

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 1-10323

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2099724

(State or other jurisdiction

(I.R.S. Employer

of incorporation or organization)

Identification No.)

1600 Smith Street, Dept. HQSEO

Houston, Texas 77002

(Address of principal executive offices)

(Zip Code)

713-324-2950

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.: Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of July 11, 2008, 109,796,597 shares of Class B common stock of the registrant were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Operating Revenue:				
Passenger (excluding fees and taxes of \$408, \$391, \$784, and \$737, respectively)	\$3,650	\$3,396	\$6,873	\$6,291
Cargo	132	109	254	216
Other	<u>262</u>	<u>205</u>	<u>487</u>	<u>382</u>
	<u>4,044</u>	<u>3,710</u>	<u>7,614</u>	<u>6,889</u>
Operating Expenses:				
Aircraft fuel and related taxes	1,363	821	2,411	1,505
Wages, salaries and related costs	704	842	1,432	1,568

Regional capacity purchase, net	589	444	1,095	873
Aircraft rentals	246	248	493	496
Landing fees and other rentals	210	190	418	384
Distribution costs	194	176	375	337
Maintenance, materials and repairs	167	169	326	313
Depreciation and amortization	108	101	215	200
Passenger services	107	99	203	189
Special charges	58	7	50	18
Other	<u>369</u>	<u>350</u>	<u>733</u>	<u>679</u>
	<u>4,115</u>	<u>3,447</u>	<u>7,751</u>	<u>6,562</u>

Operating Income (Loss)	<u>(71)</u>	<u>263</u>	<u>(137)</u>	<u>327</u>
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Nonoperating Income (Expense):

Interest expense	(88)	(97)	(179)	(193)
Interest capitalized	8	6	17	11
Interest income	16	41	40	77
Income from other companies	6	5	10	10
Gain on sale of investments	78	-	78	7
Other, net	<u>5</u>	<u>14</u>	<u>-</u>	<u>15</u>
	<u>25</u>	<u>(31)</u>	<u>(34)</u>	<u>(73)</u>

Income (Loss) before Income Taxes	(46)	232	(171)	254
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Income Tax Benefit (Expense)	<u>43</u>	<u>(4)</u>	<u>88</u>	<u>(4)</u>
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Net Income (Loss)	<u>\$ (3)</u>	<u>\$ 228</u>	<u>\$ (83)</u>	<u>\$ 250</u>
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Earnings (Loss) Per Share:

Basic	<u>\$(0.03)</u>	<u>\$ 2.35</u>	<u>\$(0.84)</u>	<u>\$ 2.60</u>
Diluted	<u>\$(0.03)</u>	<u>\$ 2.03</u>	<u>\$(0.84)</u>	<u>\$ 2.26</u>

Shares Used for Computation:

Basic	99	97	99	96
Diluted	99	115	99	115

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

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

ASSETS	June 30, <u>2008</u> (Unaudited)	December 31, <u>2007</u> (Unaudited)	June 30, <u>2007</u> (Unaudited)
Current Assets:			
Cash and cash equivalents	\$ 3,049	\$ 2,128	\$ 2,745
Short-term investments	<u>358</u>	<u>675</u>	<u>431</u>
Total unrestricted cash, cash equivalents and short-term investments	3,407	2,803	3,176
Restricted cash, cash equivalents and short-term investments	122	179	202
Accounts receivable, net	739	606	758
Spare parts and supplies, net	339	271	256
Deferred income taxes	249	259	187
Prepayments and other	<u>602</u>	<u>443</u>	<u>499</u>
Total current assets	<u>5,458</u>	<u>4,561</u>	<u>5,078</u>
Property and Equipment:			
Owned property and equipment:			

Flight equipment	7,960	7,182	7,169
Other	<u>1,641</u>	<u>1,548</u>	<u>1,489</u>
	9,601	8,730	8,658
Less: Accumulated depreciation	<u>2,968</u>	<u>2,790</u>	<u>2,655</u>
	<u>6,633</u>	<u>5,940</u>	<u>6,003</u>
Purchase deposits for flight equipment	<u>328</u>	<u>414</u>	<u>246</u>
Capital leases	190	297	298
Less: Accumulated amortization	<u>49</u>	<u>93</u>	<u>87</u>
	<u>141</u>	<u>204</u>	<u>211</u>
Total property and equipment, net	<u>7,102</u>	<u>6,558</u>	<u>6,460</u>
Routes	484	484	484
Airport operating rights, net	307	222	113
Investment in student loan-related auction rate securities (including \$61 restricted)	264	--	--
Investment in other companies	6	69	62
Other assets, net	<u>197</u>	<u>211</u>	<u>246</u>
Total Assets	<u>\$13,818</u>	<u>\$12,105</u>	<u>\$12,443</u>

(continued on next page)

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

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, <u>2008</u> (Unaudited)	December 31, <u>2007</u>	June 30, <u>2007</u> (Unaudited)
Current Liabilities:			
Current maturities of long-term debt and capital leases	\$ 466	\$ 652	\$ 483
Accounts payable	1,043	1,013	1,090
Air traffic and frequent flyer liability	2,790	1,967	2,421
Accrued payroll	334	545	376
Accrued other liabilities	<u>294</u>	<u>272</u>	<u>283</u>
Total current liabilities	<u>4,927</u>	<u>4,449</u>	<u>4,653</u>
Long-Term Debt and Capital Leases	5,323	4,366	4,767
Deferred Income Taxes	299	359	187
Accrued Pension Liability	472	534	985
Accrued Retiree Medical Benefits	242	235	221
Other	843	612	680
Commitments and Contingencies			
Stockholders' Equity:			
Preferred Stock - \$.01 par, 10,000,000 shares authorized; zero, one and one share of Series B issued and outstanding, stated at par value	-	-	-
Class B common stock - \$.01 par, 400,000,000 shares authorized; 109,796,597, 98,208,888 and 97,683,412 issued and outstanding	1	1	1
Additional paid-in capital	1,785	1,606	1,580
Retained earnings	365	448	239
Accumulated other comprehensive loss	<u>(439)</u>	<u>(505)</u>	<u>(870)</u>
Total stockholders' equity	<u>1,712</u>	<u>1,550</u>	<u>950</u>
Total Liabilities and Stockholders' Equity	<u>\$ 13,818</u>	<u>\$ 12,105</u>	<u>\$ 12,443</u>

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

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

	<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:	\$	
Net income (loss)	\$ (83)	\$ 250
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	215	200
Special charges	50	18
Gain on sale of investments	(78)	(7)
Undistributed equity in income of other companies	(9)	(10)
Stock-based compensation related to equity awards	8	12

Deferred income taxes	(88)	-
Other, net	22	14
Changes in operating assets and liabilities	<u>430</u>	<u>491</u>
Net cash provided by operating activities	<u>467</u>	<u>968</u>
Cash Flows from Investing Activities:		
Capital expenditures	(293)	(155)
Aircraft purchase deposits refunded (paid), net	56	(62)
Proceeds from sales of short-term investments, net	82	(70)
Proceeds from sales of property and equipment	74	7
Decrease (increase) in restricted cash, cash equivalents and short-term investments	(21)	63
Proceeds from sale of Copa Holdings, S.A. shares, net	149	-
Proceeds from sale of ExpressJet Holdings, Inc. shares, net	-	35
Proceeds from sale of student loan-related auction rate securities	<u>21</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>68</u>	<u>(182)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt and capital lease obligations	(267)	(213)
Proceeds from issuance of long-term debt	483	25
Proceeds from public offering of common stock	162	-
Proceeds from issuance of common stock pursuant to stock plans	<u>8</u>	<u>24</u>
Net cash provided by (used in) financing activities	<u>386</u>	<u>(164)</u>
Net Increase in Cash and Cash Equivalents	921	622
Cash and Cash Equivalents - Beginning of Period	<u>2,128</u>	<u>2,123</u>
Cash and Cash Equivalents - End of Period	<u>\$3,049</u>	<u>\$2,745</u>
Investing and Financing Activities Not Affecting Cash:		
Common stock issued upon conversion of 4.5% Convertible Notes	\$ -	\$ 170
Property and equipment acquired through the issuance of debt	\$ 690	\$ 190

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

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

In our opinion, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position, results of operations and cash flows for the periods indicated. Such adjustments, other than nonrecurring adjustments that have been separately disclosed, are of a normal, recurring nature.

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2007 (the "2007 Form 10-K"). Due to seasonal fluctuations common to the airline industry, our results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year. As used in these Notes to Consolidated Financial Statements, the terms "Continental," "we," "us," "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

Certain reclassifications have been made in the prior period's consolidated financial statements and related note disclosures to conform to the current year's presentation.

NOTE 1 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SFAS 157. In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, "Effective Date of FASB Statement No. 157," which defers the effective date for us to January 1, 2009 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis (that is, at least annually). As discussed in Note 5, on January 1, 2008, we adopted the provisions of SFAS 157 relating to assets and liabilities recognized or disclosed in the financial statements at fair value on a recurring basis. We are currently evaluating the requirements of the deferred provisions of this statement and have not determined the impact, if any, that adoption of the deferred provisions will have on our consolidated financial statements.

SFAS 159. In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to elect to measure at fair value eligible financial instruments that are not currently measured at fair value. This election, which may be applied on an instrument by instrument basis, is typically irrevocable once made. SFAS 159 is effective for us as of January 1, 2008; however, we did not elect to measure any additional financial instruments at fair value as a result of this statement. Therefore, the adoption of SFAS 159 did not have an effect on our consolidated financial statements.

SFAS 141R. In December 2007, the FASB issued Statement No. 141(R), "Business Combinations" ("SFAS 141R"). SFAS 141R improves consistency and comparability of information about the nature and effect of a business combination by establishing principles and requirements for how an acquirer (a) recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to all business combination transactions for which the acquisition date is on or after January 1, 2009. The impact of our adoption of SFAS 141R will depend upon the nature and terms of business combinations, if any, that we consummate on or after January 1, 2009.

SFAS 161. In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and is effective for us as of January 1, 2009. We do not expect the adoption of SFAS 161 to have a material effect on our consolidated financial statements.

FSP APB 14-1. In May 2008, the FASB issued Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" (the "FSP"), which clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The FSP requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. The FSP requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on the debt to be recognized as part of interest expense in our consolidated statement of operations. The FSP requires retrospective application to the terms of instruments as they existed for all periods presented. The FSP is effective for us as of January 1, 2009 and early adoption is not permitted. The adoption of this FSP will affect the accounting for our 5% Convertible Notes due 2023 and will result in increased interest expense of approximately \$12 million in 2009 and \$6 million in 2010, assuming the 5% Convertible Notes will be settled in 2010. The retroactive application of this FSP to years 2003 through 2008 will result in increased annual interest expense of approximately \$4 million in 2003, gradually increasing to approximately \$11 million in 2008.

NOTE 2 - EARNINGS (LOSS) PER SHARE

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

	Three Months <u>Ended June 30,</u>		Six Months <u>Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>

Numerator:

Numerator for basic earnings (loss) per share - net income (loss)	\$ (3)	\$ 228	\$ (83)	\$ 250
Effect of dilutive securities - interest expense on:				
5% Convertible Notes	-	2	-	3
6% Convertible Junior Subordinated Debentures held by subsidiary trust	--	3	--	5
4.5% Convertible Notes	--	--	--	<u>1</u>
Numerator for diluted earnings (loss) per share - net income after assumed conversions	\$ (3)	\$ <u>233</u>	\$ (83)	\$ <u>259</u>

Denominator:

Denominator for basic earnings (loss) per share - weighted-average shares	<u>99</u>	<u>97</u>	<u>99</u>	<u>96</u>
Effect of dilutive securities:				
5% Convertible Notes	-	9	-	9
6% Convertible Junior Subordinated Debentures held by subsidiary trust	--	4	--	4
4.5% Convertible Notes	-	-	-	1
Employee stock options	--	<u>5</u>	--	<u>5</u>
Dilutive potential common shares	--	<u>18</u>	--	<u>19</u>
Denominator for diluted earnings (loss) per share - weighted-average shares after assumed conversions	<u>99</u>	<u>115</u>	<u>99</u>	<u>115</u>

The adjustments to net income (loss) to determine the numerator for diluted earnings (loss) per share are net of the related effect of applicable income taxes and any profit sharing.

Approximately 13 million potential shares of our common stock related to convertible debt securities were excluded from the computation of diluted earnings (loss) per share in the three and six months ended June 30, 2008 because they were antidilutive. In addition, approximately eight million weighted average options to purchase shares of our common stock were excluded from the computation of diluted earnings per share for each of the three and six months ended June 30, 2008, and one million in the three months ended June 30, 2007, because the options' exercise prices were greater than the average market price of the common shares during the relevant period or the effect of including the options would have been antidilutive.

NOTE 3 - FLEET INFORMATION

As of June 30, 2008, we owned or leased 375 mainline jets and 274 regional jets. All mainline jets are operated exclusively by us. Of the 274 regional jets that we own or lease, 205 are leased or subleased to ExpressJet Airlines, Inc. ("ExpressJet"), and operated on our behalf under a capacity purchase agreement with ExpressJet. The remaining 69 regional jet aircraft are subleased to ExpressJet, but are not operated on our behalf and, accordingly, are not included in the operating fleet table below. See Note 13 for a discussion of the changes to our capacity purchase agreement with ExpressJet effective July 1, 2008. Additionally, our regional operating fleet includes 73 regional jet and turboprop aircraft owned or leased by third parties that are operated on our behalf by other operators under capacity purchase agreements.

The following table summarizes our operating fleet (aircraft operated by us and by others on our behalf) as of June 30, 2008:

Aircraft Type	Total	Owned	Leased	Third-Party Aircraft
Mainline:				
777-200ER	20	8	12	-
767-400ER	16	14	2	-
767-200ER	10	9	1	-
757-300	17	9	8	-
757-200	41	14	27	-
737-900ER	10	10	-	-
737-900	12	8	4	-
737-800	111	38	73	-
737-700	36	12	24	-
737-500	55	7	48	-
737-300	<u>47</u>	<u>21</u>	<u>26</u>	<u>--</u>
Total mainline	<u>375</u>	<u>150</u>	<u>225</u>	<u>--</u>
Regional:				
ERJ-145XR	60	-	60	-
ERJ-145	135	18	97	20 (a)
ERJ-135	30	-	30	-
CRJ200LR	24	-	-	24 (a)
Q200	16	-	-	16 (b)
Q400	<u>13</u>	<u>--</u>	<u>--</u>	<u>13 (c)</u>
Total regional	<u>278</u>	<u>18</u>	<u>187</u>	<u>73</u>
Total	<u>653</u>	<u>168</u>	<u>412</u>	<u>73</u>

- a. Operated by Chautauqua Airlines, Inc. ("Chautauqua") under a capacity purchase agreement.
- b. Operated by Champlain Enterprises Inc., doing business as CommutAir under a capacity purchase agreement.
- c. Operated by Colgan Air, Inc. ("Colgan") under a capacity purchase agreement.

Fleet Activity. During the first half of 2008, we placed ten new Boeing 737-900ER and six new Boeing 737-800 aircraft into service and we removed five Boeing 737-500 and one Boeing 737-300 aircraft from service. In addition, we took delivery of three Boeing 737-900ER and one Boeing 737-800 aircraft in late June 2008, which were placed into service in July 2008. These four aircraft are not included in the table above.

We sold five Boeing 737-500 aircraft in the first half of 2008. Twelve additional Boeing 737-500 aircraft are scheduled for sale by the end of 2008. In April 2008, we entered into an agreement to terminate the leases and arrange for the sale of eight additional leased Boeing 737-500 aircraft for delivery in 2009. We expect to operate each aircraft until shortly before its delivery date. These pending transactions are subject to customary closing conditions, some of which are outside of our control, and we cannot give any assurances that the closing of these transactions will occur.

In February 2008, Colgan began providing and operating 74-seat Bombardier Q400 twin-turboprop aircraft on short and medium-distance routes from Newark Liberty International Airport ("New York Liberty"). Colgan plans to operate fifteen Q400 aircraft for us by the end of the third quarter of 2008. Colgan operates the aircraft under a capacity purchase agreement with us with a ten year term expiring in 2018.

Capacity Reductions. In June 2008, we announced significant reductions in flying and staffing that are necessary for us to further adjust to the extremely high cost of fuel. Starting in September 2008, at the conclusion of the peak summer season, we will reduce our flights, resulting in a reduction of domestic mainline capacity (as measured by available seat miles), compared to the same period last year. We also announced that we will accelerate the retirement of 67 less fuel efficient Boeing 737-300 and 737-500 aircraft from our mainline fleet. Given the need for prompt capacity reductions in the current industry environment, 27 of the 67 aircraft will be removed in September 2008. Including these 27 aircraft, we expect to remove 24 Boeing 737-300 and 13 Boeing 737-500 aircraft from service during the remainder of 2008. During 2009, we expect to remove seven Boeing 737-500 aircraft and all of the remaining Boeing 737-300 aircraft from service. All of the Boeing 737-500 aircraft scheduled to be removed from service are under contract to be sold.

Firm Order and Option Aircraft. As of June 30, 2008, we had firm commitments for 96 new aircraft (63 Boeing 737 aircraft, eight Boeing 777 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2008 through 2015, with an estimated aggregate cost of \$5.8 billion including related spare engines. In addition to our firm order aircraft, we had options to purchase a total of 102 additional Boeing aircraft as of June 30, 2008.

NOTE 4 - LONG-TERM DEBT

Debt Secured by Aircraft. On April 10, 2007, we obtained financing for 12 Boeing 737-800s and 18 Boeing 737-900ERs. We applied a portion of this financing to 18 Boeing aircraft delivered to us in the first half of 2008 and recorded related debt of \$689 million. We expect to apply the remainder of this financing to 12 of the 15 Boeing 737 aircraft scheduled for delivery from July 2008 through the first quarter of 2009.

During the second quarter of 2008, we also obtained financing for two new Boeing 737-900ER aircraft and separately entered into a loan agreement secured by four Boeing 757-200 aircraft and one Boeing 737-700 aircraft. As of June 30, 2008, we have borrowed \$135 million secured by the two Boeing 737-900ER aircraft and the four Boeing 757-200 aircraft. We expect to receive the remaining loan proceeds of \$17 million related to the Boeing 737-700 aircraft in November 2008.

Pre-delivery Payment Facility. On June 30, 2008, we entered into a loan facility to finance a portion of the pre-delivery payment requirements under the aircraft purchase agreements for 66 new Boeing aircraft scheduled for delivery between July 1, 2008 and the end of 2011. We borrowed \$113 million under this facility on June 30, 2008. The second and final borrowing under this facility in the amount of \$16 million is scheduled for December 2008. Our obligations under the facility are secured by our rights under our purchase agreements for 737 and 777 aircraft on order with Boeing.

Advance Purchase of Mileage Credits. On June 10, 2008, we entered into an amendment and restatement of our Bankcard Joint Marketing Agreement (the "Bankcard Agreement") with Chase Bank USA, N.A. ("Chase"), under which Chase purchases frequent flyer mileage credits to be earned by OnePass members for making purchases using a Continental branded credit card issued by Chase. The Bankcard Agreement provides for a payment to us of \$413 million, of which \$235 million relates to the advance purchase of frequent flyer mileage credits for the year 2016. In connection with the advance purchase of mileage credits, we have provided a security interest to Chase in certain routes and slots, including our recently-acquired slots at London's Heathrow Airport. The \$235 million purchase of mileage credits has been treated as a loan from Chase and is reported as long-term debt in our consolidated balance sheet. Our liability will be reduced ratably in 2016 as the mileage credits are issued to Chase. The remaining \$178 million received from Chase is in consideration for certain other commitments with respect to the co-branding relationship, including the extension of the term of the Bankcard Agreement until December 31, 2016. This amount is reported in other liabilities in our consolidated balance sheet and will be recognized as other revenue over the term of the agreement.

Maturities. Maturities of long-term debt due before December 31, 2008 and for the next four years are as follows (in millions):

July 1, 2008 through December 31, 2008	\$ 360
Year ending December 31,	
2009	488
2010	910
2011	1,123
2012	497

Convertible Debt Securities. In January 2007, \$170 million in principal amount of our 4.5% convertible notes due on February 1, 2007 was converted by the holders into 4.3 million shares of our Class B common stock at a conversion price of \$40 per share. The remaining \$30 million in principal amount was paid on February 1, 2007.

NOTE 5 - FAIR VALUE MEASUREMENTS

SFAS 157 requires expanded disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements, but does not require any new fair value measurements. We adopted the provisions of SFAS 157 relating to assets and liabilities recognized or disclosed in the financial statements at fair value on a recurring basis on January 1, 2008. The adoption of these provisions did not have a material effect on our consolidated financial statements.

SFAS 157 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. SFAS 157 requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

- Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets
- Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs
- Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities

The valuation techniques that may be used to measure fair value are as follows:

- A. Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
- B. Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and excess earnings method
- C. Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost)

Assets (liabilities) measured at fair value on a recurring basis during the period include (in millions):

	Carrying Amount as of <u>June 30, 2008</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Valuation <u>Technique</u>
Cash equivalents	\$2,999	\$2,999			(A)
Restricted cash equivalents	118	118			(A)
Short-term investments classified as available-for-sale	358	358			(A)
Student loan-related auction rate securities	264			\$264	(B)
Fuel hedging derivatives	174			174	(A)
Foreign currency hedges	1		\$1		(A)

Unobservable Inputs. The reconciliation of our assets measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows (in millions):

	<u>Student Loan- Related Auction Rate Securities</u>	<u>Fuel Hedging Derivatives</u>
Balance at January 1, 2008	\$ -	\$ 24
Transfers to Level 3 (subsequent to dispositions of \$73)	314	-
Additions	-	39
Dispositions	(21)	-
Gains and losses:		
Settlement (gains) losses reported in earnings	-	(108)
Unrealized gains (losses) reported in earnings	(29)	33
Unrealized gains (losses) reported in other comprehensive income	<u>-</u>	<u>186</u>
Balance at June 30, 2008	<u>\$264</u>	<u>\$ 174</u>

Student Loan-Related Auction Rate Securities. At June 30, 2008, we held student loan-related auction rate securities with a par value of \$293 million and a fair value of \$264 million. This total includes \$226 million par value (\$203 million fair value) classified as long-term investments and \$67 million par value (\$61 million fair value) that is restricted as collateral for estimated future workers' compensation claims. At December 31, 2007, student loan-related auction rate securities totaled \$387 million (par and fair value), including \$285 million in short-term investments and \$102 million in restricted cash, cash equivalents and short-term investments. These securities are variable-rate debt instruments with contractual maturities generally greater than ten years and whose interest rates are reset every 7, 28 or 35 days, depending on the terms of the particular instrument. These securities are secured by pools of student loans guaranteed by state-designated guaranty agencies and re insured by the United States government. All of the auction rate securities we hold are senior obligations under the applicable indentures authorizing the issuance of the securities. Auctions for these securities began failing in the first quarter of 2008 and continued to fail throughout the second quarter, resulting in our continuing to hold such securities and the issuers of these securities paying interest adjusted to the maximum contractual rates. Additionally, a liquid secondary market for these securities has not emerged. Accordingly, we reclassified such securities to long-term assets during the first quarter of 2008.

We account for these securities as available-for-sale investments. Historically, the carrying value of auction rate securities approximated fair value due to the frequent resetting of the interest rate and the existence of a liquid market. While we will earn interest on these investments involved in failed auctions at the maximum contractual rate, the estimated market value of these auction rate securities no longer approximates par value. We estimated the fair value of these securities to be \$264 million at June 30, 2008, taking into consideration the limited sales and offers to purchase securities during the second quarter of 2008 and using internally-developed models of the expected future cash flows related to the securities, taking into account our probability-weighted assumptions about the cash flows of the underlying student loans and the fact that the securities we hold are senior to other classes of securities secured by the pools of student loans. Because we do not intend to hold these securities until the par value is recoverable and believe the decline in fair value is other-than-temporary, we recorded a loss of \$29 million in the quarter ended June 30, 2008 to reflect the decline in value of these securities. This loss is included in nonoperating income (expense) in our consolidated statement of operations.

We continue to monitor the market for auction rate securities and consider its impact, if any, on the fair value of our investments. If current market conditions deteriorate further, we may be required to record additional losses on these securities.

Fuel Hedging Derivatives. At June 30, 2008, our fuel derivative instruments consisted of over-the-counter contracts, primarily crude oil or heating oil option contracts forming zero cost collars and crude oil call options, which are not traded on a public exchange. We account for our fuel hedges as cash flow hedges and record them at fair value as prepayments and other current assets or accrued other current liabilities in our consolidated balance sheets with the change in fair value, to the extent effective, being recorded to accumulated other comprehensive income (loss), net of applicable income taxes. We determine the fair value of our fuel hedging derivatives by obtaining inputs from a broker's pricing model based on inputs that are either readily available in public markets or can be derived from information available in publicly quoted markets. We verify the reasonableness of these inputs by comparing the resulting fair values to similar quotes from our counterparties as of each date for which financial statements are prepared. We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold. Due to the fact that certain of the inputs utilized to determine the fair value of the fuel hedging derivatives are unobservable (principally volatility of crude oil and heating oil prices), we have categorized these option contracts as Level 3.

Fuel hedge gains (losses) are recognized as a component of fuel expense or regional capacity purchase, net when the underlying fuel being hedged is used. The ineffective portion of our fuel hedges is determined based on the correlation between crude oil or heating oil prices and jet fuel prices and is included in nonoperating income (expense). We recorded ineffectiveness gains of \$33 million and \$10 million in the second quarters of 2008 and 2007, respectively. This ineffectiveness was caused by our non-jet fuel derivatives experiencing a higher relative increase in value than the jet fuel being hedged. Realized and unrealized gains (losses) related to fuel hedging instruments included in our statement of operations are as follows (in millions):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Aircraft fuel and related taxes	\$64	\$14	\$ 88	\$(1)
Regional capacity purchase, net	15	3	20	-
Nonoperating income (expense)	<u>33</u>	<u>10</u>	<u>33</u>	<u>11</u>
Total	<u>\$112</u>	<u>\$27</u>	<u>\$141</u>	<u>\$10</u>

NOTE 6 - PREFERRED AND COMMON STOCK

Preferred Stock. On April 14, 2008, Northwest Airlines, Inc. ("Northwest") and Delta Air Lines, Inc. ("Delta") announced that they had entered into a merger agreement. Northwest previously held the one outstanding share of our Series B preferred stock, which prevented us from engaging in certain business combinations or other activities without Northwest's consent. We were entitled to redeem the share of Series B preferred stock for a nominal sum upon the execution of a definitive merger agreement by Northwest with respect to a transaction constituting a change of control of Northwest, which occurred upon Northwest's entry into the merger agreement with Delta. As a result, we redeemed and cancelled the Series B preferred stock in the second quarter of 2008, eliminating Northwest's right to prevent us from engaging in certain business combinations or other activities.

Common Stock. In June 2008, we completed a public offering of 11 million shares of Class B common stock at a price to the public of \$14.80 per share, raising net proceeds of \$162 million for general corporate purposes.

NOTE 7 - STOCK PLANS AND AWARDS

Stock Price Based RSU Awards. At December 31, 2007, we had a vested liability of \$29 million related to our outstanding stock price based restricted stock units ("RSUs") with a performance period commencing on April 1, 2004 and ending on December 31, 2007. The performance target for these stock price based RSUs required our stock price to appreciate at least 80% from the grant date price of \$12.4775 (i.e., to at least \$22.4775) and these RSUs were settled in January 2008 based on the average closing price of our common stock during the 20 trading days preceding December 31, 2007. Following this payment, there are no stock price based RSU awards outstanding.

Profit Based RSU Awards. We have issued profit based RSU awards pursuant to our Long-Term Incentive and RSU Program, which can result in cash payments to our officers upon the achievement of specified profit-sharing based performance targets. The performance targets require that we reach target levels of cumulative employee profit sharing payments under our enhanced employee profit sharing plan during the performance period and that we have net income calculated in accordance with U.S. generally accepted accounting principles for the applicable fiscal year. To serve as a retention feature, payments related to the achievement of a performance target generally will be made in annual increments over a three-year period to participants who remain continuously employed by us through each payment date. Payments also are conditioned on our having, at the end of the fiscal year preceding the date any payment is made, a minimum unrestricted cash, cash equivalents and short-term investments balance set by the Human Resources

Committee of our Board of Directors. If we do not achieve the minimum cash balance applicable to a payment date, the payment will be deferred until the next payment date (March 1 of the next year), subject to a limit on the number of years payments may be carried forward. Payment amounts are calculated based on the average closing price of our common stock during the 20 trading days preceding the payment date and the payment percentage set by the Human Resources Committee of our Board of Directors for achieving the applicable profit-sharing based performance target.

We have three outstanding awards of profit based RSUs granted under our Long-Term Incentive and RSU Program: (1) profit based RSU awards with a performance period commencing April 1, 2006 and ending December 31, 2009, (2) profit based RSU awards with a performance period commencing January 1, 2007 and ending December 31, 2009 and (3) profit based RSU awards with a performance period commencing January 1, 2008 and ending December 31, 2010.

The awards with a performance period commencing January 1, 2008 were granted in February 2008. These grants cover 1.0 million RSUs with cumulative profit sharing performance targets ranging from \$100 million to \$275 million and payment percentages ranging from 100% to 200%. The cash hurdle associated with these awards is \$2.2 billion. It is not yet probable that the awards granted in February 2008 will meet the minimum specified cumulative profit-sharing based performance target and we did not recognize any expense related to these awards during the first half of 2008.

The awards granted in April 2006, which had a performance period commencing April 1, 2006 and ending December 31, 2009, achieved the highest level cumulative profit sharing performance target based on cumulative profit sharing payments to our broad based employees of \$262 million as of December 31, 2007. As a result, in March 2008, payments totaling \$52 million were made with respect to these profit based RSU awards following achievement of the year end cash hurdle of \$1.125 billion for those awards.

Stock-Based Compensation Expense. Total stock-based compensation expense included in wages, salaries and related costs was \$(16) million, \$41 million, \$5 million and \$67 million for the three months ended June 30, 2008 and 2007 and six months ended June 30, 2008 and 2007, respectively. As of June 30, 2008, \$21 million of compensation cost attributable to future service related to unvested employee stock options and profit based RSU awards that are probable of being achieved had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 1.3 years. The expense related to RSUs does not impact payments to our broad based employee group under our enhanced profit sharing plan because profit sharing payments are based on pre-tax net income calculated prior to any costs associated with incentive compensation for executives.

