in the Prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are "experts" within the meaning of the Act or the rules and regulations of the Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement, including this exhibit.

Very truly yours,

/s/ Hughes Hubbard & Reed LLP



CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of Continental Airlines, Inc. for the registration of Floating Rate Secured Subordinated 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/A-1) for the year ended December 31, 2002, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Houston, Texas  
September 22, 2003

SIMAT, HELLIEMEN & EICHNER, INC.  
90 Park Avenue  
New York, NY 10016

September 29, 2003

CONTINENTAL AIRLINES, INC.  
1600 Smith Street  
Houston, TX 77002

Re: Registration Statement on Form S-4 of  
Continental Airlines, Inc. relating to  
Floating Rate Secured Subordinated Notes  
Due 2007  
-----

Ladies and Gentlemen:

We consent to the use of the reports, dated as of October 31, 2002, January 24, 2003 and July 23, 2003, prepared by us with respect to the spare parts referred to therein, to the summary of such reports in the text under the headings "Prospectus Summary -- Collateral", "Risk Factors -- Risk Factors Relating to the Subordinated Notes and the Exchange Offer -- Appraisal and Realizable Value of Collateral" and "Description of the Appraisal" in the above-captioned Registration Statement and to the references to our name under the headings "Prospectus Summary -- Collateral", "Risk Factors -- Risk Factors Relating to the Subordinated Notes and the Exchange Offer -- Appraisal and Realizable Value of Collateral", "Description of the Subordinated Notes -- Collateral -- Appraisals and Maintenance of Ratios", "Description of the Appraisal" and "Experts" in such Registration Statement.

Sincerely,

SIMAT, HELLIEMEN & EICHNER, INC.

/s/ Ted J. Johnson  
-----

Name: Ted J. Johnson  
Title: Vice President

## POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Thomas J. Barrack, Jr.

-----  
Printed Name: Thomas J. Barrack, Jr.

Dated and effective as of September 3, 2003



POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Gordon M. Bethune

-----  
Printed Name: Gordon M. Bethune

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ David Bonderman

-----  
Printed Name: David Bonderman

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Kirbyjon Caldwell

-----  
Printed Name: Kirbyjon Caldwell

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Patrick Foley

-----  
Printed Name: Patrick Foley

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Lawrence W. Kellner

-----  
Printed Name: Lawrence W. Kellner

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Chris Kenny

-----  
Printed Name: Chris Kenny

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Douglas McCorkindale

-----  
Printed Name: Douglas McCorkindale

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Jeffrey J. Misner

-----  
Printed Name: Jeffrey J. Misner

Dated and effective as of September 3, 2003



POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ George G. C. Parker

-----  
Printed Name: George G. C. Parker

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Richard W. Pogue

-----  
Printed Name: Richard W. Pogue

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ William S. Price III

-----  
Printed Name: William S. Price

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Karen Hastie Williams

-----  
Printed Name: Karen Hastie Williams

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Ronald B. Woodard

-----  
Printed Name: Ronald B. Woodard

Dated and effective as of September 3, 2003

POWER OF ATTORNEY

The undersigned director and/or officer of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director and/or officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director and/or officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-4 relating to the exchange offer for the Company's Floating Rate Secured Subordinated Notes Due 2007 (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director and/or officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Charles A. Yamarone

-----  
Printed Name: Charles A. Yamarone

Dated and effective as of September 3, 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  
(State of incorporation)

51-0055023  
(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  
(State of incorporation)

74-2099724  
(I.R.S. employer identification no.)

1600 SMITH STREET, DEPT. HQSEO  
HOUSTON, TEXAS  
(Address of principal executive offices)

77002  
(Zip Code)

FLOATING RATE SECURED SUBORDINATED 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.<br>Five Penn Center<br>Suite #2901<br>Philadelphia, PA | State Bank Commissioner<br>Dover, Delaware |
|--|--|

- (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 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 17th day of September, 2003.

WILMINGTON TRUST COMPANY

[SEAL]

Attest: /s/ Anita Dallago  
 -----  
 Assistant Secretary

By: /s/ Donald G. MacKelcan  
 -----  
 Name: Donald G. MacKelcan  
 Title: Senior 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 JANUARY 16, 2003

BY-LAWS OF WILMINGTON TRUST COMPANY

ARTICLE I  
STOCKHOLDERS' MEETINGS

Section 1. ANNUAL MEETING. 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. Special meetings of stockholders may be called at any time by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President.

Section 3. NOTICE. 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. QUORUM. 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 smaller 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 2  
DIRECTORS

Section 1. MANAGEMENT. The affairs and business of the Company shall be managed by or under the direction of the Board of Directors.

Section 2. NUMBER. 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 of Directors within the parameters set by the Charter of the Company. No more than two directors may also be employees of the Company or any affiliate thereof.

Section 3. QUALIFICATION. In addition to any other provisions of these Bylaws, to be qualified for nomination for election or appointment to the Board of Directors, a 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 and the Chief Executive Officer shall not be

qualified to continue to serve as directors upon the termination of their service in those offices for any reason.

Section 4. MEETINGS. 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, the Chief Executive Officer or the President.

Section 5. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the Chief Executive Officer or the President, and shall be called upon the written request of a majority of the directors.

Section 6. QUORUM. 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 7. NOTICE. 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 8. VACANCIES. 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 9. ORGANIZATION MEETING. The Board of Directors at its first meeting after its election by the stockholders shall appoint an Executive Committee, an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, and shall elect from its own members a Chairman of the Board, a Chief Executive Officer and a President, who may be the same person. The Board of Directors shall also elect at such meeting a Secretary and a Chief Financial Officer, who may be the same person, and may appoint at any time such committees as it may deem advisable. The Board of Directors may also elect at such meeting one or more Associate Directors. The Board of Directors, the Executive Committee or another committee designated by the Board of Directors may elect or appoint such other officers as they may deem advisable.

Section 10. REMOVAL. 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 11. RESPONSIBILITY OF OFFICERS. The Board of Directors may designate an officer to be in charge of such departments or divisions of the Company as it may deem advisable.

Section 12. PARTICIPATION IN MEETINGS. The Board of Directors or any committee of the Board of Directors may participate in a meeting of the Board of Directors or such committee, as the case may be, by conference telephone, video facilities or other communications equipment. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all of the members of the Board of Directors or the committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the Board of Directors or such committee.

ARTICLE 3  
COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. EXECUTIVE COMMITTEE.

(A) The Executive Committee shall be composed of not more than nine (9) members, who shall be selected by the Board of Directors from its own members, and who shall hold office at the pleasure of the Board of Directors.

(B) The Executive Committee shall have and may exercise, to the fullest extent permitted by law, all of the powers of the Board of Directors when it is not in session to transact all business for and on 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, the Chairman of the Board, the Chief Executive Officer or the President. 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) In the event of an emergency 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 Bylaws, any two available members of the Executive Committee as constituted immediately prior to such emergency 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 3 of these Bylaws. In the event of the unavailability, at such time, of a minimum of two members of the 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 Bylaw 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

Bylaws (other than this Section) and any resolutions which are contrary to the provisions of this Section or to the provisions of any such implementing 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 Bylaws.

#### Section 2. AUDIT COMMITTEE.

(A) The Audit Committee shall be composed of not more than five (5) members, who shall be selected by the Board of Directors from its own members, none of whom shall be an officer or employee of the Company, and shall hold office at the pleasure of the Board.

(B) The Audit Committee shall have general supervision over the Audit Services 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 Services 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 its Chairperson, the Chairman of the Board, the Chief Executive Officer, the President or a majority of the Committee's members shall deem it to be proper for the transaction of its business. A majority of the Committee's members shall constitute a quorum for the transaction of business. The acts of the majority at a meeting at which a quorum is present shall constitute action by the Committee.