NOTE 8 - COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) included the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income (loss)	\$(3)	\$228	\$(83)	\$250
Other comprehensive income (loss):				
Unrealized net gain (loss) on derivative instruments (net of deferred taxes of \$33 and \$28 in 2008)	56	(20)	47	23
Reversal of previously recognized unrealized loss on student-loan related auction rate securities (net of deferred taxes of \$(5))	9	--	--	--
Items related to employee benefit plans:				
Increase in net actuarial gains	-	111	-	70
Amortization of net actuarial losses (net of deferred taxes of \$3 and \$5 in 2008)	4	17	9	35
Amortization of prior service cost (net of deferred taxes of \$3 and \$6 in 2008)	<u>5</u>	<u>8</u>	<u>10</u>	<u>15</u>
Comprehensive income (loss) adjustments	<u>74</u>	<u>116</u>	<u>66</u>	<u>143</u>
Total comprehensive income (loss)	<u>\$71</u>	<u>\$ 344</u>	<u>\$(17)</u>	<u>\$ 393</u>

NOTE 9 - EMPLOYEE BENEFIT PLANS

Net periodic defined benefit pension and retiree medical benefits expense included the following components (in millions):

	Defined Benefit Pension				Retiree Medical Benefits			
	Three Months Ended June 30,	Six Months Ended June 30,	Three Months Ended June 30,	Six Months Ended June 30,	Three Months Ended June 30,	Six Months Ended June 30,	Three Months Ended June 30,	Six Months Ended June 30,
	2008	2007	2008	2007	2008	2007	2008	2007
Service cost	\$ 15	\$ 15	\$ 29	\$ 31	\$ 3	\$ 3	\$ 6	\$ 5
Interest cost	37	40	74	79	4	3	8	6
Expected return on plan assets	(41)	(34)	(81)	(67)	-	-	-	-
Amortization of unrecognized net actuarial loss	8	17	15	35	(1)	--	(1)	--
Amortization of prior service cost	<u>2</u>	<u>3</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>5</u>	<u>11</u>	<u>10</u>
Net periodic benefit expense	21	41	42	83	12	11	24	21
Settlement charge (included in special charges)	<u>--</u>	<u>7</u>	<u>--</u>	<u>12</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net benefit expense	<u>\$ 21</u>	<u>\$ 48</u>	<u>\$ 42</u>	<u>\$ 95</u>	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 24</u>	<u>\$ 21</u>

During the first half of 2008, we contributed \$84 million to our defined benefit pension plans. On July 16, 2008, we contributed an additional \$18 million for a total of \$102 million in contributions to our defined benefit pension plans during calendar year 2008, satisfying our minimum funding requirement during such period.

We recorded non-cash settlement charges totaling \$7 million and \$12 million in the three and six months ended June 30, 2007, respectively, related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired. SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" ("SFAS 88"), requires the use of settlement accounting if, for a given year, the cost of all settlements exceeds, or is expected to exceed, the sum of the service cost and interest cost components of net periodic pension expense for the plan. Under settlement accounting, unrecognized plan gains or losses must be recognized immediately in proportion to the percentage reduction of the plan's projected benefit obligation.

NOTE 10 - SPECIAL CHARGES

Special charges were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Aircraft-related charges and gains on sales of aircraft	\$ 41	\$ -	\$33	\$ 6
Other costs related to capacity reductions	7	-	7	-
Pension settlement charges (see Note 9)	-	7	-	12
Other	10	-	10	-
Total special charges	\$58	\$7	\$50	\$18

Special charges in the second quarter of 2008 primarily relate to the capacity reductions announced in June 2008. Aircraft-related charges and gains on sales of aircraft includes \$37 million of non-cash impairments on owned Boeing 737-300 and 737-500 aircraft and related assets, a non-cash charge of \$14 million to write down spare parts and supplies for the Boeing 737-300 and 737-500 fleets to the lower of cost or net realizable value and \$10 million of gains on the sale of two owned Boeing 737-500 aircraft. We received net proceeds of \$26 million on the sale of these aircraft. During the first quarter of 2008, we sold three owned Boeing 737-500 aircraft and received net proceeds of \$42 million, resulting in net gains of \$8 million.

Following the decision in June 2008 to retire all of our Boeing 737-300 aircraft and a significant portion of our Boeing 737-500 aircraft by the end of 2009, we evaluated the ongoing value of the assets associated with these fleets. Fleet assets include owned aircraft, improvements on leased aircraft, rotatable spare parts, spare engines and simulators. Based on our evaluation, we determined that the carrying amounts of these fleets were impaired and wrote them down to their estimated fair value. We estimated the fair values based on current market quotes and our expected proceeds from the sale of the assets.

We anticipate that we will record additional special charges in the third quarter of 2008 and beyond in conjunction with these capacity reductions for future costs, including future lease costs on grounded aircraft as the aircraft are grounded, severance and continuing medical coverage for employees accepting early retirement packages and furloughed employees and other associated costs. We are not able at this time to estimate the amount and timing of these charges.

NOTE 11 - INCOME TAXES

We recorded a non-cash income tax credit of \$28 million in the second quarter of 2008 resulting from higher utilization of net operating loss carryforwards ("NOLs") than had been previously anticipated. These NOLs expire from 2008 through 2010. Our effective tax rates differ from the federal statutory rate of 35% primarily due to expenses that are not deductible for federal income tax purposes, state income taxes, and, for the first half of 2007, the benefit of tax loss carryforwards that offset tax expense that would have otherwise been recorded.

Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 4.71% for June 2008). Any unused annual limitation may be carried over to later years. The amount of the limitation may, under certain circumstances, be increased by the built-in gains in assets held by us at the time of the change that are recognized in the five-year period after the change. If we were to have an ownership change under current conditions, our annual NOL utilization could be limited to approximately \$52 million per year, before consideration of any built-in gains. The imposition of this limitation on our ability to use our NOLs to offset future taxable income could cause U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitation were not in effect and could cause such NOLs to expire unused, reducing or eliminating the benefit of such NOLs. In addition, depending on the market value of our common stock at the time of any such ownership change, we may be required to recognize a significant non-cash tax charge, the amount of which we cannot estimate at this time.

NOTE 12 - INVESTMENT IN OTHER COMPANIES

Copa. In May 2008, we sold all of our remaining shares of Copa Holdings, S.A. ("Copa") Class A common stock for net proceeds of \$149 million and recognized a gain of \$78 million.

Holdings. In January 2007, we sold substantially all of our shares of ExpressJet Holdings, Inc. ("Holdings") common stock to third parties for cash proceeds of \$35 million. Holdings is the parent company of ExpressJet. We recognized a gain of \$7 million in the first quarter of 2007 as a result of these sales. We sold the remaining shares of Holdings common stock in April 2007 and no longer own any shares of Holdings common stock.

NOTE 13 - EXPRESSJET CAPACITY PURCHASE AGREEMENT

General. In June 2008, we entered into the Second Amended and Restated Capacity Purchase Agreement (the "Amended ExpressJet CPA") with ExpressJet, which amends and restates our capacity purchase agreement with ExpressJet. Under the Amended ExpressJet CPA, we will continue to purchase all of the capacity from the ExpressJet flights covered by the agreement at a negotiated price. The Amended ExpressJet CPA is effective as of July 1, 2008.

Capacity and Fleet Matters. The Amended ExpressJet CPA covers a minimum of 205 regional jets in the first year. The minimum number of covered aircraft is reduced to 190 regional jets thereafter and may be less as leases on covered aircraft expire. Of the 69 aircraft ExpressJet currently subleases from Continental for non-Continental flying, ExpressJet will continue to lease 30 Embraer 50-seat regional jets from Continental at a reduced rate and may return 39 Embraer 50-seat regional jets. From time to time, we may elect to add those returned aircraft to the Amended ExpressJet CPA and withdraw from the agreement regional jets currently flown by ExpressJet for us, subject to the minimum number of covered aircraft disclosed above. ExpressJet has indicated that it anticipates returning all 39 Embraer 50-seat regional jets to us. If ExpressJet does so, we currently anticipate adding these 39 aircraft to the Amended ExpressJet CPA and, in turn, withdrawing from that agreement 30 Embraer 37-seat regional jets. We are evaluating our options regarding the thirty 37-seat aircraft expected to be withdrawn from the agreement, which might include permanently grounding them. We anticipate that we will record special charges in future periods associated with any withdrawn aircraft; however, we are not able at this time to estimate the amount and timing of these charges.

Term of Agreement. The Amended ExpressJet CPA will expire after a term of seven years and has no renewal or extension options. The Amended ExpressJet CPA eliminated our right to terminate the agreement at any time upon 12 months' notice, although we may terminate the agreement at any time for "cause" (as defined in the Amended ExpressJet CPA) and either party may terminate for breach of the agreement, subject to certain notice and cure periods. The Amended ExpressJet CPA also modified our rights under our former capacity purchase agreement by reducing the scope of change-in-control limitations on ExpressJet, reducing restrictions on ExpressJet flying into our hub airports, and removing the most-favored-nation clause relating to agreements ExpressJet may enter into with other airlines.

In connection with entering into the Amended ExpressJet CPA, certain existing agreements relating to aircraft subleases, facilities, ground handling, fuel purchasing and administrative services were amended. In addition, we entered into a settlement agreement with ExpressJet related to block hour rates for the first six months of 2008 and settled all outstanding disputed claims and other payment disagreements under our former capacity purchase agreement, the impact of which was not material to our consolidated results of operations.

Compensation and Operational Responsibilities. In exchange for ExpressJet's operations of the flights and performance of other obligations under the Amended ExpressJet CPA, we have agreed to pay ExpressJet a pre-determined rate, subject to annual escalations (capped at 3.5%), based on block hours (the hours from gate departure to gate arrival) and to reimburse ExpressJet for various pass-through expenses (with no margin or mark-up) related to the flights, including airport rent, access and security fees, insurance, airport and landing fees, and certain maintenance expenses. Under the Amended ExpressJet CPA, we continue to be responsible for the cost of providing fuel for all flights and for paying aircraft rent for all aircraft covered by the Amended ExpressJet CPA. The Amended ExpressJet CPA contains incentive bonus and rebate provisions based upon ExpressJet's operational performance, but no longer includes any payment adjustments in respect of ExpressJet's operating margin.

Our future payments under the Amended ExpressJet CPA are dependent on numerous variables, and are therefore difficult to predict. The most important of those variables is the number of scheduled block hours. Although we are not required to purchase a minimum number of block hours under the Amended ExpressJet CPA, we have set forth below estimates of our future payments under the agreement based on our stated assumptions. These estimates of our future payments under the Amended ExpressJet CPA do not include the portion of the underlying obligations for aircraft and facility rent. For purposes of calculating these estimates, we have assumed (1) the number of block hours flown based on our anticipated level of flight activity, (2) that we will reduce the fleet by 15 aircraft to 190 aircraft in July 2009, (3) that aircraft utilization, stage length and load factors will remain constant, (4) that ExpressJet's operational performance will remain at historic levels, and (5) that inflation is 2.4% to 2.6% per year. Based on these assumptions, our future payments through 2012 under the Amended ExpressJet CPA at June 30, 2008 were estimated as follows (in millions):

July 1 through December 31, 2008	\$316
Years ending December 31,	
2009	568
2010	624
2011	672
2012	614

It is important to note that the actual amounts we pay to ExpressJet under the Amended ExpressJet CPA could differ materially from the estimates discussed above. For example, a 10% increase or decrease in scheduled block hours (whether as a result of changes in average daily utilization or otherwise) in 2009 would result in a corresponding increase or decrease in cash obligations under the Amended ExpressJet CPA of approximately 9.3%, or \$53 million.

NOTE 14 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. The mainline segment consists of flights to cities using larger jets while the regional segment currently consists of flights with a capacity of 50 or fewer seats (for jets) or 79 or fewer seats (for turboprops). As of June 30, 2008, the regional segment was operated by ExpressJet, Chautauqua, CommutAir and Colgan under capacity purchase agreements.

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

Financial information by business segment is set forth below (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Operating Revenue:				
Mainline	\$3,365	\$3,130	\$6,380	\$5,818
Regional	<u>679</u>	<u>580</u>	<u>1,234</u>	<u>1,071</u>
Total Consolidated	<u>\$4,044</u>	<u>\$3,710</u>	<u>\$7,614</u>	<u>\$6,889</u>
Operating Income (Loss):				
Mainline	\$ 12	\$ 272	\$ 48	\$ 414
Regional	<u>(83)</u>	<u>(9)</u>	<u>(185)</u>	<u>(87)</u>
Total Consolidated	<u>\$ (71)</u>	<u>\$ 263</u>	<u>\$ (137)</u>	<u>\$ 327</u>
Net Income (Loss):				
Mainline	\$ 48	\$ 241	\$ 36	\$ 342
Regional	<u>(51)</u>	<u>(13)</u>	<u>(119)</u>	<u>(92)</u>
Total Consolidated	<u>\$ (3)</u>	<u>\$ 228</u>	<u>\$ (83)</u>	<u>\$ 250</u>

The amounts presented above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a pro-rated share of our ticket revenue for segments flown by regional carriers and expenses include all activity related to the regional operations, regardless of whether the costs were paid directly by us or to the regional carriers. Net income (loss) for the mainline segment includes the gain on the sale of Copa shares in 2008 and Holdings shares in 2007.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments. See Note 3 for a discussion of our aircraft purchase commitments. We have obtained financing for 12 of the 15 Boeing aircraft scheduled for delivery from July 2008 through the first quarter of 2009. However, we do not have backstop financing or any other financing currently in place for the balance of the Boeing aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm order aircraft and other related capital expenditures. We can provide no assurance that such further financing will be available. Since the commitments for firm order aircraft are non-cancelable, if we are unable to obtain financing and cannot otherwise satisfy our commitment to purchase these aircraft, the manufacturer could exercise its rights and remedies under applicable law, such as seeking to terminate the contract for a material breach, selling the aircraft to one or more other parties and suing us for damages to recover for any resulting losses incurred by the manufacturer.

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

We are contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of other rentals in respect of the full amounts owed on special facilities revenue bonds issued by the Port Authority having an outstanding par amount of \$135 million at June 30, 2008 and a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be obligated to cure the default and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

We also had letters of credit and performance bonds relating to various real estate and customs obligations at June 30, 2008 in the amount of \$66 million. These letters of credit and performance bonds have expiration dates through July 2010.

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

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

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

In our financing transactions that include loans, we typically agree to reimburse lenders for any reduced returns with respect to the loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on the London Interbank Offered Rate ("LIBOR"), for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject in most cases to certain mitigation obligations of the lenders. At June 30, 2008, we had \$1.5 billion of floating rate debt and \$274 million of fixed rate debt, with remaining terms of up to 12 years, that is subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to 12 years and an aggregate carrying value of \$1.6 billion, we bear the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions.

We may be required to make future payments under the foregoing indemnities and agreements due to unknown variables related to potential government changes in capital adequacy requirements, laws governing LIBOR based loans or tax laws, the amounts of which cannot be estimated at this time.

Credit Card Processing Agreement. On June 10, 2008, we entered into an amendment and restatement of our Bankcard Agreement with Chase. In connection with the amendment of the Bankcard Agreement, we also amended our domestic bank-issued credit card processing agreement to extend the term of the agreement until December 31, 2016 and modify certain provisions in the agreement. As a result of the amendment

of that processing agreement, the requirement that we maintain a minimum EBITDAR (generally, earnings before interest, income taxes, depreciation, amortization, aircraft rentals, certain nonoperating income (expense) and special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months has been eliminated as a trigger requiring the posting of additional collateral.

The liquidity covenant contained in the agreement has been modified to require that we maintain a minimum level of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities of 0.25 to 1.0. The agreement also requires us to maintain a minimum senior unsecured debt rating. Under the agreement as amended and based on our current air traffic liability exposure as defined in the agreement, if our unrestricted cash and short term investments balance falls below \$2.0 billion, we would be required to post approximately \$96 million of additional collateral. The amount of additional required collateral could grow to as much as approximately \$379 million if our unrestricted cash and short-term investments balance (plus any collateral posted) falls below \$1.4 billion and to as much as approximately \$783 million if such balance (including any collateral posted) falls below \$1.0 billion. We are currently in compliance with all of the covenants under the agreement.

Employees. As of June 30, 2008, we had approximately 43,500 full-time equivalent employees. In conjunction with the capacity reductions we announced in June 2008, we expect to reduce our total workforce by approximately 3,000 positions, with the majority of the reductions being accomplished through voluntary programs. These include an enhanced retirement window, company offered leaves of absence, and other voluntary reduction programs. Although there can be no assurance that our generally good labor relations and labor productivity will continue, the preservation of good relations with our employees is a significant component of our business strategy. Approximately 44% of our employees are represented by unions. None of our collective bargaining agreements becomes amendable before December 2008.

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

In 1999, we purchased property located near our New York Liberty hub in Elizabeth, New Jersey from Honeywell International, Inc. ("Honeywell") with certain environmental indemnification obligations by us to Honeywell. We did not operate the facility located on or make any improvements to the property. In 2005, we sold the property to Catellus Commercial Group, LLC ("Catellus") and, in connection with the sale, Catellus assumed certain environmental indemnification obligations in favor of us. On October 9, 2006, Honeywell provided us with a notice seeking indemnification from us in connection with a U.S. Environmental Protection Agency ("EPA") potentially responsible party notice to Honeywell involving the Newark Bay Study Area of the Diamond Alkali Superfund Site alleging hazardous substance releases from the property and seeking study costs. In addition, on May 7, 2007, Honeywell provided us with a notice seeking indemnification from us in connection with a possible lawsuit by Tierra Solutions, Inc. ("Tierra Solutions") against Honeywell relating to alleged discharges from the property into Newark Bay and seeking cleanup of Newark Bay waters and sediments under the Resource Conservation and Recovery Act. We have notified Honeywell that, at this time, we have not agreed that we are required to indemnify Honeywell with respect to the EPA and Tierra Solutions claims and Honeywell has invoked arbitration procedures under its sale and purchase agreement with us. Catellus has agreed to indemnify and defend us in connection with the EPA and Tierra Solutions claims, including any arbitration with Honeywell.

At June 30, 2008, we had an accrual for estimated costs of environmental remediation throughout our system of \$35 million, based primarily on third-party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We did not have any receivables related to environmental insurance recoveries at June 30, 2008. Based on currently available information, we believe that our accrual for potential environmental remediation costs is adequate, although our accrual could be adjusted in the future due to new information or changed circumstances. However, we do not expect these items to materially affect our results of operations, financial condition or liquidity.

Legal Proceedings. During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents. The pending cases are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the Swope case for their failure to properly opt-out of the Hall case. Consequently, a total of 90 travel agency plaintiffs remained in the two cases. On October 29, 2007, the judge for the consolidated lawsuit dismissed the case for failure to meet the heightened pleading standards established earlier in 2007 by the U.S. Supreme Court's decision in Bell Atlantic Corp. v. Twombly. The plaintiffs have appealed to the Sixth Circuit Court of Appeals. In each of these cases, we believe the plaintiff's claims are without merit, and we intend to vigorously defend any appeal. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our results of operations, financial condition or liquidity.

We and/or certain of our subsidiaries are defendants in various other pending lawsuits and proceedings and are subject to various other claims arising in the normal course of our business, many of which are covered in whole or in part by insurance. Although the outcome of these lawsuits and proceedings (including the probable loss we might experience as a result of an adverse outcome) cannot be predicted with certainty at this time, we believe, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on us.

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

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of such risks and uncertainties, please see the risk factors set forth in our 2007 Form 10-K and subsequent quarterly reports on Form 10-Q (including this report), which identify important matters such as the consequences of our high leverage, the significant cost of aircraft fuel, our transition to a new global alliance, delays in scheduled aircraft deliveries, our high labor and pension costs, service interruptions at one of our hub airports, disruptions to the operations of our regional operators, disruptions in our computer systems, and industry conditions, including the airline pricing environment, industry capacity decisions, industry consolidation, terrorist attacks, regulatory matters, excessive taxation, the availability and cost of insurance, public health threats, an economic downturn in the U.S. and global economies and the seasonal nature of the airline business. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report, except as required by applicable law.

OVERVIEW

We are a major United States air carrier engaged in the business of transporting passengers, cargo and mail. We are the world's fifth largest airline as measured by the number of scheduled miles flown by revenue passengers in 2007. Including our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI"), and regional flights operated on our behalf under capacity purchase agreements with other carriers, we operate more than 2,500 daily departures. As of June 30, 2008, we served 132 domestic and 128 international destinations and offered additional connecting service through alliances with domestic and foreign carriers.

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

Second Quarter Financial Highlights

- We recorded a pretax loss of \$46 million in the second quarter of 2008, reflecting record high fuel prices and the weakening economy.
- Passenger revenue grew 7.5% during the second quarter of 2008 as compared to the second quarter of 2007 due to increased fuel surcharges, international growth, increased fees and fare increases.
- We recorded an operating loss of \$71 million during the second quarter of 2008 as compared to operating income of \$263 million in the second quarter of 2007, due primarily to a 66% increase in fuel expenses.
- We ended the quarter with an unrestricted cash and short-term investments balance of \$3.4 billion, which includes approximately \$900 million in cash raised through an amended Bankcard Agreement (including the advance sale of mileage credits), the issuance of common stock, the sale of our remaining equity interest in Copa, a new pre-delivery payment facility and other new secured borrowings during the quarter.

Second Quarter Operational Highlights

- Mainline traffic decreased 0.2% and mainline capacity increased 2.0% during the second quarter of 2008 as compared to the second quarter of 2007.
- We posted a mainline segment completion factor of 99.5% and a U.S. Department of Transportation on-time arrival rate of 73.1%.
- We took delivery of six Boeing 737-900ER aircraft and four Boeing 737-800 aircraft.

Other Highlights

- We entered into framework agreements with United Air Lines, Inc. ("United") and Deutsche Lufthansa AG ("Lufthansa") and announced our proposed transition to a different international alliance, the Star Alliance.
- We renegotiated our capacity purchase agreement with ExpressJet, which will lower the cost of our regional flights by approximately \$50 million annually.
- We announced that we will reduce capacity from our hubs starting in September, resulting in a 6.7% decline in consolidated capacity in the fourth quarter as compared to the same period in 2007.
- We announced that we would accelerate the retirement of 67 Boeing 737-300 and 737-500 aircraft, removing a majority of the least fuel efficient aircraft from our mainline fleet by the end of 2009, driving the decision to eliminate approximately 3,000 positions across all work groups.

Outlook

The combination of record high fuel prices, weakening economic conditions and a weak dollar has resulted in the worst financial environment for U.S. network carriers since the September 11, 2001 terrorist attacks. These significant challenges facing our industry have recently caused several smaller carriers to declare bankruptcy, most of which ceased or will cease passenger operations. We and many of our domestic network competitors have announced significant capacity reductions, increases in fuel surcharges, fares and fees and other measures to address the challenges. Additionally, we have taken a number of steps in the second quarter of 2008 to strengthen our cash balance and future competitive position. However, under current market conditions, we expect to incur a substantial loss in 2008.

Fuel Costs. High fuel prices continue to dramatically increase our costs. Although we have recently experienced some success increasing fuel surcharges and fares and adding or increasing fees, we have been unable to increase our revenue sufficiently to keep pace with the escalating fuel costs. As a result, current levels of jet fuel prices are adversely affecting our results of operations, financial condition and liquidity. We believe that our young, fuel-efficient fleet continues to provide us with a competitive advantage relative to our peers. Based on our expected fuel consumption in 2008, a one dollar increase in the price of a barrel of crude oil will increase our annual fuel expense by approximately \$43 million, holding the refining margin constant and before considering the impact of our fuel hedging program. As of July 16, 2008, we have hedged approximately 63% of our projected consolidated fuel requirements for the third and fourth quarters of 2008 and approximately 29% of our projected consolidated fuel requirements for the first half of 2009.

Liquidity. In response to the increased fuel prices, we took a number of steps to strengthen our cash balance and liquidity during the second quarter of 2008. We raised approximately \$900 million through an amended Bankcard Agreement (including the advance sale of mileage credits), the issuance of common stock, the sale of our remaining equity interest in Copa, a new pre-delivery payment facility and other new secured borrowings. Our unrestricted cash and short-term investments balance at June 30, 2008 was \$3.4 billion, a record high for us.

Economic Conditions. Many economists have reported that the U.S. economy is slowing and may be in, or nearing, a recession. The airline industry is highly cyclical, and the growth in demand for air travel is correlated to the growth in the U.S. and global economies. A recession in the U.S. or global economies could have a material adverse effect on our results of operations and financial condition. In addition, the declining value of the U.S. dollar relative to foreign currencies, such as the British pound, Japanese yen and the euro, increases the costs to U.S. residents of traveling internationally, thereby reducing the demand for air travel for customers spending U.S. dollars, and potentially having a material adverse effect on us. The rising value of such foreign currencies also benefits our foreign competitors who purchase fuel in U.S. dollars.

Industry Consolidation. On April 14, 2008, Delta and Northwest announced a definitive agreement to merge. If consummated, this merger will change the competitive environment for us and the entire airline industry. As a result, we conducted a comprehensive review of our strategic alternatives and, on April 27, 2008, we announced that we had determined that the best course for us was not to merge with another airline at such time. We cannot predict whether the proposed merger of Delta and Northwest will occur, or the impact on us of this or any other consolidation within the U.S. airline industry.

Capacity. Our long-term target remains to grow our mainline capacity between 5% and 7% annually. However, because of high fuel prices and economic conditions, we do not anticipate achieving that target in either 2008 or 2009. Additionally, our ability to achieve our targeted capacity growth will be subject to, among other things, any capacity constraints imposed on our operations.

On June 5, 2008, we announced significant reductions in flying and staffing that are necessary for us to further adjust to the high cost of fuel. Starting in September 2008, at the conclusion of the peak summer season, we will reduce our flights, with fourth quarter domestic mainline departures to be down 15.4% year-over-year. We expect that this will result in reductions of domestic mainline capacity by 10% and consolidated capacity by 6.7% (as measured by available seat miles) in the fourth quarter compared to the same period last year. We also announced that we will accelerate the retirement of an additional 67 Boeing model 737-300 and 737-500 aircraft to remove a majority of the least fuel-efficient aircraft from our mainline fleet by the end of 2009. As a result of the capacity reductions, we also announced that we would eliminate approximately 3,000 positions.

Primarily as a result of the planned capacity reductions, we recorded special charges totaling \$58 million in the second quarter of 2008. The most significant component of the charges is a \$51 million non-cash impairment charge to write down our Boeing 737-300 and 737-500 fleets and certain related assets to their estimated fair value. We anticipate that we will record additional special charges in the third quarter of 2008 and beyond in conjunction with these capacity reductions for future costs including future lease costs on grounded aircraft as the aircraft are grounded, severance and continuing medical coverage for employees accepting early retirement packages and furloughed employees and other associated costs. We are not able at this time to estimate the amount and timing of these charges.

In April 2008, Boeing announced an additional delay to its 787 aircraft program. We expect the first of our 25 Boeing 787 aircraft to deliver in the second half of 2010 instead of the first half of 2009 as originally scheduled. As a result, our anticipated mainline capacity in 2010 and thereafter may be reduced, particularly if we are unable to make alternative arrangements to acquire long-range aircraft on commercially acceptable terms. However, in order to provide flexibility for our widebody aircraft needs, we announced orders in February 2008 for eight new Boeing 777 aircraft, the first two of which deliver in 2009.

The FAA has designated several airports, including New York's John F. Kennedy Airport ("Kennedy") and LaGuardia Airport ("LaGuardia"), as "high density traffic airports." To address concerns about airport congestion, the FAA has imposed operating restrictions at Kennedy, LaGuardia and New York Liberty. Although we do not believe that those operating restrictions will have a material effect on our operations at New York Liberty, we cannot predict the impact of future capacity constraints or other restrictions on our operations that might be imposed by the FAA, Congress or other regulators.

Competition. Competition in most of our domestic markets from low-cost carriers, as well as our response to this competition, continues to result in increased capacity and lower yields in many of those markets. In addition, several of our domestic competitors are continuing to increase their international capacity, including service to some destinations that we currently serve, resulting in lower yields and/or load factors in affected markets. The "open skies" agreement between the U.S. and the European Union, which became effective on March 30, 2008, is resulting in increased competition from European and U.S. airlines in these international markets, and may give rise to additional integration opportunities between or among U.S. and European carriers.

The "open skies" agreement, while increasing our competition, has enhanced our ability to compete with European and U.S. airlines that have historically provided service between London's Heathrow Airport and destinations in the U.S. We have acquired slots at Heathrow, and we inaugurated service from New York Liberty and Houston Bush to Heathrow at the end of March 2008, while continuing daily service from both hub airports to London's Gatwick Airport as well as seasonal service between Cleveland Hopkins and Gatwick.

In addition, Air France-KLM, Delta and Northwest have received anti-trust immunity to form a new trans-Atlantic joint venture among those airlines and to coordinate routes, fares, schedules and other matters among those airlines, Alitalia and CSA Czech Airlines. Air France-KLM and Delta announced in October 2007, in connection with their application for anti-trust immunity, their plans for a joint venture beginning upon the effectiveness of the "open skies" agreement and following the approval of the requested anti-trust immunity that would initially cover all of their trans-Atlantic flights between the airlines' hubs and all of their flights between London's Heathrow Airport and any U.S. destination.

On June 19, 2008, we entered into framework agreements with United and Lufthansa, pursuant to which we plan to develop an extensive code-share relationship and reciprocity of frequent flier programs, elite customer recognition and airport lounge use. We plan to implement these relationships as promptly as possible following our exit from our participation in our current alliances, including our participation in SkyTeam, and join United and Lufthansa in the Star Alliance. We will apply to join the anti-trust immunized alliance among United, Lufthansa and other members of the Star Alliance, with the goal of entering into various international joint ventures with certain of those partners.

Prior to joining the Star Alliance, we must exit our existing bilateral alliance agreements with SkyTeam members and enter into new ones with our new alliance partners. The length of this transition period will depend upon a number of factors outside of our control, including the consummation of the merger of Delta and Northwest, and the timing of our withdrawal from our existing agreements with SkyTeam members. We expect that this transition period will last at least one year, although it could last longer. During and following this period, we may experience a significant decrease in revenues due to the wind down of our SkyTeam relationships or a delay in the anticipated increase in revenues from our planned participation in the Star Alliance. We are also likely to incur additional costs, including those related to exiting our current alliance agreements. Please see "Part II, Item 1A. Risk Factors - Risk Factors Relating to the Company - We have decided to change our global airline alliance, which could involve significant transition and integration risks."

Under the framework agreements, subject to regulatory and other approvals, we expect to begin broad code-sharing with United and Lufthansa, which will facilitate itineraries using any of the carriers and provide for a seamless process for reservations and ticketing, check-in, flight connections and baggage transfer. In addition, we intend to allow members of each carrier's frequent flyer program to earn miles when flying on the other airlines and redeem awards on any of the carriers. Travel on any of the carriers will count towards elite customer recognition. Similarly, each carrier's customers will have access to the other airlines' network of airport lounges.

In connection with our entry into the framework agreements, we will request that the U.S. Department of Transportation allow us to join United, Lufthansa and seven other air carriers in an alliance that has been granted global antitrust immunity for international air transportation. In addition, we intend to seek a modification to our existing pilot collective bargaining agreement to permit us to enter into an international joint venture with United. Upon receipt of regulatory and other approvals, we intend to establish a trans-Atlantic joint venture with United, Lufthansa and Air Canada, which would involve coordinated scheduling, revenue pooling and other cooperative efforts. We would also explore forming similar joint ventures in the Latin America and Asia/Pacific regions with United and other alliance partners.

Labor and Other Costs. Our ability to sustain our profitability also depends on continuing our efforts to implement and maintain a more competitive cost structure. The collective bargaining agreements with our pilots, mechanics and certain other work groups become amendable beginning in December 2008, and we began discussions with our pilots' union in 2007 on the non-economic contract issues pursuant to our protocol agreement with them. We cannot predict the outcome of our negotiations with our pilots and mechanics, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us.

We have implemented a number of cost-cutting and revenue-generating measures since 2002, including \$500 million of annual savings which was achieved through our 2005 pay and benefit cost reductions. To help offset the continued record high fuel prices, we are working towards implementing additional cost saving and revenue generating initiatives that are currently expected to deliver approximately \$200 million in annual benefits once fully implemented. In addition to these initiatives, we will eliminate approximately 3,000 positions, including management positions, through voluntary and involuntary separations as a result of the capacity reductions. We expect that the majority of these positions will be eliminated through voluntary programs.