#### 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, none of whom shall be an officer or employee of the Company, and shall hold office at the pleasure of the Board of Directors.

(B) The Compensation Committee shall in general advise upon all matters of policy concerning compensation, including salaries and employee benefits.

(C) The Compensation Committee shall meet whenever and wherever its Chairperson, the Chairman of the Board, the Chief Executive Officer, the President or a majority of the Committee's members shall deem it to be proper for the transaction of its business. A majority of the Committee's members shall constitute a quorum for the transaction of business. The acts of the majority at a meeting at which a quorum is present shall constitute action by the Committee.

Section 4. NOMINATING AND CORPORATE GOVERNANCE COMMITTEE.

(A) The Nominating and Corporate Governance Committee shall be composed of not more than five members, who shall be selected by the Board of Directors from its own members, none of whom shall be an officer or employee of the Company, and shall hold office at the pleasure of the Board of Directors.

(B) The Nominating and Corporate Governance Committee shall provide counsel and make recommendations to the Chairman of the Board and the full Board with respect to the performance of the Chairman of the Board and the Chief Executive Officer, candidates for membership on the Board of Directors and its committees, matters of corporate governance, succession planning for the Company's executive management and significant shareholder relations issues.

(C) The Nominating and Corporate Governance Committee shall meet whenever and wherever its Chairperson, the Chairman of the Board, the Chief Executive Officer, the President, or a majority of the Committee's members shall deem it to be proper for the transaction of its business. A majority of the Committee's members shall constitute a quorum for the transaction of business. The acts of the majority at a meeting at which a quorum is present shall constitute action by the Committee.

Section 5. OTHER COMMITTEES. The Company may have such other committees with such powers as the Board may designate from time to time by resolution or by an amendment to these Bylaws.

Section 6. 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 at the pleasure of the Board of Directors.

(B) Associate directors shall be entitled to attend all meetings of directors and participate in the discussion of all matters brought to the Board of Directors, but will not have a right to vote.

Section 7. ABSENCE OR DISQUALIFICATION OF ANY MEMBER OF A COMMITTEE. In the absence or disqualification of any member of any committee created under Article III of these Bylaws, 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 4  
OFFICERS

Section 1. CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such further authority and powers and shall perform such duties the Board of Directors may assign to him from time to time.



Section 2. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall have the powers and duties pertaining to the office of Chief Executive Officer conferred or imposed upon him by statute, incident to his office or as the Board of Directors may assign to him from time to time. In the absence of the Chairman of the Board, the Chief Executive Officer shall have the powers and duties of the Chairman of the Board.

Section 3. PRESIDENT. The President shall have the powers and duties pertaining to the office of the President conferred or imposed upon him by statute, incident to his office or as the Board of Directors may assign to him from time to time. In the absence of the Chairman of the Board and the Chief Executive Officer, the President shall have the powers and duties of the Chairman of the Board.

Section 4. DUTIES. The Chairman of the Board, the Chief Executive Officer 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. VICE PRESIDENTS. There may be one or more Vice Presidents, however denominated by the Board of Directors, who may at any time perform all of the duties of the Chairman of the Board, the Chief Executive Officer and/or the President and such other powers and duties incident to their respective offices or as the Board of Directors, the Executive Committee, the Chairman of the Board, the Chief Executive Officer or the President or the officer in charge of the department or division to which they are assigned may assign to them from time to time.

Section 6. SECRETARY. 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, recording the same in the minute books of the Company and in general notifying the Board of Directors of material matters affecting the Company on a timely basis. In addition to the other notice requirements of these Bylaws 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 such meeting. He shall have custody of the corporate seal, affix the same to any documents requiring such corporate seal, attest the same and perform other duties incident to his office.

Section 7. CHIEF FINANCIAL OFFICER. The Chief Financial Officer 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 transactions of the Company. He shall have general supervision of the expenditures of the Company and periodically shall report to the Board of Directors the condition of the Company, and perform such other duties incident to his office or as the Board of Directors, the Executive Committee, the Chairman of the Board, the Chief Executive Officer or the President may assign to him from time to time.