Capacity Purchase Agreement with ExpressJet. In June 2008, we entered into the Amended ExpressJet CPA, which amends and restates our previous capacity purchase agreement effective July 1, 2008. Under the Amended ExpressJet CPA, we will continue to purchase all of the capacity from the ExpressJet flights covered by the agreement at a negotiated price and be responsible for the cost of providing fuel for all flights and paying aircraft rent for all aircraft covered by the Amended ExpressJet CPA. See Note 13 to "Item 1. Financial Statements" for a detailed discussion of the changes to our capacity purchase agreement with ExpressJet.

In the aggregate, we expect that the savings resulting from the rate structure in the Amended ExpressJet CPA, together with the effect of the reduced lease rate related to 30 aircraft ExpressJet will continue to lease from us and assuming the removal of all 30 Embraer 37-seat regional jets from the agreement, will be approximately \$50 million annually. We are evaluating our options regarding the thirty 37-seat regional jets, which might include permanently grounding them.

RESULTS OF OPERATIONS

The following discussion provides an analysis of our results of operations and reasons for material changes therein for the three and six months ended June 30, 2008 as compared to the corresponding periods in 2007.

Comparison of Three Months Ended June 30, 2008 to Three Months Ended June 30, 2007

Consolidated Results of Operations

Statistical Information. Certain statistical information for our consolidated operations for the three months ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>	Increase (Decrease)
Passengers (thousands) (1)	17,962	18,120	(0.9)%
Revenue passenger miles (millions) (2)	24,746	24,623	0.5 %
Available seat miles (millions) (3)	30,383	29,592	2.7 %
Passenger load factor (4)	81.4%	83.2%	(1.8) pts.
Passenger revenue per available seat mile (cents)	12.01	11.48	4.6 %
Average yield (cents) (5)	14.75	13.79	7.0 %

1. The number of revenue passengers measured by each flight segment flown.
2. The number of scheduled miles flown by revenue passengers.
3. The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
4. Revenue passenger miles divided by available seat miles.
5. The average passenger revenue received for each revenue passenger mile flown.

Results of Operations. We recorded a net loss of \$3 million in the second quarter of 2008 as compared to net income of \$228 million for the second quarter of 2007. We consider a key measure of our performance to be operating income (loss), which was \$(71) million for the second quarter of 2008, as compared to \$263 million for the second quarter of 2007. Significant components of our consolidated operating results for the three months ended June 30 are as follows (in millions, except percentage changes):

	<u>2008</u>	<u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	\$4,044	\$3,710	\$ 334	9.0 %
Operating Expenses	<u>4,115</u>	<u>3,447</u>	<u>668</u>	19.4 %
Operating Income (Loss)	(71)	263	(334)	NM
Nonoperating Income (Expense)	25	(31)	56	NM
Income Tax Benefit (Expense)	<u>43</u>	<u>(4)</u>	<u>47</u>	NM
Net Income (Loss)	\$ <u>(3)</u>	\$ <u>228</u>	\$(<u>231</u>)	NM

NM - Not Meaningful

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the quarter ended June 30, 2007 and period to period comparisons for operating revenue, passenger revenue per available seat mile ("RASM") and available seat miles ("ASMs") by geographic region for our mainline and regional operations:

	Revenue <u>(in millions)</u>	Percentage Increase (Decrease) in Second Quarter 2008 vs Second Quarter 2007		
		<u>Revenue</u>	<u>RASM</u>	<u>ASMs</u>
Passenger revenue:				
Domestic	\$1,504	2.1%	5.2 %	(2.9)%
Trans-Atlantic	805	12.4%	(1.3)%	14.0 %
Latin America	435	11.4%	6.3 %	4.8 %
Pacific	<u>240</u>	0.0%	7.4 %	(6.9)%
Total Mainline	2,984	5.8%	3.8 %	2.0 %
Regional	<u>666</u>	15.6%	6.4 %	8.6 %
Total	3,650	7.5%	4.6 %	2.7 %
Cargo	132	21.1%		
Other	<u>262</u>	27.8%		
Operating Revenue	\$ <u>4,044</u>	9.0%		

Passenger revenue increased due to increased capacity and traffic, increased fuel surcharges and fare increases. Consolidated RASM for the quarter increased year-over-year due to higher yields. The improved RASM reflects our actions taken to increase fuel surcharges and implement more restrictions on non-refundable tickets.

Cargo revenue increased due to higher fuel surcharge rates and increased freight volume. Other revenue increased due to higher revenue associated with sales of mileage credits in our OnePass frequent flyer program, higher ticket change fees and rental income on aircraft leased to ExpressJet but not operated for us.

Operating Expenses. The table below shows period-to-period comparisons by type of operating expense for our consolidated operations for the three months ended June 30 (in millions, except percentage changes):

	<u>2008</u>	<u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Aircraft fuel and related taxes	\$1,363	\$ 821	\$ 542	66.0 %
Wages, salaries and related costs	704	842	(138)	(16.4)%
Regional capacity purchase, net	589	444	145	32.7 %
Aircraft rentals	246	248	(2)	(0.8)%
Landing fees and other rentals	210	190	20	10.5 %
Distribution costs	194	176	18	10.2 %
Maintenance, materials and repairs	167	169	(2)	(1.2)%
Depreciation and amortization	108	101	7	6.9 %
Passenger services	107	99	8	8.1 %
Special charges	58	7	51	NM
Other	<u>369</u>	<u>350</u>	<u>19</u>	5.4 %
	<u>\$4,115</u>	<u>\$3,447</u>	<u>\$668</u>	19.4 %

Operating expenses increased 19.4% primarily due to the following:

- **Aircraft fuel and related taxes** increased due to a 66.2% increase in jet fuel prices. The average jet fuel price per gallon including related taxes increased from \$2.08 in the second quarter of 2007 to \$3.45 in the second quarter of 2008. Fuel expense includes gains related to our fuel hedging program of \$64 million in the second quarter of 2008 compared to hedging gains of \$14 million in the second quarter of 2007.
- **Wages, salaries and related costs** decreased primarily due to an \$84 million decrease in profit sharing expenses resulting from our net loss in the second quarter of 2008 and the effect of a lower stock price on our profit based RSU awards.
- **Regional capacity purchase, net**, includes expenses related to our capacity purchase agreements. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net includes all fuel expense on flights operated for us under capacity purchase agreements and is net of our rental income on aircraft leased to ExpressJet and flown for us. The net amounts consisted of the following for the three months ended June 30 (in millions, except percentage changes):

	<u>2008</u>	<u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Capacity purchase expenses	\$360	\$344	\$ 16	4.7 %
Fuel and fuel taxes	290	166	124	74.7 %
Aircraft sublease income	<u>(61)</u>	<u>(66)</u>	<u>(5)</u>	(7.6)%
Regional capacity purchase, net	<u>\$589</u>	<u>\$444</u>	<u>\$145</u>	32.7 %

The net expense was higher in the second quarter of 2008 than in 2007 primarily due to higher fuel expense. Fuel expense increased 74.7% over the second quarter of 2007 expense as a result of higher fuel prices. Sublease income of \$26 million and \$21 million on aircraft operated by ExpressJet outside the scope of our capacity purchase agreement for the three months ended June 30, 2008 and 2007, respectively, is recorded as other revenue.

- **Landing fees and other rentals** increased primarily due to a higher number of international flights.
- **Distribution costs** increased due to an increase in credit card discount fees and travel agency commissions, both of which resulted from increased passenger revenue.
- **Special charges** in the second quarter of 2008 primarily relate to the capacity reductions announced in June 2008. The charge includes \$37 million of non-cash impairments on owned Boeing 737-300 and 737-500 aircraft and related assets, a non-cash charge of \$14 million to write down spare parts and supplies for the Boeing 737-300 and 737-500 fleets to the lower of cost or net realizable value and \$10 million of gains on the sale of two owned Boeing 737-500 aircraft.

Following the decision in June 2008 to retire all of our Boeing 737-300 aircraft and a significant portion of our Boeing 737-500 aircraft by the end of 2009, we evaluated the ongoing value of the assets associated with these fleets. Fleet assets include owned aircraft, improvements on leased aircraft, rotatable spare parts, spare engines and simulators. Based on our evaluation, we determined that the carrying amounts of these fleets were impaired and wrote them down to their estimated fair value. We estimated the fair values based on current market quotes and our expected proceeds from the sale of the assets.

Special charges in the second quarter of 2007 consisted of a \$7 million non-cash settlement charge related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired.

- **Other operating expenses** increased primarily due to a greater number of international flights, which resulted in increased air navigation fees and ground handling, security and related expenses and less favorable currency exchange rates.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), income from other companies and gains from dispositions of investments. Total nonoperating income (expense) increased \$56 million in the second quarter of 2008 compared to the second quarter of 2007 due to the following:

- **Net interest expense** increased \$14 million primarily as a result of lower interest income.
- **Gain on sale of investments** in 2008 consisted of \$78 million related to the sale of our remaining interest in Copa.
- **Other nonoperating income (expense)** included fuel hedge ineffectiveness gains of \$33 million and \$10 million in the second quarter of 2008 and 2007, respectively. This ineffectiveness was caused by our non-jet fuel derivatives experiencing a higher relative increase in value than the jet fuel being hedged. Additionally, we recorded a loss of \$29 million in the second quarter of 2008 to reflect the decline in value of our student loan-related auction rate securities.

Income Taxes. We recorded a non-cash income tax credit of \$28 million in the second quarter of 2008 resulting from higher utilization of NOLs than had been previously anticipated. These NOLs expire from 2008 through 2010. Our effective tax rates differ from the federal statutory rate of 35% primarily due to expenses that are not deductible for federal income tax purposes, state income taxes, and, for the second quarter of 2007, the benefit of tax loss carryforwards that offset tax expense that would have otherwise been recorded.

Segment Results of Operations

We have two reportable segments: mainline and regional. The mainline segment consists of flights to cities using larger jets while the regional segment currently consists of flights with a capacity of 50 or fewer seats (for jets) or 79 or fewer seats (for turboprops). As of June 30, 2008, the regional segment was operated by ExpressJet, Chautauqua, CommutAir and Colgan through capacity purchase agreements. Under these agreements, we purchase all of the capacity related to aircraft covered by the contracts and are responsible for setting prices and selling all of the related seat inventory. In exchange for the regional carriers' operation of the flights, we pay the regional carriers for each scheduled block hour based on agreed formulas. Under the agreements, we recognize all passenger, cargo and other revenue associated with each flight, and are responsible for all revenue-related expenses, including commissions, reservations, catering and terminal rent at hub airports.

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

Statistical Information. Certain statistical information for our segments' operations for the three months ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>	Increase (Decrease)
Mainline Operations:			
Passengers (thousands)	13,000	13,417	(3.1)%
Revenue passenger miles (millions)	22,017	22,065	(0.2)%
Available seat miles (millions)	26,933	26,415	2.0 %
Passenger load factor	81.7%	83.5%	(1.8) pts.
Cargo ton miles (millions)	263	253	4.0 %
Passenger revenue per available seat mile (cents)	11.08	10.67	3.8 %
Total revenue per available seat mile (cents)	12.49	11.85	5.4 %
Average yield per revenue passenger mile (cents)	13.55	12.78	6.0 %
Average fare per revenue passenger	\$231.94	\$212.59	9.1 %
Cost per available seat mile, including special charges (cents) (1)	12.45	10.82	15.1 %
Average price per gallon of fuel, including fuel taxes (cents)	345.45	207.89	66.2 %
Fuel gallons consumed (millions)	395	395	-
Aircraft in fleet at end of period	375	368	1.9 %
Average length of aircraft flight (miles)	1,497	1,448	3.4 %
Average daily utilization of each aircraft (hours)	11:34	11:55	(2.8)%
Regional Operations:			
Passengers (thousands)	4,962	4,703	5.5 %
Revenue passenger miles (millions)	2,729	2,558	6.7 %
Available seat miles (millions)	3,450	3,177	8.6 %
Passenger load factor	79.1%	80.5%	(1.4) pts.
Passenger revenue per available seat mile (cents)	19.31	18.14	6.4 %
Average yield per revenue passenger mile (cents)	24.41	22.53	8.3 %
Fuel gallons consumed (millions)	84	79	6.3 %
Aircraft in fleet at end of period	278	257	8.2 %

1. Includes special charges which represented 0.16 and 0.03 cents per available seat mile for the three months ended June 30, 2008 and 2007, respectively.

Mainline Results of Operations. Significant components of our mainline segment's operating results for the three months ended June 30 are as follows (in millions, except percentage changes):

	<u>2008</u>	<u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	<u>\$3,365</u>	<u>\$3,130</u>	<u>\$ 235</u>	7.5 %
Operating Expenses:				
Aircraft fuel and related taxes	1,363	821	542	66.0 %
Wages, salaries and related costs	689	828	(139)	(16.8)%
Aircraft rentals	167	170	(3)	(1.8)%
Landing fees and other rentals	194	177	17	9.6 %
Distribution costs	164	151	13	8.6 %
Maintenance, materials and repairs	167	169	(2)	(1.2)%
Depreciation and amortization	105	97	8	8.2 %
Passenger services	102	96	6	6.3 %
Special charges	43	7	36	NM
Other	<u>359</u>	<u>342</u>	<u>17</u>	5.0 %
	<u>3,353</u>	<u>2,858</u>	<u>495</u>	17.3 %
Operating Income (Loss)	<u>\$ 12</u>	<u>\$ 272</u>	<u>\$(260)</u>	(95.6)%

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

Regional Results of Operations. Significant components of our regional segment's operating results for the three months ended June 30 are as follows (in millions, except percentage changes):

	Increase	% Increase
	<u>2008</u>	<u>2007</u>
	(Decrease)	(Decrease)

Operating Revenue	\$679	\$580	\$ 99	17.1 %
Operating Expenses:				
Wages, salaries and related costs	15	14	1	7.1 %
Regional capacity purchase, net	589	444	145	32.7 %
Aircraft rentals	79	78	1	1.3 %
Landing fees and other rentals	16	13	3	23.1 %
Distribution costs	30	25	5	20.0 %
Depreciation and amortization	3	4	(1)	(25.0)%
Passenger services	5	3	2	66.7 %
Special charges	15	-	15	NM
Other	<u>10</u>	<u>8</u>	<u>2</u>	25.0 %
	<u>762</u>	<u>589</u>	<u>173</u>	29.4 %
Operating Loss	\$ (83)	\$ (9)	\$ (74)	NM

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates revenue for the mainline segment as it feeds passengers from smaller cities into our hubs. The variances in specific line items for the regional segment reflect generally the same factors discussed under consolidated results of operations.

Comparison of Six Months Ended June 30, 2008 to Six Months Ended June 30, 2007

Consolidated Results of Operations

Statistical Information. Certain statistical information for our consolidated operations for the six months ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>	<u>Increase</u>
Passengers (thousands)	34,401	34,296	0.3 %
Revenue passenger miles (millions)	47,025	46,073	2.1 %
Available seat miles (millions)	58,759	56,841	3.4 %
Passenger load factor	80.0%	81.1%	(1.1) pts.
Passenger revenue per available seat mile (cents)	11.70	11.07	5.7 %
Average yield (cents)	14.62	13.65	7.1 %

Results of Operations. We recorded a net loss of \$83 million in the first six months of 2008 as compared to net income of \$250 million for the first six months of 2007. We consider a key measure of our performance to be operating income (loss), which was \$(137) million for the first six months of 2008, as compared to \$327 million for the first six months of 2007. Significant components of our consolidated operating results for the six months ended June 30 are as follows (in millions, except percentage changes):

	<u>2008</u>	<u>2007</u>	<u>Increase</u>	<u>% Increase</u>
			<u>(Decrease)</u>	<u>(Decrease)</u>
Operating Revenue	\$7,614	\$6,889	\$ 725	10.5 %
Operating Expenses	<u>7,751</u>	<u>6,562</u>	<u>1,189</u>	18.1 %
Operating Income	(137)	327	(464)	NM
Nonoperating Income (Expense)	(34)	(73)	(39)	(53.4)%
Income Tax Benefit (Expense)	<u>88</u>	<u>(4)</u>	<u>92</u>	NM
Net Income	\$ (83)	\$ 250	\$ (333)	NM

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the six months ended June 30, 2008 and period to period comparisons for operating revenue, RASM and ASMs by geographic region for our mainline and regional operations:

Revenue <u>(in millions)</u>	Percentage Increase (Decrease) in <u>June 30, 2008 YTD vs June 30, 2007 YTD</u>			
	<u>Revenue</u>	<u>RASM</u>	<u>ASMs</u>	
Passenger revenue:				
Domestic	\$2,859	4.6 %	6.6 %	(1.8)%
Trans-Atlantic	1,410	15.8 %	0.3 %	15.4 %
Latin America	897	12.9 %	6.5 %	6.0 %
Pacific	<u>497</u>	5.8 %	8.0 %	(2.0)%
Total Mainline	5,663	8.6 %	5.1 %	3.3 %

Regional	<u>1,210</u>	12.4 %	8.2 %	3.9 %
Total	6,873	9.3 %	5.7 %	3.4 %
Cargo	254	17.6 %		
Other	<u>487</u>	27.5 %		
Operating Revenue	<u>\$7,614</u>	10.5 %		

Passenger revenue increased due to increased capacity and traffic, increased fuel surcharges and fare increases. Consolidated RASM for the six months ended June 30, 2008 increased year-over-year due to higher yields. The improved RASM reflects our actions taken to increase fuel surcharges and implement more restrictions on non-refundable tickets.

Cargo revenue increased due to higher fuel surcharge rates and increased freight volume. Other revenue increased due to higher revenue associated with sales of mileage credits on our OnePass frequent flyer program, higher ticket change fees and rental income on aircraft leased to ExpressJet but not operated for us.

Operating Expenses. The table below shows period-to-period comparisons by type of operating expense for our consolidated operations for the six months ended June 30 (in millions, except percentage changes):

	<u>2008</u>	<u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Aircraft fuel and related taxes	\$2,411	\$1,505	\$ 906	60.2 %
Wages, salaries and related costs	1,432	1,568	(136)	(8.7)%
Regional capacity purchase, net	1,095	873	222	25.4%
Aircraft rentals	493	496	(3)	(0.6)%
Landing fees and other rentals	418	384	34	8.9 %
Distribution costs	375	337	38	11.3 %
Maintenance, materials and repairs	326	313	13	4.2 %
Depreciation and amortization	215	200	15	7.5 %
Passenger services	203	189	14	7.4 %
Special charges	50	18	32	NM
Other	<u>733</u>	<u>679</u>	<u>54</u>	8.0 %
	<u>\$7,751</u>	<u>\$6,562</u>	<u>\$1,189</u>	18.1 %

Operating expenses increased 18.1% primarily due to the following:

- Aircraft fuel and related taxes increased due to a 57.4% increase in jet fuel prices. The average jet fuel price per gallon including related taxes increased from \$1.99 in the first half of 2007 to \$3.13 in the first half of 2008. Fuel expense includes gains related to our fuel hedging program of \$88 million in the first half of 2008 compared to hedging losses of \$1 million in the first half of 2007.
- Wages, salaries and related costs decreased primarily due to a \$99 million decrease in profit sharing expenses resulting from our net loss in the first half of 2008 and the effect of a lower stock price on our profit based RSU awards.
- Regional capacity purchase, net includes expenses related to our capacity purchase agreements. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net includes all fuel expense on flights operated for us under capacity purchase agreements and is net of our rental income on aircraft leased to ExpressJet and flown for us. The net amounts consisted of the following for the six months ended June 30 (in millions, except percentage changes):

	<u>2008</u>	<u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Capacity purchase expenses	\$ 713	\$706	\$ 7	1.0 %
Fuel and fuel taxes	504	311	193	62.1 %
Aircraft sublease income	<u>(122)</u>	<u>(144)</u>	<u>(22)</u>	(15.3)%
Regional capacity purchase, net	<u>\$1,095</u>	<u>\$873</u>	<u>\$222</u>	25.4 %

The net expense was higher in the first half of 2008 than in 2007 primarily due to higher fuel expense. Fuel expense increased 62.1% over the first half of 2007 expense as a result of higher fuel prices. Sublease income of \$52 million and \$28 million on aircraft operated by ExpressJet outside the scope of our capacity purchase agreement for the six months ended June 30, 2008 and 2007, respectively, is recorded as other revenue.

- Landing fees and other rentals increased primarily due to a higher number of international flights.
- Distribution costs increased due to an increase in credit card discount fees and travel agency commissions, both of which resulted from increased passenger revenue.
- Special charges in the first half of 2008 primarily relate to the capacity reductions announced in June 2008. The charge includes \$37 million of non-cash impairments on owned Boeing 737-300 and 737-500 aircraft and related assets, a non-cash charge of \$14 million to write down spare parts and supplies for the Boeing 737-300 and 737-500 fleets to the lower of cost or net realizable value and \$18 million of gains on the sale of five owned Boeing 737-500 aircraft.

Special charges in the first half of 2007 consisted of a \$12 million non-cash settlement charge related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired and a \$6 million aircraft-related charge.

- Other operating expenses increased primarily due to a greater number of international flights, which resulted in increased air navigation fees and ground handling, security and related expenses, and less favorable currency exchange rates.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), income from other companies and gains from dispositions of investments. Total nonoperating expense increased \$39 million in the first half of 2008 compared to the first half of 2007 due to the following:

- **Net interest expense** increased \$17 million primarily as a result of lower interest income.
- **Gain on sale of investments** in 2008 and 2007 consisted of \$78 million and \$7 million, respectively, related to the sale of our remaining interests in Copa and Holdings.
- **Other nonoperating income (expense)** included fuel hedge ineffectiveness gains of \$33 million and \$11 million in the first half of 2008 and 2007, respectively. This ineffectiveness was caused by our non-jet fuel derivatives experiencing a higher relative increase in value than the jet fuel being hedged. Additionally, we recorded a loss of \$29 million in the second quarter of 2008 to reflect the decline in the value of our student loan-related auction rate securities.

Income Taxes. We recorded a non-cash income tax credit of \$28 million in the second quarter of 2008 resulting from higher utilization of NOLs than had been previously anticipated. These NOLs expire from 2008 through 2010. Our effective tax rates differ from the federal statutory rate of 35% primarily due to expenses that are not deductible for federal income tax purposes, state income taxes, and, for the first half of 2007, the benefit of tax loss carryforwards that offset tax expense that would have otherwise been recorded.

Segment Results of Operations

Statistical Information. Certain statistical information for our segments' operations for the six months ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>	Increase (Decrease)
Mainline Operations:			
Passengers (thousands)	25,196	25,362	(0.7)%
Revenue passenger miles (millions)	41,940	41,155	1.9 %
Available seat miles (millions)	52,211	50,538	3.3 %
Passenger load factor	80.3%	81.4%	(1.1) pts.
Cargo ton miles (millions)	524	507	3.4 %
Passenger revenue per available seat mile (cents)	10.85	10.32	5.1 %
Total revenue per available seat mile (cents)	12.22	11.51	6.2 %
Average yield per revenue passenger mile (cents)	13.50	12.67	6.6 %
Average fare per revenue passenger	\$227.07	\$207.75	9.3 %
Cost per available seat mile, including special charges (cents) (1)	12.13	10.69	13.5 %
Average price per gallon of fuel, including fuel taxes (cents)	313.40	199.10	57.4 %
Fuel gallons consumed (millions)	769	756	1.7 %
Aircraft in fleet at end of period	375	368	1.9 %
Average length of aircraft flight (miles)	1,477	1,433	3.1 %
Average daily utilization of each aircraft (hours)	11:23	11:32	(1.3)%
Regional Operations:			
Passengers (thousands)	9,205	8,934	3.0 %
Revenue passenger miles (millions)	5,085	4,918	3.4 %
Available seat miles (millions)	6,548	6,303	3.9 %
Passenger load factor	77.7%	78.0%	(0.3) pts.
Passenger revenue per available seat mile (cents)	18.47	17.07	8.2 %
Average yield per revenue passenger mile (cents)	23.78	21.88	8.7 %
Fuel gallons consumed (millions)	159	156	1.9 %
Aircraft in fleet at end of period	278	257	8.2 %

1. Includes special charges which represented 0.06 and 0.04 cents per available seat mile for the six months ended June 30, 2008 and 2007, respectively.

Mainline Results of Operations. Significant components of our mainline segment's operating results for the six months ended June 30 are as follows (in millions, except percentage changes):

	<u>2008</u>	<u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	<u>\$6,380</u>	<u>\$5,818</u>	\$ 562	9.7 %
Operating Expenses:				
Aircraft fuel and related taxes	2,411	1,505	906	60.2 %
Wages, salaries and related costs	1,402	1,543	(141)	(9.1)%
Aircraft rentals	336	339	(3)	(0.9)%
Landing fees and other rentals	387	359	28	7.8 %
Distribution costs	320	288	32	11.1 %
Maintenance, materials and repairs	326	313	13	4.2 %
Depreciation and amortization	209	193	16	8.3 %
Passenger services	194	182	12	6.6 %
Special charges	35	18	17	NM
Other	<u>712</u>	<u>664</u>	<u>48</u>	7.2 %
	<u>6,332</u>	<u>5,404</u>	<u>928</u>	17.2 %

Operating Income \$ 48 \$ 414 \$(366) (88.4)%

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

Regional Results of Operations. Significant components of our regional segment's operating results for the six months ended June 30 are as follows (in millions, except percentage changes):

			Increase	% Increase
	<u>2008</u>	<u>2007</u>	(Decrease)	(Decrease)
Operating Revenue	\$ <u>1,234</u>	\$ <u>1,071</u>	\$163	15.2 %
Operating Expenses:				
Wages, salaries and related costs	30	25	5	20.0 %
Regional capacity purchase, net	1,095	873	222	25.4 %
Aircraft rentals	157	157	-	-
Landing fees and other rentals	31	25	6	24.0 %
Distribution costs	55	49	6	12.2 %
Depreciation and amortization	6	7	(1)	(14.3)%
Passenger services	9	7	2	28.6 %
Special charges	15	-	15	NM
Other	<u>21</u>	<u>15</u>	<u>6</u>	40.0 %
	<u>1,419</u>	<u>1,158</u>	<u>261</u>	22.5 %
Operating Loss	\$(<u>185</u>)	\$(<u>87</u>)	\$ <u>98</u>	112.6 %

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates revenue for the mainline segment as it feeds passengers from smaller cities into our hubs. The variances in specific line items for the regional segment reflect generally the same factors discussed under consolidated results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Current Liquidity

As of June 30, 2008, we had \$3.4 billion in unrestricted cash, cash equivalents and short-term investments, which is \$604 million higher than at December 31, 2007. At June 30, 2008, we also had \$122 million of restricted cash, cash equivalents and short-term investments, which is primarily collateral for estimated future workers' compensation claims, credit card processing contracts, letters of credit and performance bonds. Restricted cash, cash equivalents and short-term investments at December 31, 2007 totaled \$179 million. Additionally, we held student loan-related auction rate securities reported as non-current assets at June 30, 2008 with a par value of \$293 million and a fair value of \$264 million. At December 31, 2007, student loan-related auction rate securities totaled \$387 million (par and fair value) and were reported as current assets (\$285 million in short-term investments and \$102 million in restricted cash, cash equivalents and short-term investments).

Sources and Uses of Cash

Operating Activities. Cash flows provided by operations for the six months ended June 30, 2008 were \$467 million compared to \$968 million in the same period in 2007. The decrease in cash flows provided by operations in 2008 compared to 2007 is primarily the result of higher fuel expenses.

Investing Activities. Cash flows provided by (used in) investing activities for the six months ended June 30 were as follows (in millions):

			Cash
	<u>2008</u>	<u>2007</u>	Increase
			(Decrease)
Capital expenditures	\$(293)	\$(155)	\$(138)
Aircraft purchase deposits refunded (paid), net	56	(62)	118
Proceeds from sales of short-term investments, net	82	(70)	152
Proceeds from sales of property and equipment	74	7	67
Decrease (increase) in restricted cash, cash equivalents and short-term investments, net	(21)	63	(84)
Proceeds from sale of investments	<u>170</u>	<u>35</u>	<u>135</u>
	\$ <u>68</u>	\$ <u>(182)</u>	\$ <u>250</u>

During the six months ended June 30, 2008, capital expenditures increased over the corresponding prior year period primarily due to the acquisition of winter slots at London's Heathrow Airport for \$93 million and increased spending on aircraft-related projects, such as Audio/Visual on Demand entertainment systems for Boeing 777 and 757 aircraft.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. Projected net capital expenditures for 2008 are as follows (in millions):

Fleet related	\$ 187
Non-fleet	250
Spare parts and capitalized interest	<u>61</u>
Total	\$ 498
Aircraft purchase deposits refunded	<u>(71)</u>
Projected net capital expenditures	\$ <u>427</u>

Projected non-fleet capital expenditures for the year are primarily slots at London's Heathrow Airport, ground service equipment, aircraft-related projects and technology and terminal enhancements. While some of

our projected capital expenditures are related to projects to which we have committed, a significant number of projects can be deferred. Should economic conditions warrant, we will reduce our capital expenditures, and will be able to do so without materially impacting our operations.

We sold five Boeing 737-500 aircraft in the first half of 2008 and received cash proceeds of \$68 million. Twelve additional owned or leased Boeing 737-500 aircraft are scheduled for delivery to the purchasers by the end of 2008. In April 2008, we entered into an agreement to terminate the leases and arrange for the sale of eight additional leased Boeing 737-500 aircraft for delivery in 2009. We expect to operate each aircraft until shortly before its delivery date. These pending transactions are subject to customary closing conditions, some of which are outside of our control, and we cannot give any assurances that the closing of these transactions will occur.

In May 2008, we sold all of our remaining shares of Copa Class A common stock for net proceeds of \$149 million and recognized a gain of \$78 million. Also in the second quarter of 2008, we received proceeds of \$21 million from the sale of student loan-related auction rate securities.

In January 2007, we sold substantially all of our shares of Holdings common stock to third parties for cash proceeds of \$35 million. We sold the remaining shares of Holdings common stock to third parties in April 2007 and no longer own any shares of Holdings common stock.

Financing Activities. Cash flows provided by (used in) financing activities for the six months ended June 30 were as follows (in millions):

	Cash Increase		
	2008	2007	(Decrease)
Payments on long-term debt and capital lease obligations	\$ (267)	\$ (213)	\$ (54)
Proceeds from issuance of long-term debt	483	25	458
Proceeds from public offering of common stock	162	-	162
Proceeds from issuance of common stock pursuant to stock plans	<u>8</u>	<u>24</u>	<u>(16)</u>
	<u>\$ 386</u>	<u>\$(164)</u>	<u>\$550</u>

Cash flows provided by financing activities increased due to new borrowings and proceeds from a public offering of 11 million shares of Class B common stock in the first half of 2008.

On June 30, 2008, we entered into a loan facility to finance a portion of the pre-delivery payment requirements under the aircraft purchase agreements for 66 new Boeing aircraft scheduled for delivery between July 1, 2008 and the end of 2011. We borrowed \$113 million under this facility on June 30, 2008. The second and final borrowing under this facility in the amount of \$16 million is scheduled for December 2008. Our obligations under the facility are secured by our rights under our purchase agreements for 737 and 777 aircraft on order with Boeing.