Section 8. CONTROLLER. 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 or the Audit Committee at appropriate times a report relating to the general condition and internal operations of the Company and perform other duties incident to his office.

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. AUDIT OFFICERS. The officer designated by the Board of Directors to be in charge of the Audit Services Division of the Company, with such title as the Board of Directors shall prescribe, shall report to and be directly responsible to the Audit Committee and 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 Services Division.

Section 10. OTHER OFFICERS. 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 of Assistant Secretary of the Company and who may perform such duties as may be prescribed by the officer in charge of the department or division to which they are assigned.

Section 11. POWERS AND DUTIES OF OTHER OFFICERS. 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, the Chairman of the Board, the Chief Executive Officer or the President and the officer in charge of the department or division to which they are assigned.

Section 12. NUMBER OF OFFICES. Any one or more offices of the Company may be held by the same person, except that (A) no individual may hold more than one of the offices of Chief Financial Officer, Controller or Audit Officer and (B) none of the Chairman of the Board, the Chief Executive Officer or the President may hold any office mentioned in Section 12(A).

ARTICLE 5  
STOCK AND STOCK CERTIFICATES

Section 1. TRANSFER. Shares of stock shall be transferable 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. Every holder of stock shall be entitled to have a certificate signed by or in the name of the Company by the Chairman of the Board, the Chief Executive Officer or the President or a Vice President, and by the Secretary or an Assistant Secretary, of the Company, certifying the number of shares owned by him in the Company. The corporate seal affixed thereto, and any of or all the signatures on the certificate, may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if he were such officer, transfer agent or registrar at the date of issue. 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. RECORD DATE. The Board of Directors 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 of 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 preceding 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 6  
SEAL

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 7  
FISCAL YEAR

The fiscal year of the Company shall be the calendar year.

ARTICLE 8  
EXECUTION OF INSTRUMENTS OF THE COMPANY

The Chairman of the Board, the Chief Executive Officer, 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 9  
COMPENSATION OF DIRECTORS AND MEMBERS OF COMMITTEES

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 authorized by the Company to perform such special services as the Board of Directors may from time to time determine in accordance with any guidelines the Board of Directors may adopt for such services, and shall be paid for such special services so performed reasonable compensation as may be determined by the Board of Directors.

ARTICLE 10  
INDEMNIFICATION

Section 1. PERSONS COVERED. The Company 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 of the Company or is or was serving at the request of the Company as a director, officer, employee, fiduciary or agent of another corporation, partnership, limited liability company, joint venture, trust, enterprise or non-profit entity that is not a subsidiary or affiliate of the Company, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person. The Company shall be required to indemnify such a person in connection with a proceeding initiated by such person only if the proceeding was authorized by the Board of Directors.

The Company may 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 threatened to be made a party or is otherwise involved in any proceeding by reason of the fact that he, or a person for whom he is the legal representative, is or was an officer, employee or agent of the Company or a director, officer, employee or agent of a subsidiary or affiliate of the Company, against all liability and loss suffered and expenses reasonably incurred by such person. The Company may indemnify any such person in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors.

Section 2. ADVANCE OF EXPENSES. The Company shall pay the expenses incurred in defending any proceeding involving a person who is or may be indemnified pursuant to Section 1 in advance of its final disposition, provided, however, that the payment of expenses incurred by such a person in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by that person to repay all amounts advanced if it should be ultimately determined that the person is not entitled to be indemnified under this Article 10 or otherwise.

Section 3. CERTAIN RIGHTS. If a claim under this Article 10 for (A) payment of expenses or (B) indemnification by a director or person who is or was serving at the request of the Company as a director, officer, employee, fiduciary or agent of another corporation, partnership, limited liability company, joint venture, trust, enterprise or nonprofit entity that is not a subsidiary or affiliate of the Company, including service with respect to employee benefit plans, is not paid in full within sixty days after a written claim therefor has been received by the Company, 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 Company shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 4. NON-EXCLUSIVE. The rights conferred on any person by this Article 10 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 Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5. REDUCTION OF AMOUNT. The Company's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit entity.

Section 6. EFFECT OF MODIFICATION. Any amendment, repeal or modification of the foregoing provisions of this Article 10 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 amendment, repeal or modification.

ARTICLE 11  
AMENDMENTS TO THE BYLAWS

These Bylaws may be altered, amended or repealed, in whole or in part, and any new Bylaw or Bylaws adopted at any regular or special meeting of the Board of Directors by a vote of a majority of all the members of the Board of Directors then in office.

ARTICLE 12  
MISCELLANEOUS

Whenever used in these Bylaws, the singular shall include the plural, the plural shall include the singular unless the context requires otherwise and the use of either gender shall include both genders.

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: September 17, 2003

By: /s/ Donald G. MacKelcan

-----  
Name: Donald G. MacKelcan  
Title: Senior Vice President





LIABILITIES

|  |           |           |
|--|-----------|-----------|
| Deposits:  |           |           |
| In domestic offices .....  |           | 6,415,199 |
| Noninterest-bearing .....  | 1,011,850 |           |
| Interest-bearing .....   | 5,403,349 |           |
| Federal funds purchased in domestic offices .....  |           | 286,799   |
| Securities sold under agreements to repurchase .....   |           | 207,308   |
| Trading liabilities (from Schedule RC-D) .....   |           | 0         |
| Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases: ..... |           | 597,518   |
| Bank's liability on acceptances executed and outstanding .....                                       |           | 0         |
| Subordinated notes and debentures .....  |           | 0         |
| Other liabilities (from Schedule RC-G) .....   |           | 98,337    |
| Total liabilities .....  |           | 7,605,161 |

EQUITY CAPITAL

|  |  |           |
|--|--|-----------|
| Perpetual preferred stock and related surplus .....                    |  | 0         |
| Common Stock .....   |  | 500       |
| Surplus (exclude all surplus related to preferred stock) .....         |  | 112,358   |
| a. Retained earnings .....   |  | 526,582   |
| b. Accumulated other comprehensive income .....                        |  | 2,026     |
| Total equity capital .....   |  | 641,466   |
| Total liabilities, limited-life preferred stock, and equity capital .. |  | 8,246,627 |

LETTER OF TRANSMITTAL

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE  
FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007,  
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933,  
FOR ANY AND ALL OUTSTANDING  
FLOATING RATE SECURED SUBORDINATED 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 \$100,000,000 of the Company's Floating Rate Secured Subordinated Notes due 2007, which have been registered under the Securities Act of 1933, as amended (the "Securities Act"; such notes, the "New Notes"), for an equal principal amount of the Company's outstanding Floating Rate Secured Subordinated 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 May 9, 2003, 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) 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 June 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.



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: -----

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 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 credit the New Notes (and, if applicable, any Old Notes delivered through book-entry delivery that are not exchanged) to the account indicated above maintained at DTC. If applicable, unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please deliver substitute certificates representing Old Notes for any Old Notes delivered other than through book-entry delivery that are not exchanged in the name of the undersigned. If applicable, unless otherwise indicated in the box entitled "Special Delivery Instructions" below, please send substitute certificates representing Old Notes for any Old Notes delivered other than through book-entry delivery that are 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 (i) New Notes are to be delivered by book-entry transfer to an account maintained at DTC other than the account indicated above or if Old Notes were not tendered by book-entry transfer, (ii) certificates for Old Notes not exchanged 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 (iii) 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.

If applicable, issue Old Notes to:

Names(s):

-----  
(Please Type or Print)

-----  
(Please Type or Print)

Address:

-----  
(Including Zip Code)

-----  
Social Security or Employer Identification Number

If applicable, credit New Notes and unexchanged Old Notes delivered by book-entry transfer to DTC account set forth below.

Name of Institution:

-----  
DTC Account Number:

SPECIAL DELIVERY INSTRUCTIONS  
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Old Notes not exchanged 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.