On June 10, 2008, we entered into an amendment and restatement of our Bankcard Agreement with Chase, under which Chase purchases frequent flyer mileage credits to be earned by OnePass members for making purchases using a Continental branded credit card issued by Chase. The Bankcard Agreement provides for a payment to us of \$413 million, of which \$235 million relates to the advance purchase of frequent flyer mileage credits for the year 2016 and the balance of which is in consideration for certain other commitments with respect to the co-branding relationship, including the extension of the term of the Bankcard Agreement until December 31, 2016. In connection with the advance purchase of mileage credits, we have provided a security interest to Chase in certain routes and slots, including our recently-acquired slots at London's Heathrow Airport. The \$235 million purchase of mileage credits has been treated as a loan from Chase and is reported as long-term debt in our consolidated balance sheet. Our liability will be reduced ratably in 2016 as the mileage credits are issued to Chase.

In April 2007, we obtained financing for 12 Boeing 737-800s and 18 Boeing 737-900ERs. We applied a portion of this financing to 18 Boeing aircraft delivered to us in the first half of 2008 and recorded related debt of \$689 million. We expect to apply the remainder of this financing to 12 of the 15 Boeing 737 aircraft scheduled for delivery from July 2008 through the first quarter of 2009. Pass-through trusts raised \$1.1 billion through the issuance of three classes of pass-through certificates. Class A certificates, with an aggregate principal amount of \$757 million, bear interest at 5.983%, Class B certificates, with an aggregate principal amount of \$222 million, bear interest at 6.903% and Class C certificates, with an aggregate principal amount of \$168 million, bear interest at 7.339%. The proceeds from the sale of the certificates are initially being held by a depository in escrow for the benefit of the certificate holders until we use such funds to purchase the aircraft. These escrowed funds are not guaranteed by us and are not reported as debt on our consolidated balance sheet at June 30, 2008 because the proceeds held by the depository are not our assets and interest earned on the proceeds, as well as any unused proceeds, will be distributed directly to the certificate holders.

As we take delivery of each of the aircraft in 2008 or 2009, we will issue equipment notes to the trusts, which will purchase such notes with a portion of the escrowed funds. We will use the proceeds to finance the purchase of the aircraft and will record the principal amount of the equipment notes that we issue as debt on our consolidated balance sheet. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in April 2010 and will end in April 2022 for Class A and B certificates and April 2014 for Class C certificates. Additionally, the Class A and B certificates have the benefit of a liquidity facility under which a third party agrees to make up to three semiannual interest payments on the certificates if a default in the payment of interest occurs.

During the second quarter of 2008, we also obtained financing for two new Boeing 737-900ER aircraft and separately entered into a loan agreement secured by four Boeing 757-200 aircraft and one Boeing 737-700 aircraft. As of June 30, 2008, we have borrowed \$135 million secured by the two Boeing 737-900ER aircraft and the four Boeing 757-200 aircraft. We expect to receive the remaining loan proceeds of \$17 million related to the Boeing 737-700 aircraft in November 2008.

We do not have backstop financing or any other financing currently in place for the balance of the Boeing aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm order aircraft and other related capital expenditures. We can provide no assurance that such further financing will be available. Since the commitments for firm order aircraft are non-cancelable, if we are unable to obtain financing and cannot otherwise satisfy our commitment to purchase these aircraft, the manufacturer could exercise its rights and remedies under applicable law, such as seeking to terminate the contract for a material breach, selling the aircraft to one or more other parties and suing us for damages to recover for any resulting losses incurred by the manufacturer.

During the first half of 2007, we incurred \$190 million in principal amount of floating rate indebtedness pursuant to existing finance agreements secured by two 777-200ER aircraft that were delivered in March and April 2007. This indebtedness consists of \$156 million of senior notes due in 2019 and \$34 million of junior notes due in 2014.

In January 2007, \$170 million in principal amount of our 4.5% Convertible Notes due on February 1, 2007 was converted by the holders into 4.3 million shares of our Class B common stock at a conversion price of \$40 per share. The remaining \$30 million in principal amount was paid on February 1, 2007.

Other Liquidity Matters

Student Loan-Related Auction Rate Securities. At June 30, 2008, we held student loan-related auction rate securities with a par value of \$293 million and a fair value of \$264 million. This total includes \$226 million par value (\$203 million fair value) classified as long-term investments and \$67 million par value (\$61 million fair value) that is restricted as collateral for estimated future workers' compensation claims. At December 31, 2007, these securities totaled \$387 million (par and fair value), including \$285 million in short-term investments and \$102 million in restricted cash, cash equivalents and short-term investments. These securities are variable-rate debt instruments with contractual maturities generally greater than ten years and whose interest rates are reset every 7, 28 or 35 days, depending on the terms of the particular instrument. These securities are secured by pools of student loans guaranteed by state-designated guaranty agencies and reinsured by the United States government. All of the auction rate securities we hold are senior obligations under the applicable indentures authorizing the issuance of the securities. Auctions for these securities began failing in the first quarter of 2008 and continued to fail throughout the second quarter, resulting in our continuing to hold such securities and the issuers of these securities paying interest adjusted to the maximum contractual rates. Additionally, a liquid secondary market for these securities has not emerged. Accordingly, we reclassified such securities to long-term assets during the first quarter of 2008. Based upon our cash requirements and other existing liquid assets, the failure of these auctions and our continuing to hold these securities did not have a material impact on our liquidity during the quarter.

Financeable Assets. At June 30, 2008, we had approximately \$5.8 billion (including current maturities) of long-term debt and capital lease obligations. We do not currently have any undrawn lines of credit or revolving credit facilities and substantially all of our otherwise readily financeable assets are encumbered. However, our unrestricted investment in student loan-related auction rate securities are not pledged as collateral under any of our debt. We were in compliance with all debt covenants at June 30, 2008.

Credit Ratings. At June 30, 2008, our senior unsecured debt was rated B3 by Moody's and B- by Standard & Poor's. These ratings are significantly below-investment grade. Although we obtained favorable terms in the April 2007 issuance of \$1.1 billion in pass through certificates (discussed above under "Sources and Uses of Cash"), our current credit ratings increase the costs we incur when issuing debt, adversely affect the terms of such debt and limit our financing options. Additional reductions in our credit ratings could further increase our borrowing costs and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral of approximately \$217 million under our domestic bank-issued credit card processing agreement if our senior unsecured debt rating falls below Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. We would also be required to post additional collateral of up to \$42 million under our worker's compensation program if our senior unsecured debt rating falls below Caa2 as rated by Moody's or CCC+ as rated by Standard & Poor's.

Bank Card Processing Agreement. In connection with the amendment of the Bankcard Agreement, we also amended our domestic bank-issued credit card processing agreement to extend the term of the agreement until December 31, 2016 and modify certain provisions in the agreement. As a result of the amendment of that processing agreement, the requirement that we maintain a minimum EBITDAR (generally, earnings before interest, income taxes, depreciation, amortization, aircraft rentals, certain nonoperating income (expense) and special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months has been eliminated as a trigger requiring the posting of additional collateral.

The liquidity covenant contained in the agreement has been modified to require that we maintain a minimum level of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities of 0.25 to 1.0. The agreement also requires us to maintain a minimum senior unsecured debt rating. Under the agreement as amended and based on our current air traffic liability exposure as defined in the agreement, if our unrestricted cash and short term investments balance falls below \$2.0 billion, we would be required to post approximately \$96 million of additional collateral. The amount of additional required collateral could grow to as much as approximately \$379 million if our unrestricted cash and short-term investments balance (plus any collateral posted) falls below \$1.4 billion and to as much as approximately \$783 million if such balance (including any collateral posted) falls below \$1.0 billion. Depending on our unrestricted cash and short-term investments balance at the time, the posting of

a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the minimum balance of \$1.0 billion required under our \$350 million secured term loan facility, resulting in a default under that facility. We are currently in compliance with all of the covenants under the agreement.

Pension Plans. We have noncontributory defined benefit pension plans in which substantially all of our U.S. employees participate, other than Chelsea Food Services and CMI employees. Future benefit accruals for our pilots under the pilot-only defined benefit pension plan ceased as of May 31, 2005. Funding requirements for defined benefit pension plans are determined by government regulations. During the first half of 2008, we contributed \$84 million to our defined benefit pension plans. On July 16, 2008, we contributed an additional \$18 million for a total of \$102 million in contributions to our defined benefit pension plans during calendar year 2008, satisfying our minimum funding requirement during such period.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in market risk from the information provided in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2007 Form 10-K except as follows:

Aircraft Fuel. As of June 30, 2008, our projected fuel requirements were hedged as follows:

For the third quarter of 2008, approximately 55% of our projected consolidated fuel requirements are hedged as follows:

- approximately 29% hedged using zero cost collars in NYMEX crude oil with an average call price of \$140.42 per barrel and an average put price of \$120.62 per barrel;
- approximately 21% hedged using zero cost collars in heating oil with an average call price of \$3.54 per gallon and an average put price of \$3.26 per gallon; and
- approximately 5% hedged using call options in NYMEX crude oil with an average call price of \$135.00 per barrel.

For the fourth quarter of 2008, approximately 55% of our projected consolidated fuel requirements are hedged as follows:

- approximately 32% hedged using call options in NYMEX crude oil with an average call price of \$135.00 per barrel;
- approximately 19% hedged using zero cost collars in NYMEX crude oil with an average call price of \$139.87 per barrel and an average put price of \$122.61 per barrel; and
- approximately 4% hedged using zero cost collars in heating oil with an average call price of \$3.96 per gallon and an average put price of \$3.63 per gallon.

For the first quarter of 2009, approximately 11% of our projected consolidated fuel requirements are hedged using call options in NYMEX crude oil with an average call price of \$135.00 per barrel.

At June 30, 2008, the fair value of our fuel hedges was \$174 million and is included in prepayments and other current assets in our consolidated balance sheet. We estimate that a 10% increase in the price of crude oil and heating oil at June 30, 2008 would increase the fair value related to the fuel hedges outstanding at that date by \$109 million.

Foreign Currency. At June 30, 2008, we had forward contracts outstanding to hedge the following cash inflows (primarily from passenger ticket sales) in foreign currencies:

- 34% of our projected Canadian dollar-denominated cash inflows through 2008
- 31% of our projected British pound-denominated cash inflows through 2008
- 28% of our projected Japanese yen-denominated cash inflows through 2009
- 9% of our euro-denominated cash inflows through 2008

At June 30, 2008, the fair value of our foreign currency hedges was immaterial and is included in accrued other liabilities in our consolidated balance sheet. We estimate that a uniform 10% strengthening in the value of the U.S. dollar relative to each foreign currency would have the following impact on our existing forward contracts at June 30, 2008 (in millions):

	Increase in Fair Value	Increase in Underlying Exposure	Resulting Net Loss
Canadian dollar	\$ 4	\$(12)	\$ (8)
British pound	8	(23)	(15)
Japanese yen	18	(55)	(37)
Euro	6	(96)	(90)

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures, which have been designed to provide reasonable assurance that the information required to be disclosed by Continental in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to Continental's management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and (ii) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. They concluded that the controls and procedures were effective as of June 30, 2008 to provide reasonable assurance of the achievement of these objectives. While our disclosure controls and procedures provide reasonable assurance that the appropriate information will be available on a timely basis, this assurance is subject to limitations inherent in any control system, no matter how well it may be designed or administered.

Changes in Internal Controls. There was no change in our internal control over financial reporting during the quarter ended June 30, 2008, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents. The pending cases are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the Swope case for their failure to properly opt-out of the Hall case. Consequently, a total of 90 travel agency plaintiffs remained in the two cases. On October 29, 2007, the judge for the consolidated lawsuit dismissed the case for failure to meet the heightened pleading standards established earlier in 2007 by the U.S. Supreme Court's decision in Bell Atlantic Corp. v. Twombly. The plaintiffs have appealed to the Sixth Circuit Court of Appeals. In each of these cases, we believe the plaintiffs' claims are without merit, and we intend to vigorously defend any appeal. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our results of operations, financial condition or liquidity.

Item 1A. Risk Factors

Part I, Item 1A, "Risk Factors," of our 2007 Form 10-K includes a detailed discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our 2007 Form 10-K.

Risk Factors Relating to the Company

Fuel prices or disruptions in fuel supplies could have a material adverse effect on us. Expenditures for fuel and related taxes represent the largest single cost of operating our business. Our operations depend on the availability of jet fuel supplies, and our results are significantly impacted by changes in the cost of fuel. Although we have experienced some success in raising ticket prices and fuel surcharges in response to record high fuel costs, we have been unable to raise fares or surcharges sufficiently to keep pace with recent significant increases in fuel prices, and we may not be able to raise fares or fuel surcharges further to offset escalating fuel prices in the future. Conversely, lower fuel prices may result in lower fares and the reduction or elimination of fuel surcharges. Additionally, lower fuel prices may result in increased industry capacity, especially to the extent that reduced fuel costs justify increased utilization by airlines of less fuel efficient aircraft that are unprofitable during periods of higher fuel prices. We are also at risk for all of our regional carriers' fuel costs on flights flown for us under capacity purchase agreements.

Fuel prices and supplies are influenced significantly by international political and economic circumstances, such as increasing demand by developing nations, conflicts or instability in the Middle East or other oil producing regions and diplomatic tensions between the U.S. and oil producing nations, as well as OPEC production decisions, disruptions of oil imports, environmental concerns, weather, refinery outages or maintenance and other unpredictable events. For example, a major hurricane making landfall along the U.S. Gulf Coast could cause widespread disruption to oil production, refinery operations and pipeline capacity in that region, possibly resulting in significant increases in the price of jet fuel and diminished availability of jet fuel supplies.

Further increases in jet fuel prices or disruptions in fuel supplies, whether as a result of natural disasters or otherwise, could have a material adverse effect on our results of operations, financial condition and liquidity.

We have decided to change our global airline alliance, which could involve significant transition and integration risks. On June 19, 2008, we entered into framework agreements with United and Lufthansa, pursuant to which we plan to wind down and exit our participation in our current alliance, SkyTeam, and join United and Lufthansa in the Star Alliance. This change from SkyTeam to the Star Alliance could involve significant transition and integration risks, both because we are required to wind down our existing SkyTeam relationships as we initiate activities in the Star Alliance, and because we may incur costs and/or a loss of revenue (or a delay in anticipated increased revenue from the new alliance) in connection with this change. The significant transition and integration risks include:

- our inability to terminate our existing agreements with SkyTeam members in the transition period we have anticipated, including as a result of the failure of Delta and Northwest to consummate their proposed merger;
- significant revenue dilution as we wind down our participation in SkyTeam and/or insufficient or delay in receipt of revenue from our participation in the Star Alliance, including due to an inability to maintain our key customer and business relationships as we transition to the Star Alliance;
- our incurrence, as a result of the wind down of our SkyTeam relationships, of costs in excess of our expectations and/or costs of an unanticipated nature, the amount and timing of which cannot be estimated at this time, but which could be material individually or in the aggregate;
- an inability to join or a delay in joining the Star Alliance due to lack of applicable approvals or difficulty in satisfying entrance requirements, including the requirement that we enter into certain bilateral agreements with each member of the Star Alliance; and
- difficulties integrating our technology processes with the Star Alliance members.

In addition, the full implementation of some of the arrangements contemplated by our framework agreements with United and Lufthansa require the approval of domestic and foreign regulatory agencies. These agencies may impose requirements, limitations or costs on us or on the Star Alliance members, or require us or them to divest slots, gates, routes or other assets, which may impair the value to us of entering the alliance or make participation in the alliance by us or them unattractive, and in certain cases could prevent us from consummating the transactions contemplated by the framework agreements.

If any of these risks or costs materialize, they could have a material adverse effect on our business, results of operations and financial condition.

Our high leverage may affect our ability to satisfy our significant financing needs or meet our obligations. As is the case with many of our principal competitors, we have a high proportion of debt compared to our capital. We have a significant amount of fixed obligations, including debt, aircraft leases and financings, leases of airport property and other facilities and pension funding obligations. At June 30, 2008, we had approximately \$5.8 billion (including current maturities) of long-term debt and capital lease obligations.

In addition, we have substantial commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. We have obtained financing for 12 of the 15 Boeing aircraft scheduled for delivery from July 2008 through the first quarter of 2009. However, we do not have backstop financing or any other financing currently in place for our other aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that such further financing will be available.

Credit rating downgrades could have a material adverse effect on our liquidity. Reductions in our credit ratings may increase the cost and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post a significant amount of additional collateral under our bank-issued credit card processing agreement and our workers' compensation program if our debt rating falls below specified levels.

Failure to meet our financial covenants would adversely affect our liquidity. Our bank-issued credit card processing agreement contains financial covenants which require, among other things, that we maintain a minimum level of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities of 0.25 to 1.0. The agreement also requires us to maintain a minimum senior unsecured debt rating. Under the agreement as amended and based on our current air traffic liability exposure as defined in the agreement, if our unrestricted cash and short term investments balance falls below \$2.0 billion, we would be required to post approximately \$96 million of additional collateral. The amount of additional required collateral could grow to as much as approximately \$379 million if our unrestricted cash and short-term investments balance (plus any collateral posted) falls below \$1.4 billion and to as much as approximately \$783 million if such balance (including any collateral posted) falls below \$1.0 billion. Depending on our unrestricted cash and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the minimum balance of \$1.0 billion required under our \$350 million secured term loan facility, resulting in a default under that facility. We are currently in compliance with all of the covenants under the agreement.

If we experience problems with certain of our third party regional operators, our operations could be materially adversely affected. All of our regional operations are conducted by third party operators on our behalf, primarily under capacity purchase agreements. Due to our reliance on third parties to provide these essential services, we are subject to the risks of disruptions to their operations, which may result from many of the same risk factors disclosed in this report. In addition, we may also experience disruption to our regional operations if we terminate the capacity purchase agreement with one or more of our current operators and transition the services to another provider or if one of our operators fails to comply with its contractual commitments to provide regional air services. As our regional segment provides revenue to us directly and indirectly (by feeding passengers from smaller cities to our hubs), a significant disruption to our regional operations could have a material adverse effect on our results of operations and financial condition.

Our net operating loss carryforwards may be limited. At December 31, 2007, we had estimated net operating loss carryforwards ("NOLs") of \$3.8 billion for federal income tax purposes that expire beginning in 2009 and continuing through 2025. Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period.

In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 4.71% for June 2008). Any unused annual limitation may be carried over to later years.

As a result of our common stock trading at depressed market prices in recent months (relative to the prices at which our stock has generally traded during the previous three-year period), the cost associated with acquiring a sufficient number of shares of our common stock to become a holder of 5% or more of the outstanding shares has decreased significantly. This decline in the cost of reaching the 5% ownership threshold has increased the likelihood that we will experience an "ownership change" for purposes of Section 382, as increases in share holdings by, or that result in a person becoming, a holder of 5% or more of the outstanding shares of our common stock are aggregated for purposes of determining whether such a change has occurred. Although we cannot currently predict whether or when such an "ownership change" may occur, if we were to experience an ownership change under current conditions, our annual NOL utilization could be limited to approximately \$52 million per year. The imposition of this limitation on our ability to use our NOLs to offset future taxable income could cause U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitation were not in effect and could cause such NOLs to expire unused, reducing or eliminating the benefit of such NOLs. In addition, depending on the market value of our common stock at the time of any such ownership change, we may be required to recognize a significant non-cash tax charge, the amount of which we cannot estimate at this time.

Risk Factors Relating to the Industry

The airline industry is highly competitive and susceptible to price discounting. The U.S. airline industry is characterized by substantial price competition, especially in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand or when they begin service to new cities or have excess capacity to generate cash flow and to establish or increase market share. Some of our competitors have substantially greater financial resources (including more favorable hedges against fuel price increases) and/or lower cost structures than we do. In recent years, the domestic market share held by low-cost carriers has increased significantly and is expected to continue to increase, which has significantly changed the airline industry. The increased market presence of low-cost carriers, which engage in substantial price discounting, has diminished the ability of the network carriers to maintain sufficient pricing structures in domestic markets to achieve profitability. We cannot predict whether or for how long these trends will continue.

In addition to price competition, airlines also compete for market share by increasing the size of their route system and the number of markets they serve. Several of our domestic competitors are continuing to increase their international capacity, including service to some destinations that we currently serve. Additionally, the "open skies" agreement between the U.S. and the European Union, which became effective on March 30, 2008, is resulting in increased competition from European and U.S. airlines in these international markets, and may give rise to additional consolidation or better integration opportunities among European carriers. In addition, Air France-KLM, Delta and Northwest have received anti-trust immunity to form a new trans-Atlantic joint venture among those airlines and to coordinate routes, fares, schedules and other matters among those airlines, Alitalia and CSA Czech Airlines. Air France-KLM and Delta announced in October 2007, in connection with this application for anti-trust immunity, their plans for a joint venture beginning upon the effectiveness of the "open skies" agreement and following the approval of the requested anti-trust immunity that will initially cover all of their trans-Atlantic flights between the airlines' hubs and all of their flights between London's Heathrow Airport and any U.S. destination. Air France-KLM and Delta recently announced the approval of the requested anti-trust immunity. The increased competition in these international markets, particularly to the extent our competitors engage in price discounting, may have a material adverse effect on our results of operations, financial condition or liquidity.

We are also facing stronger competition from carriers that have emerged from bankruptcy, including Delta, Northwest, US Airways and United. Carriers typically emerge from bankruptcy with substantially lower costs than ours achieved by cost reductions through, among other things, reducing or discharging debt, lease and pension obligations and reducing wages and benefits. Additionally, we may face stronger competition from carriers that participate in industry consolidation, including the proposed merger of Delta and Northwest discussed below. Through consolidation, carriers have the opportunity to significantly expand the reach of their networks, which is of primary importance to business travelers, and to achieve cost reductions by eliminating redundancy in their networks and their management structures.

The airline industry may experience further consolidation that would affect our competitive position. Since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation and additional consolidation may occur in light of the announcement in April 2008 by Delta and Northwest of their definitive agreement to merge. If consummated, this merger will change the competitive environment for us and the entire airline industry. As a result, we conducted a comprehensive review of our strategic alternatives and on April 27, 2008 we announced that we had determined that the best course for us was not to merge with another airline at such time. We cannot predict whether the proposed merger of Delta and Northwest will occur, or the impact on us of this or any other consolidation within the U.S. airline industry.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

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

Continental's Annual Meeting of Stockholders was held on June 11, 2008. The following individuals were elected to Continental's Board of Directors to hold office until the next annual meeting of stockholders.

<u>NOMINEE</u>	<u>VOTES FOR</u>	<u>VOTES WITHHELD</u>
Kirbyjon H. Caldwell	78,530,839	1,529,340
Lawrence W. Kellner	78,542,686	1,517,493
Douglas H. McCorkindale	78,557,808	1,502,371
Henry L. Meyer III	78,551,582	1,508,597
Oscar Munoz	78,555,609	1,504,570
George G.C. Parker	78,521,335	1,538,844
Jeffrey A. Smisek	78,531,694	1,528,485
Karen Hastie Williams	74,052,097	6,008,082
Ronald B. Woodard	78,536,071	1,524,108
Charles A. Yamarone	78,505,746	1,554,433

A proposal to ratify the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2008 was voted on by the stockholders as follows:

<u>VOTES FOR</u>	<u>VOTES AGAINST</u>	<u>VOTES ABSTAINING</u>
79,579,926	148,117	332,136

A stockholder proposal related to our political activities was voted on by the stockholders as follows:

<u>VOTES FOR</u>	<u>VOTES AGAINST</u>	<u>VOTES ABSTAINING</u>	<u>BROKER NON-VOTES</u>
3,115,165	46,252,457	12,270,212	18,422,345

A stockholder proposal related to allowing holders of 10% of our common stock to call special meetings was voted on by the stockholders as follows:

<u>VOTES FOR</u>	<u>VOTES AGAINST</u>	<u>VOTES ABSTAINING</u>	<u>BROKER NON-VOTES</u>
37,117,901	23,666,748	853,186	18,422,344

Item 5. Other Information.

From April 23, 2008 through June 30, 2008, Continental borrowed a total of \$226 million to finance the deliveries of three new Boeing 737-800 aircraft and three new Boeing 737-900ER aircraft by issuing equipment notes ("Equipment Notes") secured by those aircraft. This amount is in addition to the \$463 million borrowed in the period from January 1, 2008 to April 22, 2008 to finance the deliveries of 12 Boeing aircraft through the issuance of such Equipment Notes. The funds used to purchase the Equipment Notes were raised in April 2007 through the sale of \$1.1 billion of three classes of pass-through certificates. The proceeds from this sale of pass-through certificates are held in escrow pending delivery of each aircraft.

Pursuant to the April 2007 note purchase agreement (the "Note Purchase Agreement"), the Equipment Notes are issued in three series: Series A, bearing interest at the rate of 5.983% per annum, Series B, bearing interest at the rate of 6.903% per annum, and Series C, bearing interest at the rate of 7.339% per annum. The interest on the Equipment Notes and the escrowed funds is payable semiannually on each April 19 and October 19, beginning on October 19, 2007. The principal payments on the Equipment Notes are scheduled on April 19 and October 19 in certain years, beginning on April 19, 2010. The final payments will be due on April 19, 2022, in the case of the Series A and Series B Equipment Notes, and April 19, 2014, in the case of the Series C Equipment Notes.

Maturity of the Equipment Notes may be accelerated upon the occurrence of certain events of default, including failure by Continental (in some cases after notice or the expiration of a grace period, or both) to make payments under the applicable indenture when due or to comply with certain covenants, as well as certain bankruptcy events involving Continental. The Equipment Notes issued with respect to each aircraft will be secured by a lien on such aircraft and will also be cross-collateralized by the other aircraft financed pursuant to the Note Purchase Agreement.

Continental expects to issue an additional \$458 million in Equipment Notes as it applies this financing to 12 of the 15 Boeing 737 aircraft scheduled for delivery from July 2008 through the first quarter of 2009.

Item 6. Exhibits.

3.1	Amended and Restated Certificate of Incorporation of Continental, as amended through June 6, 2006 - incorporated by reference to Exhibit 3.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 2006 (File no. 1-10323).
3.1(a)	Certificate of Designation of Series A Junior Participating Preferred Stock, included as Exhibit A to Exhibit 3.1.
3.1(a)(i)	Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323).
3.1(a)(ii)	Certificate of Increase - Series A Junior Participating Preferred Stock.
3.2	Bylaws of Continental, as amended through October 17, 2007 - incorporated by reference to Exhibit 3.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (File no. 1-10323).
10.1*	Retirement Agreement dated as of May 13, 2008 between Continental and Jeffrey Misner.
10.2*	Letter Agreement dated as of May 30, 2008 between Continental and Larry Kellner - incorporated by reference to Exhibit 99.2 to Continental's Current Report on Form 8-K dated June 5, 2008 (the "06/05 8-K").
10.3*	Letter Agreement dated as of May 30, 2008 between Continental and Jeffrey Smisek.

- 10.3 Letter Agreement dated as of May 30, 2008 between Continental and Jeffrey Smisek - incorporated by reference to Exhibit 99.3 to the 06/05 8-K.
- 10.4 Second Amended and Restated Capacity Purchase Agreement among Continental, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. dated June 5, 2008. (1)
- 10.5 Supplemental Agreement No. 46, dated June 25, 2008, to Purchase Agreement No. 1951, dated July 23, 1996, between Continental and The Boeing Company ("Boeing") relating to the purchase of Boeing 737 aircraft. (1)
- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32.1 Section 1350 Certifications.

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

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

SIGNATURES

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

CONTINENTAL AIRLINES, INC.

Registrant

Date: July 18, 2008 by: /s/ Jeffrey J. Misner
 Jeffrey J. Misner
 Executive Vice President and
 Chief Financial Officer
 (On behalf of Registrant)

Date: July 18, 2008 by: /s/ Chris Kenny
 Chris Kenny
 Vice President and Controller
 (Principal Accounting Officer)

INDEX TO EXHIBITS OF CONTINENTAL AIRLINES, INC.

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- 3.1(a) Certificate of Designation of Series A Junior Participating Preferred Stock, included as Exhibit A to Exhibit 3.1.
- 3.1(a)(i) Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323).
- 3.1(a)(ii) Certificate of Increase - Series A Junior Participating Preferred Stock.
- 3.2 Bylaws of Continental, as amended through October 17, 2007 - incorporated by reference to Exhibit 3.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (File no. 1-10323).
- 10.1* Retirement Agreement dated as of May 13, 2008 between Continental and Jeffrey Misner.
- 10.2* Letter Agreement dated as of May 30, 2008 between Continental and Larry Kellner - incorporated by reference to Exhibit 99.2 to Continental's Current Report on Form 8-K dated June 5, 2008 (the "06/05 8-K").
- 10.3* Letter Agreement dated as of May 30, 2008 between Continental and Jeffery Smisek - incorporated by reference to Exhibit 99.3 to the 06/05 8-K.
- 10.4 Second Amended and Restated Capacity Purchase Agreement among Continental, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. dated June 5, 2008. (1)
- 10.5 Supplemental Agreement No. 46, dated June 25, 2008, to Purchase Agreement No. 1951, dated July 23, 1996, between Continental and The Boeing Company ("Boeing") relating to the purchase of Boeing 737 aircraft. (1)
- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32.1 Section 1350 Certifications.

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

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

CERTIFICATE OF INCREASE
OF
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
OF
CONTINENTAL AIRINES, INC.

(Pursuant to Section 151(g) of the
Delaware General Corporation Law)

Continental Airlines, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: In a Certificate of Designation filed with the Secretary of State of the State of Delaware on November 23, 1998, pursuant to Section 151 of the General Corporation Law of the State of Delaware, as amended by the Certificate of Amendment of Certificate of Designation filed with the Secretary of State of the State of Delaware on May 16, 2001, the Corporation was authorized to issue 100,000 shares of Series A Junior Participating Preferred Stock (the "Series A Preferred"), as a series of the Corporation's authorized Preferred Stock, par value \$0.01 per share;

SECOND: The executive committee of the board of directors of the Corporation, by resolution adopted June 17, 2008, duly authorized and directed that the number of shares of the Corporation's Series A Preferred be increased from 100,000 shares to 150,000 shares.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by its duly authorized officer this 20th day of June, 2008.

CONTINENTAL AIRLINES, INC.

By: /s/ Lori A. Gobillot

Name: Lori A. Gobillot

Title: Staff Vice President and Assistant General Counsel

RETIREMENT AGREEMENT

This Retirement Agreement ("Agreement") is entered into between Jeffrey J. Misner ("Executive") and Continental Airlines, Inc. ("Continental" or the "Company"), and is effective on the Effective Date (as defined in paragraph 9 below), subject to paragraph 16 of this Agreement.

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated October 15, 2007 (the "Employment Agreement"); and

WHEREAS, Executive desires to retire effective August 31, 2008 and the Company has agreed to accept Executive's resignation from the Company effective as of such date; and

WHEREAS, Company is desirous of obtaining from Executive the non-compete obligations set forth in this Agreement, and Executive is desirous of receiving payment upon his retirement with respect to certain of his outstanding incentive awards; and

WHEREAS, the Human Resources Committee of the Board of Directors of the Company has authorized the Company to execute, deliver and perform its obligations under this Agreement;

NOW, THEREFORE, IT IS AGREED between Executive and Continental as follows:

1. The terms of this Agreement are in addition to the terms contained in the Employment Agreement, and nothing herein shall affect any of Executive's rights or obligations or Continental's rights or obligations under the Employment Agreement, except as expressly set forth herein. Executive will retire from the Company on August 31, 2008 (the "Retirement Date"). Each of Executive and Continental agree that Executive's separation from employment with Continental is voluntary and shall be treated as a resignation by Executive pursuant to paragraphs 2.3(v) and 4.3 under the Employment Agreement and, subject to the terms of this Agreement, as (i) a retirement under Executive's outstanding awards pursuant to the Company's Long Term Incentive and RSU Program (the "NLTIP/RSU Program"), (ii) an early retirement under paragraph 3.5 of the Employment Agreement, and (iii) a retirement under the Continental Retirement Plan (the "CARP"), with the date of such retirement (or, if applicable, early retirement) for each such purpose being the Retirement Date. Executive's resignation shall function as a resignation, effective as of the Retirement Date, from his position as a member of the boards of directors of any wholly-owned subsidiaries of the Company (including without limitation Air Micronesia, Inc. and Continental Micronesia, Inc.).
2. In partial consideration for the benefits provided under paragraphs 3 and 4 of this Agreement (collectively, the "Separation Benefits"), Executive agrees that the Profit Based RSU Awards granted to Executive pursuant to the NLTIP/RSU Program for the performance periods beginning April 2006, January 2007, and January 2008 shall terminate on the Retirement Date and Executive shall not receive any further payment with respect to any such awards on or after the Retirement Date. Company and Executive acknowledge and agree that the Profit Based RSU Awards for the performance period beginning April 2006 previously have achieved the maximum or stretch level of performance relating to the Cumulative Profit Sharing Pool Target (as such term is defined in the NLTIP/RSU Program) assigned to such awards.
3. Subject to the terms of this Agreement, and in consideration of the non-compete obligations of Executive set forth in paragraph 13 of this Agreement, the release of claims and liabilities set forth in paragraph 7 of this Agreement and the termination of outstanding awards pursuant to paragraph 2 of this Agreement, Company shall pay Executive \$2,997,000 on the Retirement Date. Such payment shall be subject to withholding for applicable taxes as provided under paragraph 12 of this Agreement.
4. Continental agrees to provide at no expense to Executive a parking space at the Jacksonville, Florida (JAX) airport in a lot that is the same or similar to the lot available to airport-management personnel. Such airport parking shall be provided beginning on the Retirement Date and during Executive's lifetime (so long as Executive maintains a residence within 200 miles of JAX) if and for as long as Continental serves JAX and has such parking available to it. Notwithstanding the foregoing, to the extent that the benefit described in this paragraph 4 and any other miscellaneous separation pay benefits subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), that are provided to Executive during the six-month period beginning on the Retirement Date have an aggregate value in excess of \$15,500, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii) of the Employment Agreement, but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the Retirement Date)) for any such payment not later than the fifth day following the expiration of such six-month period.
5. Executive agrees not to make any public statement concerning Continental or its subsidiaries or affiliates or its or their respective stockholders, officers, directors, employees or agents unless the statement is approved in advance in writing by Continental's public relations and legal departments. Executive agrees not to make any derogatory comments or references about Continental or its subsidiaries or affiliates, or their respective stockholders, officers, directors, employees or agents.
6. Executive acknowledges and agrees that Executive would not be entitled to certain of the Separation Benefits upon Executive's termination of employment by the Company on the Retirement Date in the absence of this Agreement.
7. (a) In consideration of the Separation Benefits, the Executive for himself, his heirs, administrators, representatives, executors, successors and assigns (collectively, "Executive Releasees") does hereby irrevocably and unconditionally release, acquit and forever discharge the Company and all of its parents, subsidiaries, affiliates, divisions, successors, assigns, trustees, officers, directors, partners, agents, and former and current employees, including without limitation all persons acting by, through, under or in concert with any of them (collectively, the "Company Releasees"), and each of them from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, remedies, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs) of any nature whatsoever, known or unknown, whether in law or equity and whether arising under federal, state or local law ("Claims"), and in particular including without limitation any Claim relating to the compensation programs maintained by, Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates or relating to the cessation of Executive's employment upon his retirement or for discrimination based upon race, color, ethnicity, sex, national origin, religion, disability or age (including without limitation under the Age Discrimination in Employment Act of 1967 as amended by the Older Workers Benefit Protection Act ("OWBPA"), Title VII of the Civil Rights Act of 1964 as amended by the Civil Rights Act of 1991, the Equal Pay Act of 1962, the Americans with Disabilities Act of 1990, 42 U.S.C. Section 1981, and the Texas Commission on Human Rights Act) or any other unlawful criterion or circumstance, which Executive Releasees had, now have, or may have or claim to have in the future against each or any of the Company Releasees by reason of any matter, cause or thing occurring, done or omitted to be done from the beginning of the world until the date of the execution of this Release; provided, however, that nothing herein shall release Claims arising from a breach by Continental of (i) this Agreement, (ii) its post-employment obligations under the Employment Agreement, (iii) its obligations under the CARP, (iv) its obligations with respect to Executive's outstanding NLTIP Awards under the NLTIP/RSU Program, (v) its obligations under existing agreements governing Executive's flight benefits relating to other airlines or (vi) Executive's right to defense and indemnity under any certificate, bylaw, resolution, policy, or practice of the Company, or any rights under any liability insurance policy maintained by the Company and applicable to the Executive (such as directors and officers and errors and omissions insurance) ("Indemnity Rights").
- a. Continental hereby releases Executive from any and all Claims, known or unknown, of any kind in any way relating to or pertaining to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, other than fraud or intentional malfeasance or claims or liabilities arising from a breach by Executive of (i) this Agreement, (ii) the Employment Agreement, (iii) Executive's obligations under the CARP, (iv) Executive's obligations under his outstanding NLTIP Awards under the NLTIP/RSU Program, or (v) Executive's obligations under existing agreements governing Executive's flight benefits relating to other airlines. These releases are to be broadly construed in favor of the released persons. The releases in this paragraph do not apply to any rights or claims that may arise after the date of execution of this Agreement by Executive and Continental. Both parties agree that this Agreement is not and shall not be construed as an admission of any wrongdoing or liability on the part of either party.

- b. In addition, nothing in this paragraph 7 is intended to interfere with Executive's right to file a charge with the Equal Employment Opportunity Commission in connection with any claim Executive believes he may have against the Company Releasees. However, by executing this Agreement, Executive hereby waives the right to recover in any proceeding that Executive may bring before the Equal Employment Opportunity Commission or any state human rights commission or in any proceeding brought by the Equal Employment Opportunity Commission or any state human rights commission on Executive's behalf. In addition, this release is not intended to interfere with Executive's right to challenge that his waiver of any and all ADEA claims pursuant to this paragraph 7 is a knowing and voluntary waiver, notwithstanding Executive's specific representation to the Company that he has entered into this Agreement knowingly and voluntarily.
1. Notwithstanding the foregoing, the post-employment obligations of the parties created by (i) this Agreement, (ii) the Employment Agreement, (iii) the CARP, (iv) Executive's outstanding NLTIP Awards under the NLTIP/RSU Program, (v) existing agreements governing Executive's flight benefits relating to other airlines, and (vi) the Indemnity Rights are not released. Executive further agrees that Executive will not file or permit to be filed on his behalf any claim or lawsuit relating to his employment or its termination, other than to enforce the provisions of this Agreement, post-Effective Date obligations under the Employment Agreement, the CARP, or existing agreements governing Executive's outstanding NLTIP Awards under the NLTIP/RSU Program, Executive's flight benefits relating to other airlines, and the Indemnity Rights. Executive understands and agrees that, except for any vested benefits he may have pursuant to the Employee Retirement Income Security Act, he will not be entitled to any other compensation beyond that which Continental has agreed to provide herein, under the Employment Agreement, the CARP, existing agreements governing Executive's outstanding NLTIP Awards under the NLTIP/RSU Program, Executive's flight benefits relating to other airlines, and the Indemnity Rights.
 2. Executive has twenty-one (21) days to review and consider this Agreement, and this Agreement will not be binding on Company if Executive signs it after such 21-day period. This Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which Executive signs it (the "Effective Date"). During the seven-day period after Executive signs this Agreement, Executive may revoke this Agreement in writing addressed to the officer identified below as signing this Agreement on behalf of the Company. If Executive exercises his right to revoke, this Agreement shall be null and void and Executive will forfeit his right to receive amounts or other benefits that would otherwise be paid or provided to him hereunder.
 3. Executive represents and agrees that he has been and is hereby advised to and has had the opportunity to thoroughly discuss all aspects of this Agreement with his private attorney, that he has carefully read and fully understands all of the provisions of this Agreement, and that he is knowingly and voluntarily entering into this Agreement.
 4. Executive acknowledges that money damages would not be an adequate remedy for any breach of this Agreement by Executive, and Company or its affiliates shall be entitled to enforce the provisions of this Agreement by terminating all payments and/or other benefits to Executive that may be payable to Executive under this Agreement and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Agreement but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. If any party to this Agreement brings legal action to enforce the terms of this Agreement, the party which prevails in such legal action, in addition to the remedy or relief obtained in such action, shall be entitled to recover its or his out-of-pocket expenses incurred in connection with such legal action, including without limitation, costs of court and reasonable attorneys' fees.
 5. The Company may withhold all applicable taxes from payments to be made hereunder.
 6. (a) Executive agrees to hold in confidence and not disclose to any person or otherwise misuse business, pricing and cost data, marketing or sales plans, trade secrets, financial information, or any other Confidential or Proprietary Information of Company or its subsidiaries, affiliates or suppliers. "Confidential or Proprietary Information" means any information not generally known in the relevant trade or industry which was learned, discovered, developed, conceived, originated or prepared during Executive's employment with Company or its subsidiaries or affiliates. Executive acknowledges and agrees that during the term of the Employment Agreement, including but not limited to the period beginning on the date that this Agreement is signed by Executive and Company and continuing through the Retirement Date, Company shall disclose or entrust Confidential or Proprietary Information to Executive, shall provide Executive the opportunity to develop Company's business good will, or shall disclose or entrust Company's business opportunities to Executive.

(b) In consideration of this Agreement, and in keeping with Executive's duties as a fiduciary, and to protect the Confidential and Proprietary Information that has been or will be disclosed to Executive, the business good will of Company that has been or will be developed in Executive, or the business opportunities that have been or will be disclosed or entrusted to Executive by Company, Company and Executive agree to the non-competition provisions of this subparagraph (b). Executive agrees that during the period of Executive's non-competition obligations hereunder, Executive will not, directly or indirectly for Executive or others, in any State, territory or protectorate of the United States in which Company is qualified to do business or in any foreign country in which Company has an office, station or branch as of the date of termination of Executive's employment with Company, engage in an executive, advisory or consulting capacity for any passenger air carrier; provided, however, that Executive shall not be restricted, after his termination of employment with Company, from being employed by, or advising or consulting to, a business engaged in providing advice or consulting services to a broad range of companies, including passenger air carriers, as long as Executive, during the period of Executive's non-competition obligations hereunder, does not involve himself in the rendering of executive, advisory or consulting services to any passenger air carrier. Executive may obtain upon written request to Company a list of locations where his post-termination business activities are so limited.

(c) The non-competition obligations described in subparagraph (b) above shall extend from the Retirement Date through the date that is 12 months after such date.
 7. Notwithstanding any provision in this Agreement to the contrary, if the payment of any compensation or benefit hereunder would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code, then any such payment or benefit that Executive would otherwise be entitled to receive during the first six months following the date of Executive's termination of employment shall be accumulated and paid or provided, as applicable, on the date that is six months after the Retirement Date (or if such date does not fall on a business day of the Company, the next following business day of the Company), or such earlier date upon which such amount can be paid or provided under Section 409A of the Code without being subject to such additional taxes and interest.
 8. The terms and conditions of this Agreement constitute the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersede any and all prior agreements and understandings, written or oral, between the parties with respect thereto. This Agreement shall be governed by the laws of the State of Texas.
 9. This Agreement shall be effective as of the Effective Date; provided, however, that if Executive's employment by the Company is terminated by either party prior to the Retirement Date, then this Agreement, automatically and without further action by either party, shall be null and void and of no force and effect.

[Signatures begin on the following page.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement, to be effective on the Effective Date.

Date of execution by Executive: Executive

May 13, 2008 /s/ Jeffrey A. Misner Jeffrey A. Misner

Continental Airlines, Inc.

By: /s/ Jennifer L. Vogel

**SECOND AMENDED AND RESTATED
CAPACITY PURCHASE AGREEMENT**

among

Continental Airlines, Inc.,

ExpressJet Holdings, Inc.,

XJT Holdings, Inc.

and

ExpressJet Airlines, Inc.

Dated as of June 5, 2008

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SECOND AMENDED AND RESTATED CAPACITY PURCHASE AGREEMENT

This Second Amended and Restated Capacity Purchase Agreement (this "Agreement"), dated as of June 5, 2008, is among Continental Airlines, Inc., a Delaware corporation ("Continental"), ExpressJet Holdings, Inc., a Delaware corporation ("Holdings"), XJT Holdings, Inc., a Delaware corporation and a wholly owned subsidiary of Holdings ("XJT"), and ExpressJet Airlines, Inc., a Delaware corporation and a wholly owned subsidiary of XJT ("ExpressJet" and, collectively with Holdings and XJT, "Contractor").

WHEREAS, Contractor, certain of its Affiliates and Continental are parties to that certain Amended and Restated Capacity Purchase Agreement, dated as of April 17, 2002, as amended (the "Existing CPA"); and

WHEREAS, the parties to the Existing CPA wish to further amend, and to restate, the Existing CPA effective July 1, 2008; and

WHEREAS, contemporaneously with the execution of this Agreement, the parties are either amending or ratifying the Ancillary Agreements, in each case as an integral part of this Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and obligations hereinafter contained, the parties agree to amend the Existing CPA, and to restate it in its entirety with this Agreement, as follows:

I. DEFINITIONS

Capitalized terms used in this Agreement (including, unless otherwise defined therein, in the Schedules, Appendices and Exhibits to this Agreement) shall have the meanings set forth in Exhibit A hereto.

II. CAPACITY PURCHASE, SCHEDULES AND FARES

1. Capacity Purchase

. Continental agrees to purchase the capacity of the Covered Aircraft for the period beginning on the date such aircraft becomes a Covered Aircraft under this Agreement and ending on the earlier of (i) the sublease or lease expiration date, as applicable, for such aircraft on Schedule 1 and (ii) the date on which such aircraft is withdrawn pursuant to a Wind-Down Schedule or other withdrawal schedule pursuant to this Agreement, as such date may be extended, shortened or otherwise modified pursuant to the terms of this Agreement, under the terms and conditions set forth herein and for the consideration described in Article III. Subject to the terms and conditions of this Agreement, Contractor shall provide all of the capacity of the Covered Aircraft solely to Continental and use the Covered Aircraft solely to operate the Scheduled Flights.

- a. Fares, Rules and Seat Inventory. Continental shall establish and publish all fares and related tariff rules for all seats on the Covered Aircraft. Contractor shall not publish any fares, tariffs, or related information for the Covered Aircraft. In addition, Continental shall have complete control over all seat inventory and inventory and revenue management decisions for the Covered Aircraft, including overbooking levels, discount seat levels and allocation of seats among various fare buckets.
- b. Flight Schedules. Continental shall, in its sole discretion, establish and publish all schedules for the Covered Aircraft, including determining the city-pairs served, frequencies, utilization and timing of scheduled arrivals and departures, and charter flights and ferry flights; *provided* that such schedules shall be subject to Reasonable Operating Constraints. Consistent with past practices, Continental shall also be entitled, at any time prior to takeoff, to direct Contractor to delay or cancel a Scheduled Flight for ATC or weather related purposes, and Contractor shall take all necessary and reasonable action to give effect to any such direction. Contractor and Continental shall meet monthly (but not later than the fourth Friday of each calendar month) to review the planned flight schedules for the Covered Aircraft for each of the next 11 months. Prior to such meeting, Continental shall prepare and distribute a rolling forecast of planned operational levels and associated statistics for the Covered Aircraft for each of the next 11 months. At such meeting, Continental shall present a three month schedule that will include a proposed Final Monthly Schedule for the next calendar month and a detailed schedule for the two months following the Final Monthly Schedule. At such meeting, Continental shall review and consider any changes to the planned flight schedule for the Covered Aircraft, including the proposed Final Monthly Schedule, suggested by Contractor. Following such monthly meeting, Continental shall make such adjustments to the proposed Final Monthly Schedule as it deems appropriate (subject to Reasonable Operating Constraints), and, not later than three Business Days prior to the beginning of each calendar month, will deliver to Contractor the Final Monthly Schedule. Notwithstanding the foregoing, Continental shall not schedule any Scheduled Flights with respect to any Covered Aircraft in the ten days immediately prior to the anticipated withdrawal of such Covered Aircraft pursuant to a Wind-Down Schedule delivered pursuant to Article VIII of this Agreement (other than a Wind-Down Schedule delivered in connection with a termination pursuant to Section 8.02(a)).
- c. Spare Aircraft. Notwithstanding anything to the contrary contained in this Section 2.01, Contractor shall maintain one Spare Aircraft, plus any additional Spare Aircraft determined by both Continental and Contractor to be required by Reasonable Operating Constraints, to operate Scheduled Flights at each Hub Airport where Contractor provides Regional Airlines Services. Contractor shall be entitled to use the Spare Aircraft in Contractor's reasonable discretion to replace another aircraft in the operation of a flight scheduled in the Final Monthly Schedule. In addition, subject to applicable Reasonable Operating Constraints, Contractor shall use such Spare Aircraft to operate flights as directed by Continental (unless such Spare Aircraft was, prior to such direction by Continental, already scheduled as contemplated by the immediately preceding sentence), including flights originally scheduled to be operated by other Continental service providers. Such flights will be considered changes to the Final Monthly Schedule and will be reflected as extra sections or charter flights in the final performance statistics.

2. Flight-Related Revenues

. Contractor acknowledges and agrees that all revenues resulting from the sale and issuance of passenger tickets associated with the operation of the Covered Aircraft and all other sources of revenue associated with the operation of the Covered Aircraft, including without limitation revenues relating to the transportation of cargo or mail and revenues associated with food, beverage and duty-free services and guaranteed or incentive payments from airport, local or municipal authorities in connection with scheduling flights to such airport or locality, are the sole property of and shall be retained by Continental (or, if received by Contractor, shall be promptly remitted to Continental).

3. Replacement Aircraft

. If, at the time of withdrawal of a Covered Aircraft from the capacity purchase provisions of this Agreement as a result of the expiration of the head lease related to such Covered Aircraft prior to the end of the Base Term (other than an expiration resulting from a default by Contractor hereunder or under any Ancillary Agreement), (x) at least one fifty-seat Original Aircraft (i) is then being stored by or on behalf of Continental, (ii) has not had a restructuring or impairment charge associated with a planned or actual grounding, (iii) is not the subject of any sublease, and (iv) is not the subject of any contract or other agreement for the sale of such Original Aircraft and (y) after giving effect to such withdrawal, the number of Covered Aircraft will be less than (aa) at any time prior to the first anniversary of the Effective Date, 205 Covered Aircraft or (bb) at any time on or after the first anniversary of the Effective Date, 190 Covered Aircraft, then such Original Aircraft shall be deemed a Covered Aircraft and become subject to the capacity purchase provisions of this Agreement; *provided* if, following the delivery of such Original Aircraft to Continental after the Effective Date, such Original Aircraft has been operated by or on behalf of Continental (other than storing such Original Aircraft), then Continental shall cause each such Original Aircraft to be prepared in such livery required by Paragraph 8 of Exhibit G and appropriate configuration prior to its being placed into such service, and Continental shall be responsible for all costs related to such preparation; and *further provided* that if there is more than one fifty-seat Original Aircraft meeting the conditions set forth in clauses (i) through (iv) above, then Continental shall select the fifty-seat Original Aircraft that shall be deemed a Covered Aircraft pursuant to this Section 2.03. If a Labor Strike that affects Contractor's performance under this Agreement is occurring, the obligations set forth in this Section 2.03 shall be tolled for the duration of such Labor Strike.

4. Return Aircraft

(a) Delta CPA Aircraft. Contractor operates 10 Original Aircraft pursuant to the terms and conditions of the Delta CPA, such aircraft being identified in Section B of Schedule 1 hereto ("Delta CPA Aircraft"). Contractor, at its option, may return any or all of the Delta CPA Aircraft to Continental (i) if the Delta CPA terminates prior to June 1, 2009 and Contractor, at the time of delivery of the notice described in the immediately following sentence is not operating any aircraft for or on behalf of Delta under a capacity purchase arrangement or other similar arrangement with Delta, then with 30 days following the termination of the Delta CPA, or (ii) if the circumstances described in foregoing clause (i) do not occur, then as of the later of July 1, 2009 and the 30th day following the termination or expiration of the Delta CPA with respect to such aircraft. Contractor shall provide Continental notice in writing of any termination, non-renewal, expiration or extension of the Delta CPA promptly upon Contractor receiving notice from, or delivering notice to, Delta of such termination, non-renewal, expiration or extension, or promptly upon Contractor otherwise determining that the Delta CPA shall terminate or expire as of a date certain, which notice shall designate an effective date for such Delta CPA Aircraft to be returned to Continental; *provided* that in any event Contractor shall give Continental not less than 30 days' advance written notice prior to such effective date.

(b) Revenue-Risk Aircraft. Contractor operates 13 Original Aircraft pursuant to the terms and conditions of the Delta Pro-Rate Agreement ("Delta Pro-Rate Aircraft") and an additional 46 Original Aircraft under its own brand through scheduled service under the "ExpressJet Airlines" brand and also through charter operations ("Branded Aircraft"), such Delta Pro-Rate Aircraft and Branded Aircraft being identified in Section C of Schedule 1 hereto (collectively, the "Revenue-Risk Aircraft").

(i) Contractor, at its option, may designate up to 29 of the Revenue-Risk Aircraft to be returned to Continental as of any date on or prior to December 1, 2008. Contractor shall provide Continental at least 30 days advance notice in writing of any such designation, which notice shall designate an effective date for such Revenue-Risk Aircraft to be returned to Continental.

(ii) The parties acknowledge that the 30 Revenue-Risk Aircraft identified as "Retained" in Section C of Schedule 1 hereto (the "Retained Aircraft") shall be retained by Contractor as Uncovered Aircraft until the seventh anniversary of the Effective Date, on which date, subject to the provisions of Section 8.05, Contractor shall deliver possession of such Retained Aircraft to Continental (or its designee) in accordance with the provisions of Section 2.08. Contemporaneously with the execution of this Agreement, the Basic Rent payable under each Uncovered Aircraft Sublease related to a Retained Aircraft shall be reduced by [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] percent for such seven year period.

(c) Disposition of Returned Aircraft by Continental. Following Continental's receipt of notice from Contractor pursuant to Sections 2.04(a), or 2.04(b)(i) containing an effective date for the return of an aircraft to Continental, and not less than 20 days prior to such effective date, Continental shall notify Contractor as to whether such Delta CPA Aircraft or Revenue-Risk Aircraft, as the case may be, shall, on such effective date, (x) become a Covered Aircraft in exchange for the withdrawal of another Covered Aircraft pursuant to Section 2.06, (y) become a Covered Aircraft without any such exchange, or (z) be put into storage by Continental. The provisions of Section 2.08 and 10.01 shall apply to each aircraft pursuant to this Section 2.04, and provided that the provisions of Sections 2.08 and 10.01 shall have been satisfied by Contractor prior to the effective date, the Uncovered Aircraft Sublease for each such returned Delta CPA Aircraft or Revenue-Risk Aircraft shall be terminated; provided, further, that if such Uncovered Aircraft becomes a Covered Aircraft pursuant to clauses (x) or (y), above, then such Uncovered Aircraft Sublease shall become a Covered Aircraft Sublease and remain in effect as provided herein. At the time of delivery of any notice delivered by Contractor pursuant to Section 2.04(a) or Section 2.04(b)(i), Contractor shall deliver to Continental a reasonably detailed current summary and forecast of the maintenance and repair status and condition of each Covered Aircraft and Engine and a list detailing the location of each Engine (by aircraft or, if appropriate, maintenance facility). Continental shall have complete discretion to select the particular aircraft and Engines to be designated as Covered Aircraft pursuant to this Section 2.04(c) from among the aircraft being returned pursuant to Section 2.04(a) or Section 2.04(b)(i). Continental shall bear the cost of any engine swaps reasonably necessary to accommodate the engine selections, based on the engine-location list provided to Continental by Contractor; *provided* that Contractor shall use its commercially reasonable efforts to minimize the number and cost of engine swaps reasonably necessary to accommodate the engine selections and shall be responsible for the cost of all such swaps, if any, required because of any inaccuracy in the engine-location list provided to Continental by Contractor. For the avoidance of doubt, each Delta CPA Aircraft and Revenue-Risk Aircraft (other than Retained Aircraft), if any, that Contractor elects not to return to Continental pursuant to either Section 2.04(a) or Section 2.04(b)(i) shall be retained by Contractor for the remaining term of the Uncovered Aircraft Sublease related to such aircraft, as determined pursuant to the terms of such sublease.

5. Withdrawal of Covered Aircraft

. Continental, at its option to be exercised at any time or from time to time, may withdraw any Excess Aircraft from the capacity purchase provisions of this Agreement. Continental shall provide Contractor at least 60 days advance notice in writing of any such withdrawal. Continental's notice to Contractor shall designate an effective date for such withdrawal (which may be given in advance in respect of aircraft that will be Excess Aircraft as of the date of withdrawal). On such effective date, the Covered Aircraft Sublease relating to such aircraft shall be terminated and such aircraft shall be returned to Continental. Promptly after receipt of such notice (but in any event within 10 days thereafter), Contractor shall deliver to Continental a reasonably detailed current summary and forecast of the maintenance and repair status and condition of each Covered Aircraft and Engine and a list detailing the location of each Engine (by aircraft or, if appropriate, maintenance facility). Continental shall have complete discretion to select the particular Excess Aircraft and Engines to be withdrawn pursuant to this Section 2.05. Upon the withdrawal from the capacity purchase provisions of this Agreement of a Covered Aircraft that is being returned to Continental (or its designee) pursuant to this Section 2.05, the provisions of Section 2.08 shall apply. Continental shall bear the cost of any engine swaps reasonably necessary to accommodate the engine selections, based on the engine-location list provided to Continental by Contractor; *provided* that Contractor shall use its commercially reasonable efforts to minimize the number and cost of engine swaps reasonably necessary to accommodate the engine selections and shall be responsible for the cost of all such swaps, if any, required because of any inaccuracy in the engine-location list provided to Continental by Contractor.

6. Exchange of Covered Aircraft

. Continental shall be entitled to withdraw and subsequently shall replace any Covered Aircraft from the capacity purchase provisions of this Agreement in accordance with and subject to the limitations, terms and conditions contained in this Section 2.06; *provided* that, with respect to any Original Aircraft selected by Continental to replace a Covered Aircraft under this Section 2.06, all out-of-pocket expenses incurred by Contractor in connection with the preparation of any aircraft for such withdrawal or replacement (other than the expenses for which Contractor is responsible to Section 10.01 with respect to the return of Original Aircraft to Continental) shall be reimbursed by Continental.

- a. For each Covered Aircraft withdrawn from the capacity purchase provisions of this Agreement pursuant to this Section 2.06, Continental shall designate as a Covered Aircraft under this Agreement an Original Aircraft that is not, at such time, operated by Contractor. If, following the delivery of such Original Aircraft to Continental after the Effective Date, such Original Aircraft has been operated by or on behalf of Continental (other than storing such Original Aircraft), then Continental shall cause each such Original Aircraft to be prepared in such livery required by Paragraph 8 of Exhibit G and appropriate configuration prior to its being placed into such service, and Continental shall be responsible for all costs related to such preparation.
- b. To effect a replacement under Section 2.06(a), at any time and from time to time, Continental shall give Contractor not less than 60 days advance written notice of replacement of any Covered Aircraft. Such notice shall specify a replacement date (the "Replacement Date") for each such Covered Aircraft to be replaced (which may not include any Covered Aircraft for which Contractor shall have already delivered a notice of retention pursuant to Section 8.05) and the type and number of Covered Aircraft to be replaced and the type of Original Aircraft to replace such Covered Aircraft. Promptly after receipt of such notice (but in any event within 10 days thereafter), Contractor shall deliver to Continental a reasonably detailed current summary and forecast of the maintenance and repair status and condition of each Covered Aircraft and Engine and a list detailing the location of each Engine (by aircraft or, if appropriate, maintenance facility). Within 10 days after receipt of such summary, Continental shall select the individual aircraft and Engines to be replaced and the individual aircraft and Engines to become Covered Aircraft, and shall provide written notice to Contractor of its selection. Continental shall bear the cost of any engine swaps reasonably necessary to accommodate the engine selections, based on the engine-location list provided to Continental by Contractor; *provided* that Contractor shall use its commercially reasonable efforts to minimize the number and cost of engine swaps reasonably necessary to accommodate the engine selections and shall be responsible for the cost of all such swaps, if any, required because of any inaccuracy in the engine-location list provided to Continental by Contractor.
- c. Upon the Replacement Date, the applicable Covered Aircraft to be replaced shall cease being a Covered Aircraft, and Contractor shall immediately deliver possession of such aircraft to Continental or its designee and the Covered Aircraft Sublease for such aircraft and the Engines shall, upon such delivery, be terminated in accordance with the terms of such Covered Aircraft Sublease, and the provisions of Sections 2.08 shall apply.

7. Contractor's Right of First Opportunity

. If, at any time beginning on the Effective Date and ending on the last day of the Base Term, Continental proposes to engage any third party to operate on its behalf any Original Aircraft, then Continental shall promptly provide at least 180 days' advance notice in writing of such intent to Contractor identifying the specific Original Aircraft and setting forth the proposed dates on which the operation of such aircraft for Continental shall begin. Contractor, at its option, may designate any such Original Aircraft as a Covered Aircraft under this Agreement by providing written notice to Continental within 30 days of its receipt of Continental's written notice, specifying the Original Aircraft to become Covered Aircraft on the corresponding dates proposed by Continental; *provided* that if such Original Aircraft has not been operated on behalf of Continental at any time during the twelve months immediately preceding the beginning of such proposed engagement, and Continental has received any bona fide offer to operate such aircraft from a third party on economic terms more beneficial to Continental than the terms hereof, then (i) Continental's notice to Contractor shall include the terms of such bona fide offer, (ii) Contractor's option to operate such aircraft as a Covered Aircraft hereunder shall constitute an option to operate such aircraft on the economic terms contained in such bona fide offer, and (iii) in connection with any such election by Contractor to operate such aircraft, Contractor shall agree to amend the terms hereof as applied to such aircraft to match such economic terms. In the event such Original Aircraft becomes a Covered Aircraft under this Agreement, the parties shall execute a Covered Aircraft Sublease relating to such Covered Aircraft effective as of the date on which the operation of such aircraft for Continental shall begin.