Mail certificates for Old Notes to:

Names(s):

-----  
(Please Type or Print)

-----  
(Please Type or Print)

Address:

-----  
(Including Zip Code)

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU THEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS LETTER OF TRANSMITTAL CAREFULLY  
BEFORE COMPLETING ANY BOX ABOVE.



PLEASE SIGN HERE  
(TO BE COMPLETED BY ALL TENDERING HOLDERS)  
(COMPLETE ACCOMPANYING SUBSTITUTE FORM W-9)

Dated: ----- , 2003

-----  
-----  
(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 SUBORDINATED NOTES DUE 2007, WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, FOR ANY AND ALL OUTSTANDING FLOATING RATE SECURED SUBORDINATED 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 or Agent's Message in lieu 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, any Old Notes were not tendered by book-entry transfer, 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 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 (or, if applicable, delivered by book-entry delivery to) 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.



or single-  
The owner(3)  
owner LLC 7.

A valid  
trust,  
estate, or  
pension The  
legal  
entity(4)  
trust 8.

Corporate or  
LLC electing  
The

corporation  
corporate  
status on  
Form 8832 9.

Association,  
club,  
religious,  
The  
organization  
charitable,  
educational  
or other tax-  
exempt  
organization  
10.

Partnership  
The  
partnership  
11. A broker  
or registered  
nominee The

broker or  
nominee 12.  
Account with  
the

Department of  
The public  
entity

Agriculture  
in the name  
of a public  
entity (such  
as State or  
local

government,  
school  
district, or  
prison) that  
receives  
agricultural  
program  
payments - - -  
-----  
-----  
-----  
-----  
-----  
-----  
-----

(1) 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.

(2) Circle the minor's name and furnish the minor's social security number.

(3) 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).

(4) 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.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Backup withholding is not required on any payments made to the following payees:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2);
2. The United States or any of its agencies or instrumentalities;
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities;
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities; or
5. An international organization or any of its agencies or instrumentalities.

Payments made to the following payees MAY BE EXEMPT from backup withholding:

6. A corporation;
7. A foreign central bank of issue;
8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States;
9. A futures commission merchant registered with the Commodity Futures Trading commission;
10. A real estate investment trust;
11. An entity registered at all times during the tax year under the Investment Company Act of 1940;
12. A common trust fund operated by a bank under section 584(a);
13. A financial institution;
14. A middleman known in the investment community as a nominee or custodian; or
15. A trust exempt from tax under section 664 or described in section 4947.

INTEREST AND DIVIDEND PAYMENTS. All of the payees listed above, except for that listed in item 9, are exempt from backup withholding for interest and dividend payments.

BROKER TRANSACTIONS. All of the payees listed in items 1 through 13 are exempt if the payment is for broker transactions. A person registered under the Investment Advisors Act of 1940 who regularly acts as a broker is also exempt.

PAYMENTS REPORTABLE UNDER SECTIONS 6041 AND 6041A. These payments are generally exempt from backup withholding only if made to payees listed in items 1 through 7.



BARTER EXCHANGE TRANSACTIONS AND PATRONAGE DIVIDENDS. Only payees listed in items 1 through 5 are exempt from backup withholding on these payments.

Exempt Payees described above should file a Substitute Form W-9 to avoid possible erroneous backup withholding. EXEMPT PAYEES SHOULD FURNISH THE APPROPRIATE TIN, CHECK THE BOX FOR TAXPAYERS EXEMPT FROM BACKUP WITHHOLDING, AND SIGN AND RETURN THE FORM TO THE PAYER.

#### PRIVACY ACT NOTICE

Section 6109 requires a payee to give his or her correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to the payee, mortgage interest paid by the payee, the acquisition or abandonment of secured property, cancellation of debt, or contributions made to an IRA or Archer MSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of tax returns. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia to carry out their tax laws. The IRS may also disclose this information to other countries under a Tax Treaty or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism.