8. Return Conditions; Storage

. Upon (i) the date for withdrawal from the capacity purchase provisions of this Agreement of a Covered Aircraft or (ii) the return to Continental or its designee of an Uncovered Aircraft, in each case, pursuant to Sections 2.04, 2.05, 2.06, 8.03(a) or 8.03(b), as applicable, (x) as to a Covered Aircraft such aircraft shall cease being a Covered Aircraft, and, if such aircraft is to be returned to Continental or its designee pursuant to the terms hereof, then Contractor shall immediately deliver possession of such aircraft to Continental or its designee, and the Covered Aircraft Sublease for such aircraft shall be terminated in accordance with the return conditions and other terms of such Covered Aircraft Sublease, provided that, subject to the terms of this Section 2.08, Contractor shall comply with the return conditions applicable to such aircraft under such Covered Aircraft Sublease in connection with such return to Continental, and any failure to comply therewith shall be deemed a breach of such Covered Aircraft Sublease by Contractor as to which Continental may exercise all applicable remedies provided for in such Covered Aircraft Sublease, and (y) as to an Uncovered Aircraft, Contractor shall immediately deliver possession of such aircraft to Continental or its designee, and the Uncovered Aircraft Sublease for such

aircraft shall be terminated in accordance with the terms of such Uncovered Aircraft Sublease; provided that, subject to the terms of this [Section 2.08](#), Contractor shall comply with the return conditions applicable to such aircraft under such Uncovered Aircraft Sublease in connection with such return to Continental, and any failure to comply therewith shall be deemed a breach of such Uncovered Aircraft Sublease by Contractor as to which Continental may exercise all applicable remedies provided for in such Uncovered Aircraft Sublease. Notwithstanding the provisions of any Covered Aircraft Sublease or Uncovered Aircraft Sublease, (i) as to a Covered Aircraft, upon the withdrawal of a Covered Aircraft that is being returned to Continental (or its designee) and (ii) as to an Uncovered Aircraft that is being returned to Continental (or its designee), Contractor shall not be required to meet the return conditions applicable to such aircraft that relate to time or cycles remaining between maintenance events or to any time- or cycle- controlled part under [clause \(v\)](#) of [Section 4](#) of the Covered Aircraft Sublease or any similar provision in any Uncovered Aircraft Sublease, as applicable, *provided that* the foregoing waiver shall not apply in the case of the return of any Uncovered Aircraft except those Uncovered Aircraft being returned to Continental under [Section 2.04](#) hereof; *provided further* that if Continental makes an Immediate Withdrawal Election, an Uncovered Aircraft Sublease put in place as a result of such Immediate Withdrawal Election with respect to a particular aircraft will not terminate until such aircraft is returned to Continental in accordance with the Wind Down Schedule; *provided further* that Contractor shall remain obligated to comply with all other provisions of the Covered Aircraft Sublease or Uncovered Aircraft Sublease, including without limitation provisions generally applicable to the maintenance, airworthiness, repair and general operating condition and cleanliness of the aircraft; and *provided further*, that the general condition of the Covered Aircraft or Uncovered Aircraft being returned shall not have materially changed relative to the condition of Contractor's fleet of the same aircraft type since the notice of termination was delivered by Continental to Contractor, and the withdrawn aircraft being returned shall have not been discriminated against or operated, maintained or otherwise treated differently (including with respect to the removal of any part for convenience or without cause) than any other Covered Aircraft or Uncovered Aircraft. Upon the termination of the applicable Covered Aircraft Sublease or Uncovered Aircraft Sublease, as applicable (or, in the event of a termination pursuant to [Section 8.02\(b\)\(iii\)](#) or [\(vi\)](#)), promptly after the end of any grounding that would prevent a ferrying of the aircraft), Contractor shall ferry the applicable aircraft at Continental's expense to a location within the continental United States selected by Continental. Promptly after the delivery pursuant to the terms hereof of any termination notice by any party hereto to another party, but in no event more than ten days after such delivery (and immediately in connection with a termination pursuant to [Section 8.02\(a\)](#)) or 180 days prior to the end of the Base Term, Contractor shall deliver to Continental a reasonably detailed current summary and forecast of the maintenance and repair status and condition of each aircraft and each Engine, and a list detailing the location of each such engine (by aircraft or, if appropriate, maintenance facility). In addition, so long as this Agreement is in effect, Contractor shall update such summary from time to time promptly upon Continental's request. With respect to any Covered Aircraft being returned to Continental by Contractor, so long as the applicable Covered Aircraft is not being withdrawn from the capacity purchase provisions of this Agreement pursuant to [Section 8.02\(c\)](#) (in which case, the following provisions of this [Section 2.08](#) shall not apply), at Continental's request and cost, Contractor shall (i) perform such maintenance on such aircraft, consistent with Contractor's maintenance program, as and when requested by Continental prior to such return, and (ii) at the direction of Continental, make arrangements for the storage of any aircraft upon its return to Continental by Contractor, together with the Engines relating thereto, at a location selected by Continental, and for its continued maintenance in accordance with Contractor's maintenance program (including, without limitation, the Flight Hour Agreements and all other maintenance cost per hour agreements and arrangements). At Continental's option and cost, Contractor will provide Continental (or its designee) with all manuals and will provide other detailed information in Contractor's possession relating to Contractor's maintenance program, for use by Continental (or such designee) until Continental (or such designee) has successfully transitioned maintenance on all aircraft returned to Continental pursuant to this [Section 2.08](#) to the maintenance program of Continental (or such designee), and Contractor shall provide reasonable assistance to Continental (or such designee) at Continental's cost during such transition period in connection with Contractor's maintenance program and the transition to such other maintenance program.

III. CONTRACTOR COMPENSATION

1. Base and Incentive Compensation

. For and in consideration of the transportation services, facilities and other services to be provided by Contractor hereunder, Continental shall pay Contractor the base and incentive compensation as provided in [Paragraph A](#) of [Schedule 3](#) hereto, subject to the terms and conditions set forth in this [Article III](#).

2. Periodic Adjustment of Base and Incentive Compensation

. The rates under this Agreement set forth in [Appendix 1](#) to [Schedule 3](#) hereto and the Controllable Completion Factor Incentive Rate set forth in [Appendix 2](#) to [Schedule 3](#) hereto shall remain in effect through the day immediately preceding the first anniversary of the Effective Date, and shall be adjusted on each anniversary of the Effective Date (each, an "[Adjustment Date](#)") as follows: the new rates, applicable beginning on such Adjustment Date, shall equal the rates in effect on the date immediately preceding the Adjustment Date multiplied by the lower of (i) the Annual CPI Change and (ii) 1.035.

3. Contractor Expenses

. Except as provided otherwise in [Section 3.04](#), Contractor shall pay in accordance with commercially reasonable practices all expenses incurred in connection with Contractor's provision of Regional Airline Services. Contractor and Continental agree that, in connection with the provision of Regional Airline Services by Contractor to Continental hereunder and the provision of the other services contemplated to be performed by Contractor under the Ancillary Agreements, the parties shall collaborate and use commercially reasonable efforts to minimize costs incurred by Contractor if such costs would be reimbursable by Continental to Contractor in accordance with the terms of this Agreement or any Ancillary Agreement. Further, with respect to any service or item provided or contemplated to be performed by Contractor hereunder or under the Ancillary Agreements and the cost of which Continental is required to reimburse Contractor hereunder or under any Ancillary Agreement, if (x) Continental can provide or arrange to provide such service or item at a lower cost than the reimbursement cost that Continental would otherwise be charged and (y) the provision of or arrangement to provide such service or item by Contractor would not materially adversely affect Contractor under any contracts or agreements, unreasonably interfere with the business operations of Contractor or result in any non-reimbursed out-of-pocket expenses incurred by Contractor, then Contractor shall allow Continental to provide at its own expense or arrange to provide such service or item in order to permit Continental to lower its costs.

4. Continental Expenses

. In addition to the reconciliation pursuant to [Section 3.06\(b\)](#) of all or a portion of the actual costs of certain expenses, the anticipated costs of which are provided for in the Block Hour Rates:

- a. Certain Revenue-Related Expenses. Continental shall be responsible for all passenger and cargo revenue-related expenses relating to the Regional Airlines Services, as described in [Paragraph B\(1\)](#) of [Schedule 3](#).
- b. Design Changes. Except with respect to Contractor's obligations set forth in [Section 10.01](#), Continental shall be responsible for any reasonable out-of-pocket expenses relating to interior and exterior design changes to the Covered Aircraft and other product-related changes required by Continental that occur outside of Contractor's normal aircraft and facility refurbishment program, including facility-related design changes and the cost of changes in uniforms and other livery.

5. Audit Rights

. Contractor shall make available for inspection by Continental and its outside auditors, within a reasonable period of time after Continental makes a written request therefor, all of Contractor's books and records relating to the Covered Aircraft, this Agreement or any Ancillary Agreement, as reasonably necessary to audit any reimbursement of expenses set forth on [Appendix 3](#) of [Schedule 3](#) hereto (all such books and records collectively, "[CPA Records](#)") until the later of (i) eighteen months following the date such expenses are billed to Continental by Contractor in accordance with the terms hereof or (ii) the final resolution of any ongoing good faith dispute arising during such 18-month period. In connection with such audit, Continental and its outside auditors and advisors shall be entitled to make copies and notes of such CPA Records as they deem necessary solely for the purpose of (x) conducting such audit or (y) enforcing Continental's rights under this Agreement or any Ancillary Agreement and to discuss such CPA Records with Contractor's Chief Financial Officer or such other employees or agents of Contractor knowledgeable about such records.

6. Billing and Payment; Reconciliation

(a) Billing and Payment. On the next Business Day after Contractor receives the Final Monthly Schedule from Continental pursuant to [Section 2.01\(b\)](#), Contractor shall present a reasonably detailed written invoice for amounts due under this Agreement in respect of the Base Compensation for the Scheduled

Flights during the month to which such Final Monthly Schedule pertains. Continental shall pay Contractor the amount due under such invoice (the "Invoiced Amount"), subject to Continental's right to dispute any calculations set forth on such invoice that do not comply with the terms of this Agreement, net of amounts owed by Contractor to Continental under the Administrative Support and Information Services Provisioning Agreement, the Master Facility and Ground Handling Agreement, the Fuel Purchasing Agreement and/or any Covered Aircraft Sublease or Uncovered Aircraft Sublease, any amounts to be prepaid to Continental pursuant to Section 3.06(c) during the month covered by the Final Monthly Schedule, any Insurance costs paid by Continental on Contractor's behalf covering the month covered by the Final Monthly Schedule pursuant to Schedule 3 and/or any other amounts as mutually agreed to by both Contractor and Continental, as follows:

- i. One-quarter of the Invoiced Amount shall be payable by Continental to Contractor, by electronic transfer of funds to a bank account designated by Contractor, available on or before the first day of the month (or if such day is not a Business Day, the next Business Day) to which such invoice relates;
 - ii. One-quarter of the Invoiced Amount shall be payable by Continental to Contractor, by electronic transfer of funds to a bank account designated by Contractor, available on or before the 8th day of the month (or if such day is not a Business Day, the next Business Day) to which the invoice relates;
 - iii. One-quarter of the Invoiced Amount shall be payable by Continental to Contractor, by electronic transfer of funds to a bank account designated by Contractor, available on or before the 15th day of the month (or if such day is not a Business Day, the next Business Day) to which the invoice relates; and
 - iv. One-quarter of the Invoiced Amount shall be payable by Continental to Contractor, by electronic transfer of funds to a bank account designated by Contractor, available on or before the 22nd day of the month (or if such day is not a Business Day, the next Business Day) to which the invoice relates.
- a. Reconciliation. Not later than 14 days following the end of each month, Contractor and Continental shall reconcile actual amounts due in respect of such month with the estimated amounts included in the Invoiced Amount for such items for such month in accordance with the terms and conditions set forth in Schedule 3. On or before the 15th day following the end of such month (or if such day is not a Business Day, the next Business Day), such reconciled amounts for such month to the extent applicable: (a) shall be paid by Continental to Contractor, together with any payment to be made by Continental pursuant to Section 3.06(a)(iii) above, or (b) shall be paid by Contractor to Continental or set off by Continental against any other amounts owing to Contractor. Further reconciliations shall be made on or prior to the 22nd day following the end of such month (or if such day is not a Business Day, the next Business Day) to the extent necessary as a result of Continental's review of financial information provided by Contractor in respect of such month. Such further reconciled amounts for such month to the extent applicable (x) shall be paid by Continental to Contractor, together with any other payment to be made by Continental pursuant to Section 3.06(a)(iv) above, or (y) shall be paid by Contractor to Continental or set off by Continental against any other amounts owing to Contractor. If, subsequent to any reconciliation payments or set-off, as the case may be, Contractor's financial statements, maintained as provided in Section 3.05(a), are restated, amended or otherwise adjusted for any month or fiscal quarter, then the reconciled amounts for such period shall be recalculated in accordance with the terms and conditions set forth in Schedule 3, and the parties shall make further payments or set off further amounts as appropriate in respect of such recalculations.

IV. CONTRACTOR OPERATIONS AND AGREEMENTS WITH CONTINENTAL

1. Crews: Resource Allocation

- a. Personnel Employed. Contractor shall be responsible for providing all crews (flight and cabin) and maintenance personnel and, at Contractor Airports, gate agents and other ground personnel, necessary to operate the Scheduled Flights and for all aspects (personnel and other) of dispatch control.
- b. Resource Allocation. If Contractor is flying any Uncovered Aircraft, then for so long as either (i) the number of Scheduled Flights in a calendar month represent at least 50% of the aggregate number of Contractor's scheduled flights of Covered and Uncovered Aircraft in such month or (ii) the number of Covered Aircraft is at least 200, then Contractor crews, maintenance personnel and other resources shall be allocated on a priority basis to Scheduled Flights above all other flights and aircraft.
- c. Preferential Interviews. Continental agrees to give Contractor pilots, flight attendants, mechanics and dispatchers who remain on Contractor's relevant seniority list preferential interview status for any pilot, flight attendant, mechanic or dispatcher openings, respectively, that may occur at Continental, unless such status is in conflict with Continental's commitments concerning such employees of other carriers. Contractor agrees to give Continental pilots, flight attendants, mechanics or dispatchers who remain on Continental's relevant seniority list preferential interview status for any pilot, flight attendant, mechanic or dispatcher openings, respectively, that may occur at Contractor, unless such status is in conflict with Contractor's commitments concerning employees of other carriers. Any furloughed Continental employee hired by Contractor shall be required to comply with all standard terms and conditions of employment applicable to employees of Contractor, but will not be required by Contractor to resign his or her seniority position with Continental as a condition for applying or being employed by Contractor.

2. Governmental Regulations

. Contractor has and shall maintain all FAA, DOT and other certifications, permits, licenses, certificates and insurance required by governmental authorities to enable Contractor to perform the services required by this Agreement. All flight operations, dispatch operations and all other operations undertaken by Contractor pursuant to this Agreement shall be conducted and operated by Contractor in compliance in all material respects with all governmental regulations, including, without limitation, those relating to airport security, the use and transportation of hazardous materials, crew qualifications, crew training and crew hours. Without limiting Contractor's obligations under any Covered Aircraft Sublease, all Covered Aircraft shall be operated and maintained by Contractor in compliance in all material respects with all governmental regulations, Contractor's own operations manuals and maintenance manuals and procedures, and all applicable equipment manufacturer's instructions .

3. Quality of Service

. At all times, Contractor shall provide Regional Airline Services with appropriate standards of care, but in no event lower than such standards utilized by Contractor as of the date of this Agreement. Continental procedures, performance standards and means of measurement thereof concerning the provision of air passenger and air cargo services shall be applicable to all Regional Airline Services provided by Contractor. Contractor shall achieve at least the comparable quality of airline service as provided by Continental, subject to limitations imposed by the type of aircraft used by Contractor, its route network and the availability of equipment and facilities, as compared to those of Continental. Contractor shall comply with all airline customer service commitments or policies of Continental as of the date hereof, including without limitation the "CustomerFirst" commitments, and employee conduct, appearance and training policies in place as of the date hereof, and shall handle customer-related services in a professional, businesslike and courteous manner. In connection therewith, Contractor shall maintain aircraft cleaning cycles and policies, and shall maintain adequate staffing levels, to ensure at least a comparable level of customer service and operational efficiency that Continental achieves, including without limitation in respect of customer complaint response, ticketing and boarding timing, and baggage services. In addition, at the request of Continental, Contractor shall comply with all such airline customer service commitments, policies or standards of care of Continental as adopted, amended or supplemented after the date hereof, *provided* that Continental shall reimburse Contractor for the reasonable out-of-pocket costs of Contractor of complying with such policies in excess of the costs of complying with such policies as in effect as of the date of this Agreement. Contractor shall provide Continental with timely communication regarding the status of all Scheduled Flights, and shall perform closeout procedures at service levels at least as high as those of Continental at comparably-sized airports. Contractor will use Continental's standard procedures for processing and adjudicating all claims for which Contractor is responsible in an effort to avoid such matters becoming the subject of litigation or insurance claims. Contractor and Continental will periodically meet to discuss and review Contractor's customer service and handling procedures and policies and its employees' conduct, appearance and training standards and policies in an effort to ensure compliance with this Agreement, and to agree to the terms of any necessary corrective action plan and the timing of its implementation.

4. Safety Matters

- a. Incidents or Accidents. Contractor shall promptly notify Continental of all irregularities involving a flight operated by Contractor which result in any damage to persons or property or are otherwise likely to result in a complaint or claim by passengers or an investigation by a governmental agency or authority, shall furnish to Continental as much detail as practicable concerning such irregularities and shall cooperate with Continental at Contractor's own expense in any appropriate investigation. Contractor shall use Continental's Emergency Response Plan with respect to the Scheduled Flights for aircraft accidents or incidents, and shall be responsible for Continental's direct costs resulting from Contractor's participation in such plan. In the event of an accident or incident involving a Covered Aircraft, Continental will have the right, but not the obligation, to manage the emergency response efforts on behalf of Contractor and to approve settlement of any liability claims resulting from the accident or incident.
- b. Safety Audits. Continental shall have the right, at its own cost, to inspect, review, and observe Contractor's operations of Scheduled Flights, and/or to conduct a full safety and/or service audit of Contractor's operations, manuals and procedures reasonably related to Scheduled Flights, at such intervals as Continental reasonably requests and so long as such activities do not unreasonably interfere with the operations of Contractor. Any such safety review may include an audit of Contractor's maintenance and operating procedures, crew planning, passenger and baggage handling, customer service, personnel records, spare parts, inventory records, training records and manuals, and flight, flight training and operational personnel records.

5. Amended and Restated Master Facility and Ground Handling Agreement

. Contemporaneous with the execution and delivery of this Agreement, Contractor and Continental shall enter into a Master Facility and Ground Handling Agreement in the form attached hereto as Exhibit C.

6. Codeshare Terms

. Contractor agrees to operate all Scheduled Flights using the Continental flight code and flight numbers assigned by Continental, or such other flight codes and flight numbers as may be assigned by Continental (to accommodate, for example, a Continental alliance partner), and otherwise under the codeshare terms set forth in Exhibit D.

7. Amended and Restated Administrative Support and Information Services Provisioning Agreement

. Contemporaneous with the execution and delivery of this Agreement, Continental and Contractor shall enter into the Administrative Support and Information Services Provisioning Agreement in the form attached hereto as Exhibit E.

8. Amended and Restated Fuel Purchasing Agreement

. Contemporaneous with the execution and delivery of this Agreement, Continental and Contractor shall enter into the Fuel Purchasing Agreement in the form attached hereto as Exhibit F.

9. Slots and Route Authorities

. Contractor and Continental agree and acknowledge that each airport takeoff or landing slot, route authority or other similar regulatory authorization (each, a "Slot or Route Authorization") held by Contractor and used for Scheduled Flights or any other flights conducted by or on behalf of Continental is held for the benefit and on behalf of Continental. In that regard, at the request of Continental made at any time and from time to time, including upon termination of this Agreement, Contractor shall use its commercially reasonable efforts to transfer to Continental or its designee, to the extent permitted by law, any Slot or Route Authorization held by Contractor and used for Scheduled Flights or any other flights conducted by or on behalf of Continental, in consideration of the payment to Contractor of the net book value, if any, of such Slot or Route Authorization on Contractor's books; provided, that for the purposes of this Section 4.09, the net book value shall not exceed the actual out of pocket consideration paid by Contractor for such Slot or Route Authorization. Contractor's obligations pursuant to the immediately preceding sentence shall survive the termination of this Agreement for so long as any transfer requested pursuant to this Section 4.09 shall not have been completed. Contractor hereby agrees that all of Contractor's contacts or communications with any applicable regulatory authority concerning any Slot or Route Authorization used for Scheduled Flights will be coordinated through Continental. If any Slot or Route Authorization held by Contractor and used for Scheduled Flights or any other flights conducted by or on behalf of Continental is withdrawn or otherwise forfeited as a result of (i) Controllable Cancellations or any other reason within Contractor's reasonable control, then Contractor agrees to pay to Continental promptly upon demand an amount equal to the market value of such withdrawn or forfeited Slot or Route Authorization or (ii) any action or inaction by Continental, then Continental agrees to pay to Contractor promptly upon demand an amount equal to the net book value of such withdrawn or forfeited Slot or Route Authorization on Contractor's books; provided, that for the purposes of this Section 4.09, the net book value shall not exceed the actual out of pocket consideration paid by Contractor for such Slot or Route Authorization.

10. Use of Continental Marks

. Continental hereby grants to Contractor the non-exclusive and non-transferable rights to use the Continental Marks and other Identification as provided in, and Contractor shall use the Continental Marks and other Identification in accordance with the terms and conditions of Exhibit G.

11. Use of Contractor Marks

. Contractor hereby grants to Continental the non-exclusive and non-transferable rights to use the Contractor Marks as provided in, and Continental shall use the Contractor Marks in accordance with the terms and conditions of, Exhibit H.

12. Catering Standards

. Continental and Contractor shall comply with the catering requirements set forth on Exhibit I hereto. The parties agree that, in the event of a conflict between the provisions of Exhibit I and the Contractor Ground Handling Agreement, the provisions of Exhibit I shall control.

13. Ticket Handling Terms

. Continental and Contractor shall comply with the ticket handling requirements set forth in Exhibit J hereto. The parties agree that, in the event of a conflict between the provisions of Exhibit J and the Contractor Ground Handling Agreement, the provisions of Exhibit J shall control.

14. Fuel Efficiency Program

. Contractor shall comply with the fuel efficiency program requirements as described on Exhibit K hereto.

15. Basic Rent Abatement under Covered Aircraft Subleases

- a. . Basic Rent payable under each Covered Aircraft Sublease shall be entirely abated unless and until such Covered Aircraft has been withdrawn from the capacity purchase provisions of this Agreement and no longer constitutes a Covered Aircraft; provided, however, that in the event of any conflict between any terms of this Agreement relating to the payment of Basic Rent or the terms of Sections 2.08, 4.18 and 8.05 of this Agreement and the terms of any Covered Aircraft Sublease or Uncovered Aircraft Sublease, the terms of this Agreement shall govern. Nothing contained in this Section 4.15 or the other sections of this Agreement referenced herein shall derogate from or otherwise affect the subordination of the Uncovered Aircraft Subleases and Covered Aircraft Subleases to the terms of the relevant head leases and other aircraft financing documents covering such aircraft, as provided in such Uncovered Aircraft Subleases and Covered Aircraft Subleases.

16. Covered Aircraft Sublease

. The Covered Aircraft Sublease for each Covered Aircraft existing on the Effective Date shall remain in full force and effect, except as modified hereby and until it expires or is terminated in accordance with its terms or in accordance with the terms of this Agreement. In addition, Contractor agrees that it shall not exercise any right under a Covered Aircraft Sublease to cause Continental to exercise a renewal or similar option under the applicable head lease.

17. Uncovered Aircraft Sublease

. The Uncovered Aircraft Sublease for each Uncovered Aircraft existing on the Effective Date shall remain in full force and effect, except as modified hereby and until it expires or is terminated in accordance with its terms or in accordance with the terms of this Agreement.

18. Other Rights Relating to Uncovered Aircraft by Contractor

. The parties agree that, with respect to each Uncovered Aircraft Sublease, Contractor shall be entitled to direct Continental to exercise its rights under the related head lease with respect to the applicable Uncovered Aircraft for the benefit of, and as directed by, Contractor, provided that Continental shall have no obligation (i) to take any action that could reasonably be expected to increase Continental's obligations or liabilities, (ii) to take any action inconsistent with this Agreement, such head lease or such Uncovered Aircraft Sublease, (iii) to take any action that might require a payment by Continental unless Contractor shall have previously paid to Continental an amount sufficient, in Continental's reasonable judgment, to satisfy in full such Continental payment obligation, (iv) to request registration of the applicable Uncovered Aircraft in a jurisdiction other than the United States, (v) to follow any direction relating to Continental's obligation to indemnify any Person, (vi) to take any action to amend or modify, or waive any rights of Continental under, any agreement, (vii) to extend or renew the term of any head lease, or (viii) to follow any direction if an "Event of Default" under such Uncovered Aircraft Sublease shall have occurred and is continuing. Notwithstanding the foregoing, Continental agrees that it shall not withhold its consent to Contractor under an Uncovered Aircraft Sublease to any proposed further sublease or sub-sublease of an Uncovered Aircraft by Contractor to another Person, subject to satisfaction of each of the following conditions:

- a. the head lease and any related aircraft financing documents covering such Uncovered Aircraft permits such further subleasing or sub-subleasing or the head lessor under an applicable head lease and any related aircraft financing documents has consented to such further subleasing or sub-subleasing, and such proposed further sublease or sub-sublease shall comply with all applicable requirements and conditions contained in the applicable head lease and related aircraft financing documents,
- b. such Uncovered Aircraft shall not be a Retained Aircraft,
- c. such proposed further sublease or sub-sublease would be subject and subordinate to all the terms of the Uncovered Aircraft Sublease for such Uncovered Aircraft and to the rights, powers and remedies of Continental thereunder,
- d. the term of such proposed further sublease or sub-sublease would not extend beyond the term of the head lease for such aircraft or the term of the Uncovered Aircraft Sublease and be consistent with the provisions of Section 8.05,
- e. no default or event of default shall have occurred and be continuing under the Uncovered Aircraft Sublease for such Uncovered Aircraft or under this Agreement, and
- f. Contractor shall bear the expense of entering into such proposed further sublease or sub-sublease and reimburse Continental for all of its out-of-pocket expenses (including outside counsel fees) and any costs and expenses of the head lessor and financing parties of the Uncovered Aircraft for which Continental is liable under the applicable head lease and related financing documents.

V. EXCLUSIVITY AND CERTAIN RIGHTS OF CONTINENTAL

1. Exclusivity; Use of Covered Aircraft

. Contractor agrees that, except as otherwise directed or approved in writing by Continental in Continental's sole discretion, (i) the Covered Aircraft may be used only to provide the Regional Airline Services contemplated by this Agreement and (ii) the Covered Aircraft may not be used by Contractor for any other purpose (other than ferrying and other non-revenue flights related to the provision of the Regional Airline Services and consistent with past practices and Reasonable Operating Constraints), including without limitation flying for any other airline or on Contractor's own behalf.

2. Exclusive Arrangements at Existing Hub Airports

. In furtherance of the capacity purchase arrangements hereunder, Continental and Contractor agree that Contractor shall not operate any scheduled service operated under Contractor's brand in or out of any Existing Hub Airport or any other airport within fifty miles of any Existing Hub Airport prior to the Termination Date, except as otherwise approved in writing by Continental in its sole discretion. Notwithstanding the foregoing, Contractor shall not be prohibited from operating charter service from such locations.

3. Change of Control

. Upon the occurrence of a Change of Control, at any time during the Base Term, to which Change of Control Continental shall not have consented in writing in advance, the provisions of Section 8.02(b) shall apply.

VI. INSURANCE

1. Minimum Insurance Coverages

. During the Term, in addition to any insurance required to be maintained by Contractor pursuant to the terms of any aircraft lease (including without limitation each Covered Aircraft Sublease and Uncovered Aircraft Sublease), or by any applicable governmental authority, Contractor shall maintain, or cause to be maintained, in full force and effect policies of insurance with insurers of recognized reputation and responsibility, in each case to the extent available on a commercially reasonable basis, as follows:

- a. Comprehensive aircraft hull and liability insurance, including aircraft third party, passenger liability (including passengers' baggage and personal effects), cargo and mail legal liability, and all-risk ground and flight physical damage, with a combined single limit of not less than **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** per occurrence and a minimum limit in respect of personal injury (per clause AVN 60 or its equivalent) of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** per occurrence and in the aggregate, and war risk hull and liability insurance as provided by the FAA program or by commercial providers of such insurance with a combined single limit no less than **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** per occurrence;
- b. Workers' compensation as required by the appropriate jurisdiction and employer's liability with a limit of not less than **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** combined single limit; and
- c. Other property and liability insurance coverages of the types and in the amounts that would be considered reasonably prudent for a business organization of Contractor's size and nature, under the insurance market conditions in effect at the time of placement, but in any event of the type and the amount that Continental may reasonably require to prevent or minimize a disruption in the provision of Regional Airline Services resulting from a casualty or liability

incident related to Contractor's operations. All coverages described in this Section 6.01 shall be placed with deductibles reasonably prudent for a business organization of Contractor's size and nature, under the insurance market conditions in effect at the time of placement.

2. Endorsements

Unless Contractor and Continental are participating in a combined policy placement, Contractor shall cause the policies described in Section 6.01 to be duly and properly endorsed by Contractor's insurance underwriters with respect to Contractor's flights and operations as follows:

- a. To provide that the underwriters shall waive subrogation rights against Continental, its directors, officers, agents, employees and other authorized representatives, except for their gross negligence or willful misconduct;
- b. To provide that Continental, its directors, officers, agents, employees and other authorized representatives shall be endorsed as additional insured parties, except for their gross negligence or willful misconduct;
- c. To provide that insurance shall be primary to and without right of contribution from any other insurance which may be available to the additional insureds;
- d. To include a breach of warranty provision in favor of the additional insureds;
- e. To accept and insure Contractor's hold harmless and indemnity undertakings set forth in this Agreement, but only to the extent of the coverage afforded by the policy or policies; and
- f. To provide that such policies shall not be canceled, terminated or materially altered, changed or amended until 30 days (but seven days or such lesser period as may be available in respect of hull, war and allied perils) after written notice shall have been sent to Continental.

3. Evidence of Insurance Coverage

At the commencement of this Agreement, and thereafter at Continental's request, Contractor shall furnish to Continental evidence reasonably satisfactory to Continental of such insurance coverage and endorsements (other than that obtained pursuant to Section 6.04 below), including certificates certifying that the such insurance and endorsements are in full force and effect. Initially, this evidence shall be a certificate of insurance. If Contractor fails to acquire or maintain insurance as herein provided, Continental may at its option secure such insurance on Contractor's behalf at Contractor's expense.

4. Insurance Through Combined Placement

- a. Combined Placement. Promptly after the date hereof, Continental and Contractor shall seek to obtain bids from insurance providers with respect to airline hull and liability insurance, based on Continental's and Contractor's combined exposures. Each party will determine at its own discretion whether it will acquire this insurance based on the bids received. Any insurance so obtained will be a combined placement evidenced as appropriate by separate policies in the names of Continental and Contractor. If either party determines that it does not want to participate in such combined placement of insurance it will provide the other party written notice at least 120 days prior to the date for renewal of any existing insurance policy that covers both Contractor and Continental.
- b. Allocation of Costs. The parties hereto shall allocate the costs of any such combined placements as provided in Paragraph B(5) of Schedule 3.
- c. Adjustment for Major Loss. If there is a Major Loss under a combined placement insurance policy, Continental and Contractor will adjust the premium amounts paid by each party in accordance with the provisions set forth in Paragraph B(5) of Schedule 3.

VII.

INDEMNIFICATION

1. Contractor Indemnification of Continental

Contractor shall be liable for and hereby agrees to fully defend, release, discharge, indemnify and hold harmless Continental, its directors, officers, employees and agents from and against any and all claims, demands, damages, liabilities, suits, judgments, actions, causes of action, losses, costs and expenses of any kind, character or nature whatsoever (in each case whether groundless or otherwise), including attorney's fees, costs and expenses in connection therewith and expenses of investigation and litigation thereof, which may be suffered by, accrued against, charged to, or recoverable from Continental or its directors, officers, employees or agents (including any such losses, costs and expenses involving (i) death or injury (including claims of emotional distress and other non-physical injury by passengers) to any person including any of Contractor's or Continental's directors, officers, employees or agents, (ii) loss of, damage to, or destruction of property (including real, tangible and intangible property, and specifically including regulatory property such as route authorities, slots and other landing rights), including any loss of use of such property, and (iii) damages due to delays) in any manner arising out of, connected with, or attributable to (w) any act or omission by Contractor or any of its directors, officers, employees or agents relating to the provision of Regional Airline Services, (x) the performance, improper performance, or non-performance of any and all obligations to be undertaken by Contractor or any of its directors, officers, employees or agents pursuant to this Agreement or (y) the operation, non-operation, or improper operation of the Covered Aircraft or Contractor's equipment or facilities (including any Uncovered Aircraft) at any location, excluding only claims, demands, damages, liabilities, suits, judgments, actions, causes of action, losses, costs and expenses to the extent resulting from the negligence or willful misconduct of Continental or its directors, officers, agents or employees. Contractor will do all things necessary to cause and assure, and will cause and assure, that Contractor will at all times be and remain in custody and control of all aircraft, equipment, and facilities of, or operated by, Contractor, and Continental and its directors, officers, employees and agents shall not, for any reason, be deemed to be in the custody or control, or a bailee, of such aircraft, equipment or facilities.

2. Continental Indemnification of Contractor

Continental shall be liable for and hereby agrees fully to defend, release, discharge, indemnify, and hold harmless Contractor, its directors, officers, employees, and agents from and against any and all claims, demands, damages, liabilities, suits, judgments, actions, causes of action, losses, costs and expenses of any kind, character or nature whatsoever (in each case whether groundless or otherwise), including attorneys' fees, costs and expenses in connection therewith and expenses of investigation and litigation thereof, which may be suffered by, accrued against, charged to, or recoverable from Contractor, or its directors, officers, employees or agents (including any such losses, costs and expenses involving (i) death or injury (including claims of emotional distress and other non-physical injury by passengers) to any person including any of Contractor's or Continental's directors, officers, employees or agents, (ii) loss of, damage to, or destruction of property (including any loss of use of such property including real, tangible and intangible property, and specifically including regulatory property such as route authorities, slots and other landing rights), and (iii) damages due to delays) in any manner arising out of, connected with, or attributable to, (x) the performance, improper performance, or nonperformance of any and all obligations to be undertaken by Continental or any of its directors, officers, employees or agents pursuant to this Agreement, or (y) the operation, non-operation or improper operation of Continental's aircraft, equipment or facilities (excluding, for the avoidance of doubt, Covered Aircraft, Uncovered Aircraft and any equipment or facilities leased or subleased by Continental to Contractor) at any location, excluding only claims, demands, damages, liabilities, suits judgments, actions, causes of action, losses, costs and expenses to the extent resulting from the negligence or willful misconduct of Contractor or its directors, officers, agents or employees. Continental will do all things necessary to cause and assure, and will cause and assure, that Continental will at all times be and remain in custody and control of any aircraft, equipment and facilities of, or operated by, Continental, and Contractor and its directors, officers, employees and agents shall not, for any reason, be deemed to be in the custody or control, or a bailee, of such aircraft, equipment or facilities.

3. Indemnification Claims

A party (the "Indemnified Party") entitled to indemnification from another party under the terms of this Agreement (the "Indemnifying Party") shall provide the Indemnifying Party with prompt written notice (an "Indemnity Notice") of any third party claim which the Indemnified Party believes gives rise to a claim for indemnity against the Indemnifying Party hereunder. The Indemnifying Party shall be entitled, if it accepts financial responsibility for the third party claim, to

control the defense of or to settle any such third party claim at its own expense and by its own counsel; *provided* that the Indemnified Party's prior written consent (which may not be unreasonably withheld or delayed) must be obtained prior to settling any such third party claim. If the Indemnifying Party does not accept financial responsibility for the third party claim or fails to defend against the third party claim that is the subject of an Indemnity Notice within 30 days of receiving such notice (or sooner if the nature of the third party claim so requires), or otherwise contests its obligation to indemnify the Indemnified Party in connection therewith, the Indemnified Party may, upon providing written notice to the Indemnifying Party, pay, compromise or defend such third party claim. The Indemnified Party shall provide the Indemnifying Party with such information as the Indemnifying Party shall reasonably request to defend any such third party claim and shall otherwise cooperate with the Indemnifying Party in the defense of any such third party claim. Except as set forth in this Section 7.03, the Indemnified Party shall not enter into any settlement or other compromise or consent to a judgment with respect to a third party claim as to which the Indemnifying Party has an indemnity obligation hereunder without the prior written consent of the Indemnifying Party (which may not be unreasonably withheld or delayed), and the entering into of any settlement or compromise or the consent to any judgment in violation of the foregoing shall constitute a waiver by the Indemnified Party of its right to indemnity hereunder to the extent the Indemnifying Party was prejudiced thereby. Any Indemnifying Party shall be subrogated to the rights of the Indemnified Party to the extent that the Indemnifying Party pays for any loss, damage or expense suffered by the Indemnified Party hereunder.

4. Employer's Liability; Independent Contractors; Waiver of Control

- a. Employer's Liability and Workers' Compensation. Each party hereto assumes full responsibility for its employer's liability and workers' compensation liability to its own officers, directors, employees or agents on account of injury or death resulting from or sustained in the performance of their respective service under this Agreement. Each party, with respect to its own employees, accepts full and exclusive liability for the payment of workers' compensation and employer's liability insurance premiums with respect to such employees, and for the payment of all taxes, contributions or other payments for unemployment compensation or old age benefits, pensions or annuities now or hereafter imposed upon employers by the government of the United States or any other governmental body, including state, local or foreign, with respect to such employees measured by the wages, salaries, compensation or other remuneration paid to such employees, or otherwise, and each party further agrees to make such payments and to make and file all reports and returns, and to do everything to comply with the laws imposing such taxes, contributions or other payments.
- b. Independent Contractors. The employees, agents, and independent contractors of Contractor engaged in performing any of the services Contractor is to perform pursuant to this Agreement are employees, agents, and independent contractors of Contractor for all purposes, and under no circumstances will be deemed to be employees, agents or independent contractors of Continental. In its performance under this Agreement, Contractor will act, for all purposes, as an independent contractor and not as an agent for Continental. Notwithstanding the fact that Contractor has agreed to follow certain procedures, instructions and standards of service of Continental pursuant to this Agreement, Continental will have no supervisory power or control over any employees, agents or independent contractors engaged by Contractor in connection with its performance hereunder, and all complaints or requested changes in procedures made by Continental will, in all events, be transmitted by Continental to Contractor's designated representative. Nothing contained in this Agreement is intended to limit or condition Contractor's control over its operations or the conduct of its business as an air carrier, and Contractor and its principals assume all risks of financial losses which may result from the operation of the air services to be provided by Contractor hereunder.
- c. Employees. The employees, agents, and independent contractors of Continental engaged in performing any of the services Continental is to perform pursuant to this Agreement are employees, agents, and independent contractors of Continental for all purposes, and under no circumstances will be deemed to be employees, agents, or independent contractors of Contractor. Contractor will have no supervision or control over any such Continental employees, agents and independent contractors and any complaint or requested change in procedure made by Contractor will be transmitted by Contractor to Continental's designated representative. In its performance under this Agreement, Continental will act, for all purposes, as an independent contractor and not as an agent for Contractor.
- d. Contractor Flights. The fact that Contractor's operations are conducted under Continental's Marks and listed under the CO designator code will not affect their status as flights operated by Contractor for purposes of this Agreement or any other agreement between the parties, and Contractor and Continental agree to advise all third parties, including passengers, of this fact.

5. Survival

The provisions of this Article VII shall survive the termination of this Agreement for a period of seven years.

VIII.

TERM, TERMINATION AND DISPOSITION OF AIRCRAFT

1. Base Term

The Base Term of this Agreement shall commence on and shall be effective as of July 1, 2008 (the "Effective Date") and, unless earlier terminated or extended as provided herein, shall continue until June 30, 2015 (the "Base Term").

2. Early Termination

- a. By Continental for Cause. Continental may terminate this Agreement, immediately upon written notice (but without any prior notice), upon the occurrence and continuation of any event that constitutes Cause (after giving effect to any notice and cure periods provided for in the definition of "Cause").
- b. By Continental for Breach. Continental may terminate this Agreement, with not less than two (2) business days notice, upon the occurrence of a material breach of this Agreement by Contractor as described in clauses (iv) or (ix) below. Continental may terminate this Agreement upon the occurrence of any other material breach of this Agreement by Contractor, which breach shall not have been cured within 90 days after written notice of such breach is delivered by Continental to Contractor. The parties hereto agree that, without limiting the circumstances or events that may constitute a material breach, each of the following shall constitute a material breach of this Agreement: (i) the occurrence of a System Flight Disruption, (ii) a Labor Strike that results in Contractor's failure to complete at least [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]% of Scheduled Flights for three consecutive days (calculated based on Scheduled Flights on the schedule for such days prior to any changes to the schedule in anticipation of or as a result of such Labor Strike), (iii) any event constituting Cause, (iv) at any time that Continental makes a reasonable and good faith determination, using recognized standards of safety, that there is a material safety concern with the operation of any Scheduled Flights, (v) the grounding of any of the Embraer Fleets by regulatory or court order or other governmental action, (vi) a Controllable Cancellation Factor for any two consecutive calendar months of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]% or below, (vii) a Controllable On-Time Departure Rate for any 60 consecutive days of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]% or below, (viii) the non-carrier specific grounding of any Contractor Fleet by regulatory or court order or other governmental action, or (ix) the occurrence of a Change of Control under Section 5.03.
- c. By Contractor for Breach. Contractor may terminate this Agreement upon the occurrence of any material breach of this Agreement by Continental, which breach shall not have been cured within 90 days after written notice of such breach is delivered by Contractor to Continental.
- d. Survival During Wind-Down Period. Upon any termination hereunder, the Term shall continue, and this Agreement shall survive in full force and effect, beyond the Termination Date until the end of the Wind-Down Period, and the rights and obligations of the parties under this Agreement, including without limitation remedies available upon the occurrence of events constituting Cause or material breach, shall continue with respect to the Covered Aircraft until they become Uncovered Aircraft or are returned to Continental pursuant to and in compliance with the terms of this Agreement and each applicable Ancillary Agreement.

3. Disposition of Aircraft during Wind-Down Period

a. Termination by Continental for Cause. If this Agreement is terminated by Continental under Section 8.02(a), then the Covered Aircraft shall be withdrawn from the capacity purchase provisions of this Agreement and Continental shall have the option to take possession (or direct possession to its designee) of any of such aircraft in accordance with the following terms and conditions:

- i. For the purposes of this Section 8.03(a), the date of the notice delivered pursuant to Section 8.02(a) shall be the Termination Date. Within five Business Days after the Termination Date, Continental may elect by written notice to Contractor to withdraw, effective as of the Termination Date, all of the Covered Aircraft from the capacity purchase provisions of this Agreement and all of the Covered Aircraft Subleases shall become Uncovered Aircraft Subleases (such an election being referred to as an "Immediate Withdrawal Election"). If Continental makes an Immediate Withdrawal Election, Continental shall provide to Contractor within five Business Days after the Termination Date a Wind-Down Schedule that provides for the return to Continental (and for the termination of the related Uncovered Aircraft Sublease) of any of such aircraft that Continental elects to retain, delineating the date of the return of such aircraft. Such Wind-Down Schedule will provide for the return to Continental (or its designee) of all such aircraft within 18 months following the Termination Date. Contractor shall deliver possession of such aircraft to Continental or its designee in accordance with the Wind-Down Schedule and the provisions of Section 2.08.
- ii. If Continental determines not to make an Immediate Withdrawal Election, Continental shall provide to Contractor within five Business Days after the Termination Date a Wind-Down Schedule providing for the withdrawal of all Covered Aircraft from the capacity purchase provisions of this Agreement, delineating the date of the withdrawal of each Covered Aircraft. The Wind-Down Schedule will provide for the withdrawal of all Covered Aircraft within 18 months following the Termination Date. Continental shall also indicate in the Wind-Down Schedule which aircraft shall be returned to Continental (or its designee). Contractor shall deliver possession of such aircraft to Continental or its designee upon the withdrawal of such aircraft from the capacity provisions of this Agreement in accordance with the Wind-Down Schedule and the provisions of Section 2.08.
- iii. In connection with the withdrawal of each Covered Aircraft from the capacity purchase provisions of this Agreement pursuant to this Section 8.03(a), Continental shall have complete discretion in the selection of the particular Engines to be withdrawn in connection with any particular aircraft and shall notify Contractor of its selection not less than 10 days after Continental shall have selected aircraft to be withdrawn pursuant to this Section 8.03(a). At Continental's request, Contractor shall promptly provide a list detailing the location of each engine (by aircraft or, if appropriate, maintenance facility). Continental shall bear the cost of any engine swaps reasonably necessary to accommodate the engine selections, based on the engine-location list provided to Continental by Contractor; *provided that* Contractor shall use its commercially reasonable efforts to minimize the number and cost of engine swaps reasonably necessary to accommodate the engine selections and shall be responsible for the cost of all such swaps, if any, required because of any inaccuracy in the engine-location list provided to Continental by Contractor.

b. Termination by Continental for Breach. If this Agreement is terminated by Continental under Section 8.02(b), then the Covered Aircraft shall be withdrawn from the capacity purchase provisions of this Agreement in accordance with the following terms and conditions:

- i. The notice of termination delivered pursuant to Section 8.02(b) shall specify a Termination Date. Within 120 days of the delivery of the notice under Section 8.02(b), Continental shall deliver to Contractor a Wind-Down Schedule providing for the withdrawal of all Covered Aircraft from the capacity purchase provisions of this Agreement, delineating the number of each aircraft type to be withdrawn by month. The Wind-Down Schedule may not commence until the later of the Termination Date and 30 days following Continental's delivery of the Wind-Down Schedule to Contractor. Such Wind Down Schedule may not provide for the withdrawal of any Covered Aircraft more than 18 months after the Termination Date.
- ii. Subject to the provisions of Section 8.05, Contractor shall deliver possession of such aircraft to Continental or its designee in accordance with the Wind-Down Schedule and the provisions of Section 2.08.

c. Termination by Contractor for Breach. If this Agreement is terminated by Contractor under Section 8.02(c), then the Covered Aircraft shall be withdrawn from the capacity purchase provisions of this Agreement in accordance with the following terms and conditions:

- i. The notice of termination delivered by Contractor to Continental pursuant to Section 8.02(c) shall contain a Termination Date that is at least 180 days after the date of such notice, and a Wind-Down Schedule beginning on such Termination Date and setting forth the number and type of Covered Aircraft that Contractor elects to retain as Uncovered Aircraft pursuant to Section 8.05. The Wind-Down Schedule may not provide for the withdrawal of more than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Covered Aircraft per month, and may not provide for the withdrawal of any Covered Aircraft more than 60 months after the Termination Date.
- ii. Continental shall, within 120 days of receipt of such Wind-Down Schedule from Contractor, propose a schedule for the withdrawal from the capacity purchase provisions of this Agreement of the Covered Aircraft not being retained by Contractor, which aircraft shall be returned to Continental (or its designee) upon their withdrawal from the capacity purchase provisions of this Agreement; *provided that* such Wind-Down Schedule may not provide for the withdrawal of more than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Covered Aircraft per month (inclusive of those aircraft being retained by Contractor), and may not provide for the withdrawal of any Covered Aircraft more than 60 months after the Termination Date. Continental shall select the individual aircraft to be withdrawn according to the Wind-Down Schedule, including those aircraft to be retained by Contractor, and shall notify Contractor of its selection. Continental shall have complete discretion in the selection of the particular Covered Aircraft to be withdrawn in any month and those to be retained by Contractor; *provided that* Continental must adhere to the timing, number and type of aircraft to be retained by Contractor as provided in Contractor's notice to Continental delivered pursuant to Section 8.03(c). In addition, in connection with the withdrawal of each Covered Aircraft, whether such aircraft is being retained by Contractor as an Uncovered Aircraft or returned to Continental or its designee, Continental shall have complete discretion in the selection of the particular Engines to be withdrawn in connection with any particular aircraft and shall notify Contractor of its selection not less than 10 days after Continental shall have selected aircraft to be withdrawn pursuant to this Section 8.03(c). Continental shall bear the cost of any engine swaps reasonably necessary to accommodate its engine selections, based on the engine-location list provided to Continental by Contractor; *provided that* Contractor shall use its commercially reasonable efforts to minimize the number and cost of engine swaps reasonably necessary to accommodate Continental's engine selections and shall be responsible for the cost of all such swaps, if any, required because of any inaccuracy in the engine-location list provided to Continental by Contractor.
- iii. Within 30 days of receipt of Continental's Wind-Down Schedule, Contractor may elect in writing to have all of the Covered Aircraft being returned to Continental (or its designee) converted to Uncovered Aircraft and returned to Continental effective as of the Termination Date. If Contractor does not make such an election, such Covered Aircraft shall be converted to Uncovered Aircraft and returned to Continental both in accordance with Continental's Wind-Down Schedule delivered pursuant to Section 8.03(c).
- iv. With respect to each aircraft that is retained by Contractor pursuant to this Section 8.03(c), the provisions of Section 8.03(c) shall apply as if the aircraft were being retained by Contractor in connection with a termination under Section 8.02(a). With respect to each such aircraft being returned to Continental (or its designee) pursuant to this Section 8.03(c), the provisions of Section 8.03(a)(iii) shall apply as if the aircraft were being returned to Continental in connection with a termination under Section 8.02(a).

d. Termination at End of Base Term. If the Agreement is terminated at the end of the Base Term, then the Covered Aircraft shall be withdrawn from the capacity purchase provisions of this Agreement in accordance with the following terms and conditions:

- i. No later than July 1, 2013, Continental shall deliver to Contractor a Wind-Down Schedule designating the end of the Base Term as the Termination Date and providing for the withdrawal of all Covered Aircraft from the capacity purchase provisions of this Agreement, delineating the number of each aircraft type to be withdrawn by month. The Wind-Down Schedule may not provide for the withdrawal of more than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Covered Aircraft per month, and may not provide for the withdrawal of any Covered Aircraft more than 18 months after the Termination Date.

- ii. Contractor shall have 12 months after receipt of the proposed Wind-Down Schedule to notify Continental of any Covered Aircraft that Contractor elects to retain pursuant to Section 8.05 of this Agreement.
- iii. Subject to the provisions of Section 8.05, Contractor shall deliver possession of such aircraft to Continental or its designee in accordance with the Wind-Down Schedule and the provisions of Section 2.08.
- e. Maintenance at Continental's Expense. With respect to any aircraft being returned to Continental by Contractor, if pursuant to the provisions of this Agreement Contractor is released from the obligation to meet any return conditions applicable to such aircraft under the Covered Aircraft Sublease applicable thereto, Contractor shall, perform such maintenance on such aircraft, consistent with Contractor's maintenance program, as and when requested by Continental prior to such return, provided that Continental shall reimburse Contractor for such cost as incurred by Contractor in performing these services.
- f. Flight Hour Program Balances. In connection with the return of any aircraft or Engine by Contractor to Continental, Contractor shall use its commercially reasonable efforts to facilitate the participation by Continental or its designee in any Flight Hour Agreements or any other similar program for components relating to such aircraft or Engine. Any reserve balances held by a flight hour contractor in respect any such aircraft or Engine (or, in each case, components thereof) shall be deemed to be held for Continental's account, and Contractor shall execute an assignment, if any, in a form and substance reasonably acceptable to Contractor required by Continental or such flight hour contractor in connection therewith or, if such assignment is not permitted under such Flight Hour Agreement, Contractor shall pay an amount equal to the value of such reserve balance to the extent such balance is actually refunded or paid to Contractor or otherwise utilized by Contractor for its benefit. Contractor shall not amend or modify any Flight Hour Agreement in any manner that would substantially deprive Continental of the benefit of this Section 8.03(f) with respect to such Flight Hour Agreement without the prior written consent of Continental, which consent shall not be unreasonably withheld.
- g. Excess Inventory and Improvements.
 - i. In connection with the return of any Covered Aircraft to Continental pursuant to this Article VIII, Continental shall promptly purchase from Contractor the Excess Inventory relating thereto at a price equal to the net book value of such Excess Inventory on Contractor's most recent financial statements.
 - ii. In connection with the return of any Covered Aircraft to Continental pursuant to this Article VIII, which Covered Aircraft shall contain improvements that are reflected as an asset on Contractor's most recent financial statements, then Continental shall promptly pay to Contractor the net book value of such improvements as reflected in such financial statements.
 - iii. In connection with the retention of any Covered Aircraft by Contractor as an Uncovered Aircraft pursuant to this Article VIII, which Covered Aircraft shall contain improvements that are reflected as an asset on Continental's most recent financial statements, then Contractor shall promptly pay to Continental the net book value of such improvements as reflected in such financial statements.

4. Other Remedies for Breach.

- a. Material Breach by Continental. Upon a material breach of this Agreement by Continental, which breach shall not have been cured within 60 days after written notice delivered by Contractor to Continental, then for the period from such 60th day until such breach is cured or the Agreement is otherwise terminated by Contractor pursuant to Section 8.02, in addition to, and not in limitation of, any recourse or remedy available to Contractor at law or in equity, Contractor shall be entitled to obtain the payments due to it hereunder directly from Airline Clearing House, Inc. for the duration of such default.
- b. Labor Strike and Other Circumstances. In the event of a Labor Strike, (i) the provisions of Paragraph B(3)(e) of Schedule 3 shall apply, and (ii) after each of the 2nd, 15th, 30th, 45th, 60th and 75th days of such Labor Strike, Continental (or its designee) shall be entitled to take immediate possession of up to 20 Covered Aircraft (up to a total of 120 aircraft after such 75th day) designated by Continental, which shall simultaneously be withdrawn from the capacity purchase provisions of this Agreement and the provisions of Section 8.03(a)(iii) shall apply as if such aircraft were being returned to Continental in connection with a termination under Section 8.02(a), and (iii) if Continental (or its designee) shall take possession of any aircraft pursuant to clause (ii) above, then for so long as the Labor Strike shall continue and for 180 days thereafter, Contractor shall provide Continental or its designee with first-priority access to all of Contractor's operating and training facilities, including without limitation, flight simulators and hangars, at the standard rental rate charged by Contractor to third parties prior to the beginning of the Labor Strike (or, if Contractor had not rented any such facility, at non-strike market rates), and to its inventory of spare parts and other equipment at market rates, in each case for such period of time and to such extent as is necessary and prudent in Continental's judgment to operate such aircraft safely and to integrate such aircraft and such operations into Continental's (or its designee's) fleet and operations. The rights set forth in this Section 8.04(b) are in addition to, and not in limitation of, any other right of Continental arising hereunder.
- c. Punitive Damages. No party to this Agreement or any of its Affiliates shall be liable to any other party hereto or any of its Affiliates for claims for punitive, special or exemplary damages, arising out of or relating to this Agreement or the transactions contemplated hereby, regardless of whether a claim is based on contract, tort (including negligence), strict liability, violation of any applicable deceptive trade practices act or similar law or any other legal or equitable principle, and each party releases the others and their respective Affiliates from liability for any such damages. No party shall be entitled to rescission of this Agreement as a result of breach of any other party's representations, warranties, covenants or agreements, or for any other matter.

5. Contractor's Right to Retain Covered Aircraft.

- a. Except to the extent otherwise provided in this Agreement, all Covered Aircraft withdrawn from the capacity purchase provisions of this Agreement shall be returned to Continental in accordance with the provisions of Section 2.08. Notwithstanding the foregoing, Contractor shall have the option to retain as Uncovered Aircraft (i) any Covered Aircraft the head lease for which is scheduled to expire after the date of such withdrawal and on or prior to December 31, 2017, and (ii) any Covered Aircraft, or any Retained Aircraft from and after the end of the seven-year term set forth in Section 2.04(b)(ii) in respect thereof, in each case in respect of which, as of the time of exercise of such option, Continental has been fully and finally released in writing from any and all liabilities and obligations (contingent or otherwise) arising under any lease to which Continental is a party or guarantee given or made by Continental, or any other similar instrument to which Continental is a party, in each case relating to such aircraft, by the lessor, guaranteed party or other party to whom such liabilities or obligations may be owed; *provided* that Contractor shall have complied with the provisions set forth in Sections 8.05(c) and 8.05(d) in connection with the exercise of any such option; *provided, further*, that the foregoing option to retain aircraft set forth in clause (i) of this Section 8.05(a) shall not apply to any Covered Aircraft withdrawn pursuant to Sections 2.05 or 2.06; *provided, further*, that the foregoing option to retain aircraft shall not apply to any additional Covered Aircraft if the aggregate number of Covered Aircraft retained by Contractor pursuant to this Section 8.05 and Retained Aircraft (whether still within the seven-year term referenced in Section 2.04(ii)) or having been retained pursuant to this Section 8.05 at such time is equal to or greater than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]; *provided, further*, that, at Continental's option, the foregoing option to retain aircraft shall not apply to any Covered Aircraft after Continental shall have delivered any termination notice pursuant to Section 8.02(a) (regardless of whether any notice shall have been previously delivered by Contractor pursuant to Section 8.05(b)); and *provided, further*, that, at Continental's option, the foregoing option to retain aircraft set forth in clause (i) of this Section 8.05(a) shall not apply to any Covered Aircraft after Continental shall have delivered any termination notice pursuant to Section 8.02(b) (regardless of whether any notice shall have been previously delivered by Contractor pursuant to Section 8.05(b)). For the avoidance of doubt, nothing in this Section 8.05 shall grant Contractor any right to retain any aircraft owned by Continental.
- b. If Contractor elects to retain a Covered Aircraft pursuant to this Section 8.05, then Contractor shall provide written notice to Continental that it elects to retain such Covered Aircraft, which notice shall be delivered not later than the earliest of (i) one year prior to the scheduled expiration of the applicable head lease, (ii) if such Covered Aircraft is being withdrawn pursuant to a termination notice delivered pursuant to Section 8.03(b), within ten days of the date of such termination notice, (iii) if such Covered Aircraft is being withdrawn pursuant to a termination notice delivered by Contractor pursuant to Section 8.03(c), the date of such termination notice, and (iv) July 1, 2014. Any notice delivered with respect to a Covered Aircraft described in clause (ii) of Section 8.05(a) must be accompanied by the full and final effective written release contemplated by such clause in form and substance reasonably

satisfactory to Continental. To facilitate Contractor's election, Continental shall provide Contractor with a Wind-Down Schedule not later than July 1, 2013 pursuant to Section 8.03(d).

- c. Contractor shall include in any notice delivered pursuant to Section 8.05(b) a reasonably detailed current summary of the maintenance and repair condition of each Covered Aircraft and Engine and a list detailing the location of each Engine (by aircraft or, if appropriate, maintenance facility). Within 30 days after receipt of any such notice, Continental shall select the individual aircraft and Engines to be retained by Contractor; provided that such aircraft shall be of the same type designated by Contractor in such notice, and shall notify Contractor of its selection. Continental shall bear the cost of any engine swaps reasonably necessary to accommodate the engine selections, based on the engine-location list provided to Continental by Contractor; *provided* that Contractor shall use its commercially reasonable efforts to minimize the number and cost of engine swaps reasonably necessary to accommodate the engine selections and shall be responsible for the cost of all such swaps, if any, required because of any inaccuracy in the engine-location list provided to Continental by Contractor.
- d. If any Covered Aircraft is being retained by Contractor pursuant to this Section 8.05, then effective on the first day of the month in which such Covered Aircraft becomes an Uncovered Aircraft pursuant to the Wind-Down Schedule the Covered Aircraft Sublease with respect to such aircraft shall become an Uncovered Aircraft Sublease. Upon each such aircraft becoming an Uncovered Aircraft, Contractor shall calculate a maintenance reimbursement equal to the product of (x) the average cost during the previous six months of (i) the previous scheduled heavy maintenance visit and (ii) the next scheduled heavy maintenance visit for such aircraft type and (y) a fraction, the numerator of which is the number of hours remaining until the next heavy maintenance visit coming due for such aircraft minus one-half of the total number of hours allowable between heavy maintenance visits for such aircraft, and the denominator of which is the total number of hours allowable between heavy maintenance visits for such aircraft. At the time of such withdrawal (I) Continental shall pay Contractor an amount equal to such maintenance reimbursement, if the numerator of such fraction is less than zero, (II) Contractor shall pay Continental an amount equal to such maintenance reimbursement, if the numerator of such fraction is greater than zero, and (III) there shall be no maintenance reimbursement payable pursuant to this sentence if the numerator of such fraction is equal to zero. In addition, if Continental shall have previously reimbursed Contractor for the cost of any engine life-limited component pursuant to Schedule 3 which component is installed in such aircraft, then Contractor shall pay to Continental an amount equal to the cost of such life-limited component multiplied by a fraction, the numerator of which is the number of hours remaining in the life of such life-limited part, and the denominator of which is the total number of hours in the life of such life-limited part. Contractor may elect, in lieu of making the payment contemplated by the preceding sentence to pay such amount plus accrued interest, which interest shall accrue monthly at the interest rate used in the Uncovered Aircraft Sublease for such aircraft to determine the lease payments thereunder, in equal monthly installments over the remaining term of the Uncovered Aircraft Sublease with respect to such aircraft.

IX.

REPRESENTATIONS, WARRANTIES AND COVENANTS

1. Representations, Warranties and Covenants of Holdings, XJT and ExpressJet

Holdings, XJT and ExpressJet, jointly and severally, represent, warrant and covenant to Continental as of the date hereof as follows:

- a. Organization and Qualification. Each of Holdings, XJT and ExpressJet is a duly organized and validly existing corporation in good standing under the laws of the State of Delaware and has the corporate power and authority to own, operate and use its assets and operate the Regional Airline Services.
- b. Authority Relative to this Agreement. Each of Holdings, XJT and ExpressJet has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby in accordance with the terms hereof. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of each of Holdings, XJT and ExpressJet. This Agreement has been duly and validly executed and delivered by each of Holdings, XJT and ExpressJet and is, assuming due execution and delivery thereof by Continental and that Continental has legal power and right to enter into this Agreement, a valid and binding obligation of each of Holdings, XJT and ExpressJet, enforceable against each of Holdings, XJT and ExpressJet in accordance with its terms, except as enforcement hereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally and legal principles of general applicability governing the availability of equitable remedies (whether considered in a proceeding in equity or at law or otherwise under applicable law).
- c. Conflicts; Defaults. Neither the execution or delivery of this Agreement nor the performance by each of Holdings, XJT and ExpressJet of the transactions contemplated hereby will (i) violate, conflict with, or constitute a default under any of the terms of either Holdings', XJT's or ExpressJet's certificate of incorporation, by-laws, or any provision of, or result in the acceleration of any obligation under, any material contract, sales commitment, license, purchase order, security agreement, mortgage, note, deed, lien, lease or other agreement to which Holdings, XJT or ExpressJet is a party, (ii) result in the creation or imposition of liens in favor of any third person or entity, (iii) violate any law, statute, judgment, decree, order, rule or regulation of any governmental authority, or (iv) constitute any event which, after notice or lapse of time or both, would result in such violation, conflict, default, acceleration or creation or imposition of liens.
- d. Broker. None of Holdings, XJT or ExpressJet has retained or agreed to pay any broker or finder with respect to this Agreement and the transactions contemplated hereby.