Payees must provide taxpayer identification numbers whether or not they are required to file a tax return. Payers must generally withhold 30.5% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

#### PENALTIES

(1) FAILURE TO FURNISH TIN. If a payee fails to furnish the correct TIN to a payer, he or she is subject to a penalty of \$50 for each such failure unless the failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING A payee who makes false statements with no reasonable basis that results in no backup withholding is subject to a \$500 penalty.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION Willfully falsifying certifications or affirmations may subject a payee to criminal penalties including fines and/or imprisonment.

(4) MISUSE OF TINS. If the payer discloses or uses TINs in violation of Federal law, the payer may be subject to civil and criminal penalties.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

NOTICE OF GUARANTEED DELIVERY  
FOR  
CONTINENTAL AIRLINES, INC.  
FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of Continental Airlines, Inc. (the "Company") made pursuant to the Prospectus, dated [ ], 2003 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") if certificates for Old Notes are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach Wilmington Trust Company (the "Exchange Agent") prior to 5:00 p.m., New York City time, on the Expiration Date of the Exchange Offer. Such form may be delivered or transmitted by facsimile transmission, mail or hand delivery to the Exchange Agent as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Old Notes pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) must also be received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. Capitalized terms not defined herein are defined in the Prospectus.

DELIVERY TO: Wilmington Trust Company, Exchange Agent

BY MAIL:  
Wilmington Trust Company  
DC-1615 Reorg Services  
PO Box 8861  
Wilmington, Delaware 19898-8861

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

FACSIMILE TRANSMISSION:  
(302) 636-4145

CONFIRM BY TELEPHONE:  
(302) 636-6472

Delivery of this instrument to an address other than as set forth above, or transmission of instructions via facsimile other than as set forth above, will not constitute a valid delivery.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Company the principal amount of Old Notes set forth below, pursuant to the guaranteed delivery procedure described in "The Exchange Offer--Guaranteed Delivery Procedures" section of the Prospectus.

Principal Amount of Old Notes Tendered:

\$  
-----

Certificate Nos. (if available):

-----  
-----

If Old Notes will be delivered by book-entry transfer to The Depository Trust Company, provide account number.

Account  
Number:  
-----

Name(s) of Record Holders(s):  
-----  
-----

Address(es):  
-----  
-----

Area Code and Telephone Number(s):  
-----  
-----

Signature (s):  
-----  
-----

Dated:  
-----  
-----

THE ACCOMPANYING GUARANTEE MUST BE COMPLETED.

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm that is a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or any "eligible guarantor institution" within the meaning of Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended, hereby guarantees to deliver to the Exchange Agent, at one of its addresses set forth above, the certificates representing all tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees, and any other documents required by the Letter of Transmittal within three New York Stock Exchange trading days after the date of execution of this Notice of Guaranteed Delivery.

Name of Firm:

- - - - -

Address:

- - - - -

- - - - -

- - - - -

Area Code and

Telephone

Number:

- - - - -

- - - - -

(Authorized Signature)

Title:

- - - - -

Name:

- - - - -

Date:

- - - - -

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE

FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007,

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

To: Brokers, Dealers, Commercial Banks,  
Trust Companies and Other Nominees:

Upon and subject to the terms and conditions set forth in the Prospectus, dated [ ], 2003 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), an offer to exchange (the "Exchange Offer") the registered Floating Rate Secured Subordinated Notes due 2007 (the "New Notes") for any and all outstanding Floating Rate Secured Subordinated Notes due 2007 (the "Old Notes") (CUSIP Nos. 210795PG9 and U21105AE8) is being made pursuant to such Prospectus. The Exchange Offer is being made in order to satisfy certain obligations of Continental Airlines, Inc. (the "Company") contained in the Exchange and Registration Rights Agreement, dated as of May 9, 2003, between the Company and the initial purchaser referred to therein.

We are requesting that you contact your clients for whom you hold Old Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Old Notes registered in your name or in the name of your nominee, or who hold Old Notes registered in their own names, we are enclosing the following documents:

1. Prospectus dated [ ], 2003;
2. The Letter of Transmittal for your use and for the information of your clients;
3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Old Notes are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis; and
4. A form of letter which may be sent to your clients for whose account you hold Old Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer.

Your prompt action is requested. The Exchange Offer will expire at 5:00 p.m., New York City time, on [ ], 2003 (the "Expiration Date") ([ ] calendar days following the commencement of the Exchange Offer), unless extended by the Company. The Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before 5:00 p.m., New York City time, on the Expiration Date.

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and any other required documents, should be sent to the Exchange Agent and certificates representing the Old Notes should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If holders of Old Notes wish to tender, but it is impracticable for them to forward their certificates for Old Notes prior to the expiration of the Exchange Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under "The Exchange Offer--Guaranteed Delivery Procedures".

Additional copies of the enclosed materials may be obtained from Wilmington Trust Company, the Exchange Agent, at Wilmington Trust Company, Corporate Trust Reorg Services, 1100 North Market Street, Wilmington, Delaware 19890-0001, phone (302) 636-6472 and facsimile (302) 636-4145.

CONTINENTAL AIRLINES, INC.

CONTINENTAL AIRLINES, INC.

OFFER TO EXCHANGE

FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007,

WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933,  
FOR ANY AND ALL OUTSTANDING

FLOATING RATE SECURED SUBORDINATED NOTES DUE 2007

To Our Clients:

Enclosed for your consideration is a Prospectus of Continental Airlines, Inc., a Delaware corporation (the "Company"), dated [ ], 2003 (the "Prospectus"), and the related Letter of Transmittal (the "Letter of Transmittal") relating to the offer to exchange (the "Exchange Offer") the registered Floating Rate Secured Subordinated Notes due 2007 (the "New Notes") for any and all outstanding Floating Rate Secured Subordinated Notes due 2007 (the "Old Notes") (CUSIP Nos. 210795PG9 and U21105AE8), upon the terms and subject to the conditions described in the Prospectus and the Letter of Transmittal. The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Exchange and Registration Rights Agreement, dated as of May 9, 2003, between the Company and the initial purchaser referred to therein.

This material is being forwarded to you as the beneficial owner of the Old Notes carried by us in your account but not registered in your name. A tender of such Old Notes may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Old Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Old Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on [ ], 2003 (the "Expiration Date") ([ ] calendar days following the commencement of the Exchange Offer), unless extended by the Company. Any Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before 5:00 p.m., New York City time, on the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Old Notes.
2. The Exchange Offer is subject to certain conditions set forth in the Prospectus in the section captioned "The Exchange Offer--Conditions".
3. Any transfer taxes incident to the transfer of Old Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.
4. The Exchange Offer expires at 5:00 p.m., New York City time, on the Expiration Date, unless extended by the Company.

If you wish to have us tender your Old Notes, please so instruct us by completing, executing and returning to us the instruction form set forth below. The Letter of Transmittal is furnished to you for information only and may not be used directly by you to tender Old Notes.

Instructions with Respect to the Exchange Offer

The undersigned acknowledge(s) receipt of your letter enclosing the Prospectus, dated [ ], 2003, of Continental Airlines, Inc., a Delaware corporation, and the related specimen Letter of Transmittal.

This will instruct you to tender the number of Old Notes indicated below held by you for the account of the undersigned, pursuant to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal. (Check one).

The undersigned expressly agrees to be bound by the enclosed Letter of Transmittal and that such Letter of Transmittal may be enforced against the undersigned.

Box 1 [ ] Please tender my Old Notes held by you for my account. If I do not wish to tender all of the Old Notes held by you for my account, I have identified on a signed schedule attached hereto the number of Old Notes that I do not wish tendered.

Box 2 [ ] Please do not tender any Old Notes held by you for my account.

-----

Date ----- , 2003

-----  
Signature(s)

-----

-----  
Please print name(s) here

-----  
Area Code and Telephone No.

Unless a specific contrary instruction is given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all Old Notes.