2. Representations and Warranties of Continental

Continental represents and warrants to Holdings, XJT and ExpressJet as of the date hereof as follows:

- a. Organization and Qualification. Continental is a duly incorporated and validly existing corporation in good standing under the laws of the State of Delaware.
- b. Authority Relative to this Agreement. Continental has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby in accordance with the terms hereof. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Continental. This Agreement has been duly and validly executed and delivered by Continental and is, assuming due execution and delivery thereof by Holdings, XJT and ExpressJet and that Holdings, XJT and ExpressJet each has legal power and right to enter into this Agreement, a valid and binding obligation of Continental, enforceable against Continental in accordance with its terms, except as enforcement hereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally and legal principles of general applicability governing the availability of equitable remedies (whether considered in a proceeding in equity or at law or otherwise under applicable law).
- c. Conflicts; Defaults. Neither the execution or delivery of this Agreement nor the performance by Continental of the transactions contemplated hereby will (i) violate, conflict with, or constitute a default under any of the terms of Continental's certificate of incorporation, by-laws, or any provision of, or result in the acceleration of any obligation under, any material contract, sales commitment, license, purchase order, security agreement, mortgage, note, deed, lien, lease or other agreement to which Continental is a party, (ii) result in the creation or imposition of any liens in favor of any third person or entity, (iii) violate any law, statute, judgment, decree, order, rule or regulation of any governmental authority, or (iv) constitute any event which, after notice or lapse of time or both, would result in such violation, conflict, default, acceleration or creation or imposition of liens.
- d. Broker. Continental has not retained or agreed to pay any broker or finder with respect to this Agreement and the transactions contemplated hereby.

X.

MISCELLANEOUS

1. Conversion of Covered Aircraft Livery

. Without limiting Contractor's obligations in respect of any return conditions under any Covered Aircraft Sublease or Uncovered Aircraft Sublease, for each Delta CPA or Revenue Risk Aircraft, at such time as such aircraft (i) enters regional airline service as a Covered Aircraft or (ii) otherwise enters regional airline service for or on behalf of Continental, if such aircraft is not already prepared in the livery required by Paragraph 8 of Exhibit G and not already configured in the same manner such aircraft was configured at the time of its withdrawal from the capacity purchase provisions of the Existing CPA prior to becoming a Delta CPA or Revenue Risk Aircraft, as applicable (including the removal of all items installed in connection with XM radio), then Contractor shall cause each such aircraft to be prepared in such livery and be configured in the same manner such aircraft was configured at the time of its withdrawal from the capacity purchase provisions of the Existing CPA prior to becoming a Delta CPA or Revenue Risk Aircraft, as applicable (including the removal of all items installed in connection with XM radio), prior to its being placed into such service, and Contractor shall be responsible for all costs related to such preparation.

2. Amendment of Certain Contracts

. Without Continental's express prior written consent, Contractor shall not amend, supplement, grant a waiver or extension under, or otherwise modify (i) the Embraer Contract in any manner that results in changes to the financing or leasing arrangements contained therein, or any other changes that may be expected to adversely affect Continental's rights, benefits or obligations under this Agreement or Contractor's ability to perform hereunder, or (ii) the Engine Maintenance Agreement in any manner that adversely affects the engine maintenance costs of Contractor or Continental in respect of the Covered Aircraft. Contractor agrees to consent to any amendment of the Embraer Contract that reduces the financing or other obligations of Continental under the Embraer Contract, *provided* that such amendment does not increase the obligations of Contractor under such contract.

3. Notices

. All notices made pursuant to this Agreement shall be in writing and shall be deemed given upon (a) a transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery by a standard overnight courier the following Business Day or if delivered by hand the following Business Day), or (b) confirmed delivery by a standard overnight courier or delivered by hand, to the parties at the following addresses:

if to Continental:

Continental Airlines, Inc.
1600 Smith Street, HQSCD
Houston, Texas 77002
Attention: Chief Financial Officer
Telecopy No.: (713) 324-5225

with a copy to:

Continental Airlines, Inc.
1600 Smith Street, HQSLG
Houston, Texas 77002
Attention: General Counsel
Telecopy No.: (713) 324-5161

if to Holdings, XJT or ExpressJet to:

ExpressJet Holdings, Inc.
700 North Sam Houston Parkway West,
Suite 200
Houston, Texas 77067
Attention: Chief Financial Officer
Telecopy No.: (832) 353-1144

with a copy to:

ExpressJet Holdings, Inc.
700 North Sam Houston Parkway West,
Suite 200
Houston, Texas 77067
Attention: Vice President & General Counsel
Telecopy No.: (832) 353-1141

or to such other address as any party hereto may have furnished to the other parties by a notice in writing in accordance with this Section 10.03.

4. Binding Effect; Assignment

. This Agreement and all of the provisions hereof shall be binding upon the parties hereto and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except with respect to a merger of either party with another Person, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties.

5. Amendment and Modification

. This Agreement may not be amended or modified in any respect except by a written agreement signed by the parties hereto.

6. Waiver

. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term, but such waiver shall be effective only if it is in writing signed by the party against which such waiver is to be asserted. Unless otherwise expressly provided in this Agreement, no delay or omission on the part of any party in exercising any right or privilege under this Agreement shall

operate as a waiver thereof, nor shall any waiver on the part of any party of any right or privilege under this Agreement operate as a waiver of any other right or privilege under this Agreement nor shall any single or partial exercise of any right or privilege preclude any other or further exercise thereof or the exercise of any other right or privilege under this Agreement. No failure by any party to take any action or assert any right or privilege hereunder shall be deemed to be a waiver of such right or privilege in the event of the continuation or repetition of the circumstances giving rise to such right unless expressly waived in writing by each party against whom the existence of such waiver is asserted.

7. Interpretation

. The table of contents and the section and other headings and subheadings contained in this Agreement and in the exhibits and schedules hereto are solely for the purpose of reference, are not part of the agreement of the parties hereto, and shall not in any way affect the meaning or interpretation of this Agreement or any exhibit or schedule hereto. All references to days or months shall be deemed references to calendar days or months. All references to "\$" shall be deemed references to United States dollars. Unless the context otherwise requires, any reference to an "Article," a "Section," an "Exhibit," or a "Schedule" shall be deemed to refer to a section of this Agreement or an exhibit or schedule to this Agreement, as applicable. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, unless otherwise specifically provided, they shall be deemed to be followed by the words "without limitation." This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing the document to be drafted.

8. Confidentiality

. Except as required by law or in any proceeding to enforce the provisions of this Agreement, Continental, ExpressJet, XJT and Holdings hereby agree not to publicize or disclose to any third party the terms or conditions of this Agreement or any of the Ancillary Agreements, or any exhibit, schedule or appendix hereto or thereto, without the prior written consent of the other parties thereto. Except as required by law or in any proceeding to enforce the provisions of this Agreement or any of the Ancillary Agreements, Continental, ExpressJet, XJT and Holdings hereby agree not to disclose to any third party any confidential information or data, both oral and written, received from the other, whether pursuant to or in connection with this Agreement or any of the Ancillary Agreements, and designated as such by the other without the prior written consent of the party providing such confidential information or data. Continental, ExpressJet, XJT and Holdings hereby agree not to use any such confidential information or data of the other party other than in connection with performing their respective obligations or enforcing their respective rights under this Agreement or any of the Ancillary Agreements, or as otherwise expressly contemplated by this Agreement or any of the Ancillary Agreements. If any party is served with a subpoena or other process requiring the production or disclosure of any of such agreements or information, then the party receiving such subpoena or other process, before complying with such subpoena or other process, shall immediately notify the other parties of same and permit said other parties a reasonable period of time to intervene and contest disclosure or production. Upon termination of this Agreement, each party must return to each other any confidential information or data received from the other and designated as such by the party providing such confidential information or data which is still in the recipient's possession or control. The provisions of this Section 10.08 shall survive the termination of this Agreement for a period of ten years.

9. Arbitration

- a. Agreement to Arbitrate. Subject to Section 10.10, any and all claims, demands, causes of action, disputes, controversies, and other matters in question arising out of or primarily relating to Article III or Schedule 3 to this Agreement, including without limitation the definition of any term used therein (all of which are referred to herein as "Claims") shall be resolved by binding arbitration pursuant to the Federal Arbitration Act. Each of the parties agrees that arbitration under this Section 10.09 is the exclusive method for resolving any Claim and that it will not commence an action or proceeding based on a Claim hereunder, except to enforce the arbitrators' decisions as provided in this Section 10.09, to compel any other party to participate in arbitration under this Section 10.09 or as otherwise provided in Section 10.12. The governing law for any such action or proceeding shall be the law set forth in Section 10.09(f).
- b. Initiation of Arbitration. If any Claim has not been resolved by mutual agreement on or before the 15th day following the first notice of the subject matter of the Claim to or from a disputing party, then the arbitration may be initiated by any party by providing to the others a written notice of arbitration specifying the Claim or Claims to be arbitrated. If a party refuses to honor its obligations under this agreement to arbitrate, any other party may compel arbitration in either federal or state court.
- c. Place of Arbitration. The arbitration proceeding shall be conducted in Houston, Texas, or some other place mutually agreed upon by the parties.
- d. Selection of Arbitrators. Within thirty days of the notice initiating the arbitration procedure, each party shall designate one arbitrator, who shall not be disqualified on the basis of minimal past or present relationships with the party appointing such arbitrator. If a party fails to designate an arbitrator, the other party may have an arbitrator appointed by applying to the senior active United States District Judge for the Southern District of Texas. The two arbitrators so selected shall then select a third arbitrator. If the two arbitrators chosen by the parties fail to agree on the third arbitrator, then the parties (or either of them) may apply to the senior active United States District Judge for the Southern District of Texas for the appointment of a third arbitrator. All three arbitrators shall take an oath of neutrality. The three arbitrators shall make all of their decisions by majority vote. Evident partiality on the part of an arbitrator exists only where the circumstances are such that a reasonable person would have to conclude there in fact existed actual bias and a mere appearance or impression of bias will not constitute evident partiality or otherwise disqualify an arbitrator. Minimal or trivial past or present relationships between the neutral arbitrator and the party selecting such arbitrator or any of the other arbitrators, or the failure to disclose such minimal or trivial past or present relationships, will not by themselves constitute evident partiality or otherwise disqualify any arbitrator.
- e. Choice of Law as to Procedural Matters. The enforcement of this agreement to arbitrate, the making, validity, construction, and interpretation of this agreement to arbitrate, and all procedural aspects of the proceeding pursuant to this agreement to arbitrate, including but not limited to, the issues subject to arbitration (i.e., arbitrability), the scope of the arbitrable issues, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act.
- f. Choice of Law as to Substantive Claims. In deciding the substance of the parties' Claims, the arbitrators shall apply the substantive laws of the State of Texas (excluding Texas choice-of-law principles that might call for the application of the law of another jurisdiction).
- g. Procedure. Except as modified in this Agreement, the arbitration shall be conducted in accordance with the rules of arbitration of the Federal Arbitration Act and, to the extent an issue is not addressed by the federal law of arbitration, by the Commercial Arbitration Rules of the American Arbitration Association. It is contemplated that although the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, the arbitration proceeding will be self-administered by the parties; provided, however, that if a party believes the process will be enhanced if it is administered by the American Arbitration Association, such party shall have the right to cause the process to become administered by the American Arbitration Association by applying to the American Arbitration Association and, thereafter, the arbitration shall be conducted pursuant to the administration of the American Arbitration Association. In determining the extent of discovery, the number and length of depositions, and all other pre-hearing matters, the arbitrators shall endeavor to the extent possible to streamline the proceedings and minimize the time and cost of the proceedings.
- h. Final Hearing. The final hearing shall be conducted within 120 days of the selection of the third arbitrator. The final hearing shall not exceed ten working days, with each party to be granted one-half of the allocated time to present its case to the arbitrators.
- i. Damages. Only actual damages may be awarded. It is expressly agreed that the arbitrators shall have no authority to award treble, exemplary or punitive damages of any type under any circumstances regardless of whether such damages may be available under the applicable law.
- j. Decision of the Arbitration. The arbitrators shall render their final decision within twenty days of the completion of the final hearing completely resolving all of the Claims that are the subject of the arbitration proceeding. The arbitrators' ultimate decision after final hearing shall be in writing. The arbitrators shall certify in their decision that no part of their award includes any amount for treble, exemplary or punitive damages. The arbitrators' decision shall be

final and non-appealable to the maximum extent permitted by law. Any and all of the arbitrators' orders and decisions may be enforceable in, and judgment upon any award rendered in the arbitration proceeding may be confirmed and entered by, any federal or state court having jurisdiction.

- k. Confidentiality. All proceedings conducted hereunder and the decision of the arbitrators shall be kept confidential by the parties, except to the extent required by applicable law.

10. Counterparts

. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The Agreement may be executed by facsimile signature.

11. Severability

. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Equitable Remedies

. Each of Continental, Holdings, XJT and ExpressJet acknowledges and agrees that under certain circumstances the breach by Continental, Holdings, XJT or ExpressJet of a term or provision of this Agreement will materially and irreparably harm the other party, that money damages will accordingly not be an adequate remedy for such breach and that the non-defaulting party, in its sole discretion and in addition to its rights under this Agreement and any other remedies it may have at law or in equity, may apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any breach of the provisions of this Agreement.

13. Relationship of Parties

. Nothing in this Agreement shall be interpreted or construed as establishing between the parties a partnership, joint venture or other similar arrangement.

14. Entire Agreement; No Third Party Beneficiaries

. This Agreement (including the exhibits and schedules hereto) and the Ancillary Agreements are intended by the parties as a complete statement of the entire agreement and understanding of the parties with respect to the subject matter hereof and all matters between the parties related to the subject matter herein or therein set forth. Specifically, this Agreement and each Ancillary Agreement shall constitute a single, integrated agreement. This Agreement is made among, and for the benefit of, the parties hereto, and the parties do not intend to create any third-party beneficiaries hereby, and no other Person shall have any rights arising under, or interests in or to, this Agreement.

15. Governing Law

. Except with respect to matters referenced in Section 10.09(e) (which shall be governed by and construed pursuant to the Federal Arbitration Act), this Agreement shall be governed by and construed in accordance with the laws of the State of Texas (excluding Texas choice-of-law principles that might call for the application of the law of another jurisdiction) as to all matters, including matters of validity, construction, effect, performance and remedies. Except as otherwise provided in Section 10.09(e), any action arising out of this Agreement or the rights and duties of the parties arising hereunder may be brought, if at all, only in the state or federal courts located in Harris County, Texas.

16. Guarantees

- a. Holdings Guarantee. Holdings hereby unconditionally and irrevocably guarantees to Continental the due and punctual performance by each of XJT and ExpressJet of all of their obligations arising under this Agreement and the Ancillary Agreements. If either XJT or ExpressJet shall fail or be unable to perform such obligations as and when the same shall be required to be performed, then Holdings shall be obligated to perform or cause to be performed such obligations in accordance with the terms hereof and thereof. This guaranty is a guaranty of payment, performance and compliance and not of collectibility and is in no way conditioned or contingent upon any attempt to collect from or enforce performance or compliance by ExpressJet or XJT or upon any other event or condition whatsoever.
- b. XJT Guarantee. XJT hereby unconditionally and irrevocably guarantees to Continental the due and punctual performance by ExpressJet of all of its obligations arising under this Agreement and the Ancillary Agreements. If ExpressJet shall fail or be unable to perform such obligations as and when the same shall be required to be performed, then XJT shall be obligated to perform or cause to be performed such obligations in accordance with the terms hereof and thereof. This guaranty is a guaranty of payment, performance and compliance and not of collectibility and is in no way conditioned or contingent upon any attempt to collect from or enforce performance or compliance by ExpressJet or upon any other event or condition whatsoever.

17. Right of Set-Off

. If (i) any party hereto shall be in default hereunder to any other party, (ii) Contractor shall be in default under any Covered Aircraft Sublease or Uncovered Aircraft Sublease, or (iii) any party to any tax agreement among the parties hereto shall be in default to any other party thereunder, then in any such case the non-defaulting party shall be entitled to set off from any payment owed by such non-defaulting party to the defaulting party hereunder any amount owed by the defaulting party to the non-defaulting party thereunder; *provided* that contemporaneously with any such set-off, the non-defaulting party shall give written notice of such action to the defaulting party; *provided further* that the failure to give such notice shall not affect the validity of the set-off. It is specifically agreed that (i) for purposes of the set-off by any non-defaulting party, mutuality shall be deemed to exist among Continental, Holdings, XJT and ExpressJet; (ii) reciprocity among Continental, Holdings, XJT and ExpressJet exists with respect to their relative rights and obligations in respect of any such set-off; and (iii) the right of set-off is given as additional security to induce the parties to enter into the transactions contemplated hereby and by the Ancillary Agreements. Upon completion of any such set-off, the obligation of the defaulting party to the non-defaulting party shall be extinguished to the extent of the amount so set-off. Each party hereto further waives any right to assert as a defense to any attempted set-off the requirements of liquidation or mutuality. This set-off provision shall be without prejudice, and in addition, to any right of set-off, combination of accounts, lien or other right to which any non-defaulting party is at any time otherwise entitled (either by operation of law, contract or otherwise).

18. Cooperation with Respect to Reporting

. Each of the parties hereto agrees to use its commercially reasonable efforts to cooperate with each other party in providing necessary data, to the extent in the possession of the first party, required by such other party in order to meet any reporting requirements to, or otherwise in connection with any filing with or provision of information to be made to, any regulatory agency or other governmental authority.

19. Refinancing of Uncovered Aircraft at Contractor's Option

20.

If Contractor shall have successfully negotiated a transaction at any time providing for the refinancing of an Uncovered Aircraft and the termination by Continental of the head lease relating to such aircraft, then Continental shall use its reasonable efforts to cooperate with Contractor to consummate the transaction; provided, that Continental shall not be required to terminate such head lease if (i) such termination is not permitted by such head lease or such termination would violate any applicable law or cause a breach under any other contract to which Continental is a party, or (ii) Continental has not been fully and finally released in writing from any and all liabilities and obligations (contingent or otherwise) arising under such head lease or guarantee thereof given or made by Continental, or any other similar instrument to which Continental is a party by

the lessor, guaranteed party or other party to whom such liabilities or obligations may be owed, in which event the Uncovered Aircraft Sublease shall not be terminated; and provided further that Continental's expenses in connection with such transaction shall be reimbursed by Contractor.

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

CONTINENTAL AIRLINES, INC.

By: /s/ Lawrence W. Kellner

Name: Lawrence W. Kellner

Title: Chairman and

Chief Executive Officer

EXPRESSJET HOLDINGS, INC.

By: /s/ James B. Ream

Name: James B. Ream

Title: President and

Chief Executive Officer

XJT HOLDINGS, INC.

By: /s/ James B. Ream

Name: James B. Ream

Title: President and

Chief Executive Officer

EXPRESSJET AIRLINES, INC.

By: /s/ James B. Ream

Name: James B. Ream

Title: President and

Chief Executive Officer

SCHEDULE 1

Section A

Covered Aircraft

<u>Aircraft</u>	<u>Tail</u>	<u>US Reg</u>
1	<u>501</u>	<u>N16501</u>
2	<u>502</u>	<u>N16502</u>
3	<u>503</u>	<u>N19503</u>
4	<u>504</u>	<u>N25504</u>
5	<u>505</u>	<u>N14505</u>
6	<u>506</u>	<u>N27506</u>
7	<u>507</u>	<u>N17507</u>
8	<u>508</u>	<u>N14508</u>
9	<u>509</u>	<u>N15509</u>
10	<u>510</u>	<u>N16510</u>
11	<u>511</u>	<u>N16511</u>
12	<u>512</u>	<u>N27512</u>

<u>13</u>	<u>513</u>	<u>N17513</u>
<u>14</u>	<u>514</u>	<u>N14514</u>
<u>15</u>	<u>515</u>	<u>N29515</u>
<u>16</u>	<u>516</u>	<u>N14516</u>
<u>17</u>	<u>517</u>	<u>N24517</u>
<u>18</u>	<u>518</u>	<u>N28518</u>
<u>19</u>	<u>519</u>	<u>N12519</u>
<u>20</u>	<u>520</u>	<u>N16520</u>
<u>21</u>	<u>521</u>	<u>N17521</u>
<u>22</u>	<u>522</u>	<u>N14522</u>
<u>23</u>	<u>523</u>	<u>N27523</u>
<u>24</u>	<u>524</u>	<u>N17524</u>
<u>25</u>	<u>525</u>	<u>N16525</u>
<u>26</u>	<u>526</u>	<u>N11526</u>
<u>27</u>	<u>527</u>	<u>N15527</u>
<u>28</u>	<u>528</u>	<u>N12528</u>
<u>29</u>	<u>529</u>	<u>N28529</u>
<u>30</u>	<u>530</u>	<u>N12530</u>
<u>31</u>	<u>925</u>	<u>N14925</u>
<u>32</u>	<u>926</u>	<u>N15926</u>
<u>33</u>	<u>927</u>	<u>N16927</u>
<u>34</u>	<u>928</u>	<u>N17928</u>
<u>35</u>	<u>929</u>	<u>N13929</u>
<u>36</u>	<u>930</u>	<u>N14930</u>
<u>37</u>	<u>932</u>	<u>N15932</u>
<u>38</u>	<u>933</u>	<u>N14933</u>
<u>39</u>	<u>934</u>	<u>N12934</u>
<u>40</u>	<u>935</u>	<u>N13935</u>
<u>41</u>	<u>936</u>	<u>N13936</u>
<u>42</u>	<u>937</u>	<u>N14937</u>
<u>43</u>	<u>938</u>	<u>N14938</u>
<u>44</u>	<u>939</u>	<u>N14939</u>
<u>45</u>	<u>940</u>	<u>N14940</u>
<u>46</u>	<u>941</u>	<u>N15941</u>
<u>47</u>	<u>942</u>	<u>N14942</u>
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<u>54</u>	<u>949</u>	<u>N13949</u>
<u>55</u>	<u>950</u>	<u>N14950</u>
<u>56</u>	<u>951</u>	<u>N16951</u>
<u>57</u>	<u>952</u>	<u>N14952</u>
<u>58</u>	<u>953</u>	<u>N14953</u>
<u>59</u>	<u>954</u>	<u>N16954</u>
<u>60</u>	<u>955</u>	<u>N13955</u>
<u>61</u>	<u>956</u>	<u>N13956</u>
<u>62</u>	<u>957</u>	<u>N12957</u>
<u>63</u>	<u>958</u>	<u>N13958</u>
<u>64</u>	<u>959</u>	<u>N14959</u>
<u>65</u>	<u>960</u>	<u>N14960</u>
<u>66</u>	<u>961</u>	<u>N16961</u>
<u>67</u>	<u>962</u>	<u>N27962</u>
<u>68</u>	<u>963</u>	<u>N16963</u>
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<u>72</u>	<u>967</u>	<u>N12967</u>
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<u>76</u>	<u>971</u>	<u>N22971</u>
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<u>82</u>	<u>977</u>	<u>N14977</u>
<u>83</u>	<u>978</u>	<u>N13978</u>
<u>84</u>	<u>979</u>	<u>N13979</u>
<u>85</u>	<u>980</u>	<u>N15980</u>
<u>86</u>	<u>981</u>	<u>N16981</u>
<u>87</u>	<u>982</u>	<u>N18982</u>
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<u>97</u>	<u>992</u>	<u>N13992</u>
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<u>99</u>	<u>994</u>	<u>N13994</u>
<u>100</u>	<u>995</u>	<u>N13995</u>
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<u>104</u>	<u>999</u>	<u>N16999</u>
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<u>109</u>	<u>920</u>	<u>N14920</u>
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<u>114</u>	<u>915</u>	<u>N36915</u>
<u>115</u>	<u>914</u>	<u>N13914</u>
<u>116</u>	<u>913</u>	<u>N13913</u>
<u>117</u>	<u>912</u>	<u>N15912</u>
<u>118</u>	<u>911</u>	<u>N16911</u>
<u>119</u>	<u>910</u>	<u>N15910</u>
<u>120</u>	<u>906</u>	<u>N22906</u>
<u>121</u>	<u>905</u>	<u>N14905</u>
<u>122</u>	<u>904</u>	<u>N14904</u>
<u>123</u>	<u>903</u>	<u>N13903</u>
<u>124</u>	<u>902</u>	<u>N14902</u>
<u>125</u>	<u>901</u>	<u>N48901</u>
<u>126</u>	<u>900</u>	<u>N12900</u>
<u>127</u>	<u>535</u>	<u>N11535</u>
<u>128</u>	<u>536</u>	<u>N11536</u>
<u>129</u>	<u>537</u>	<u>N21537</u>
<u>130</u>	<u>538</u>	<u>N13538</u>
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<u>133</u>	<u>541</u>	<u>N16541</u>
<u>134</u>	<u>542</u>	<u>N14542</u>
<u>135</u>	<u>543</u>	<u>N14543</u>
<u>136</u>	<u>545</u>	<u>N26545</u>
<u>137</u>	<u>548</u>	<u>N11548</u>
<u>138</u>	<u>564</u>	<u>N12564</u>
<u>139</u>	<u>565</u>	<u>N11565</u>
<u>140</u>	<u>566</u>	<u>N13566</u>
<u>141</u>	<u>567</u>	<u>N12567</u>

<u>142</u>	<u>571</u>	<u>N16571</u>
<u>143</u>	<u>572</u>	<u>N15572</u>
<u>144</u>	<u>573</u>	<u>N14573</u>
<u>145</u>	<u>574</u>	<u>N15574</u>
<u>146</u>	<u>101</u>	<u>N18101</u>
<u>147</u>	<u>102</u>	<u>N18102</u>
<u>148</u>	<u>103</u>	<u>N24103</u>
<u>149</u>	<u>104</u>	<u>N41104</u>
<u>150</u>	<u>105</u>	<u>N14105</u>
<u>151</u>	<u>106</u>	<u>N11106</u>
<u>152</u>	<u>107</u>	<u>N11107</u>
<u>153</u>	<u>108</u>	<u>N17108</u>
<u>154</u>	<u>109</u>	<u>N11109</u>
<u>155</u>	<u>110</u>	<u>N34110</u>
<u>156</u>	<u>111</u>	<u>N34111</u>
<u>157</u>	<u>112</u>	<u>N16112</u>
<u>158</u>	<u>113</u>	<u>N11113</u>
<u>159</u>	<u>114</u>	<u>N18114</u>
<u>160</u>	<u>115</u>	<u>N17115</u>
<u>161</u>	<u>116</u>	<u>N14116</u>
<u>162</u>	<u>117</u>	<u>N14117</u>
<u>163</u>	<u>118</u>	<u>N13118</u>
<u>164</u>	<u>119</u>	<u>N11119</u>
<u>165</u>	<u>120</u>	<u>N18120</u>
<u>166</u>	<u>121</u>	<u>N11121</u>
<u>167</u>	<u>122</u>	<u>N12122</u>
<u>168</u>	<u>123</u>	<u>N13123</u>
<u>169</u>	<u>124</u>	<u>N13124</u>
<u>170</u>	<u>125</u>	<u>N14125</u>
<u>171</u>	<u>126</u>	<u>N12126</u>
<u>172</u>	<u>127</u>	<u>N11127</u>
<u>173</u>	<u>128</u>	<u>N24128</u>
<u>174</u>	<u>129</u>	<u>N21129</u>
<u>175</u>	<u>130</u>	<u>N21130</u>
<u>176</u>	<u>131</u>	<u>N31131</u>
<u>177</u>	<u>132</u>	<u>N13132</u>
<u>178</u>	<u>133</u>	<u>N13133</u>
<u>179</u>	<u>134</u>	<u>N25134</u>
<u>180</u>	<u>135</u>	<u>N12135</u>
<u>181</u>	<u>136</u>	<u>N12136</u>
<u>182</u>	<u>137</u>	<u>N11137</u>
<u>183</u>	<u>138</u>	<u>N17138</u>
<u>184</u>	<u>139</u>	<u>N23139</u>
<u>185</u>	<u>140</u>	<u>N11140</u>
<u>186</u>	<u>141</u>	<u>N26141</u>
<u>187</u>	<u>142</u>	<u>N12142</u>
<u>188</u>	<u>143</u>	<u>N14143</u>
<u>189</u>	<u>144</u>	<u>N21144</u>
<u>190</u>	<u>145</u>	<u>N12145</u>
<u>191</u>	<u>146</u>	<u>N17146</u>
<u>192</u>	<u>147</u>	<u>N16147</u>
<u>193</u>	<u>148</u>	<u>N14148</u>
<u>194</u>	<u>149</u>	<u>N16149</u>
<u>195</u>	<u>150</u>	<u>N11150</u>
<u>196</u>	<u>151</u>	<u>N16151</u>
<u>197</u>	<u>152</u>	<u>N27152</u>
<u>198</u>	<u>153</u>	<u>N14153</u>
<u>199</u>	<u>154</u>	<u>N21154</u>
<u>200</u>	<u>155</u>	<u>N11155</u>
<u>201</u>	<u>156</u>	<u>N10156</u>
<u>202</u>	<u>157</u>	<u>N12157</u>
<u>203</u>	<u>158</u>	<u>N14158</u>
<u>204</u>	<u>159</u>	<u>N17159</u>
<u>205</u>	<u>160</u>	<u>N12160</u>

Section B

Delta CPA Aircraft

<u>Aircraft</u>	<u>Tail</u>	<u>US Reg</u>
1	<u>171</u>	<u>N14171</u>
2	<u>172</u>	<u>N12172</u>
3	<u>176</u>	<u>N11176</u>
4	<u>177</u>	<u>N14177</u>
5	<u>179</u>	<u>N14179</u>
6	<u>180</u>	<u>N14180</u>
7	<u>181</u>	<u>N11181</u>
8	<u>182</u>	<u>N33182</u>
9	<u>183</u>	<u>N16183</u>
10	<u>184</u>	<u>N11184</u>

Section C

Revenue Risk Aircraft

Delta-Prorate Aircraft

<u>Aircraft</u>	<u>Tail</u>	<u>US Reg</u>	<u>Retained</u>
1	<u>165</u>	<u>N11165</u>	X
2	<u>167</u>	<u>N12167</u>	X
3	<u>168</u>	<u>N14168</u>	X
4	<u>169</u>	<u>N17169</u>	X
5	<u>170</u>	<u>N16170</u>	X
6	<u>173</u>	<u>N14173</u>	X
7	<u>175</u>	<u>N12175</u>	X
8	<u>569</u>	<u>N12569</u>	X
9	<u>570</u>	<u>N14570</u>	X
10	<u>575</u>	<u>N11575</u>	X
11	<u>907</u>	<u>N14907</u>	X
12	<u>908</u>	<u>N13908</u>	X
13	<u>909</u>	<u>N22909</u>	X

Branded Aircraft

<u>Aircraft</u>	<u>Tail</u>	<u>US Reg</u>	
1	<u>161</u>	<u>N13161</u>	
2	<u>162</u>	<u>N14162</u>	
3	<u>163</u>	<u>N12163</u>	X
4	<u>164</u>	<u>N11164</u>	X
5	<u>166</u>	<u>N12166</u>	X
6	<u>174</u>	<u>N14174</u>	X
7	<u>178</u>	<u>N16178</u>	X
8	<u>185</u>	<u>N17185</u>	X
9	<u>186</u>	<u>N14186</u>	X
10	<u>187</u>	<u>N11187</u>	X
11	<u>188</u>	<u>N14188</u>	
12	<u>189</u>	<u>N11189</u>	
13	<u>190</u>	<u>N27190</u>	
14	<u>191</u>	<u>N11191</u>	
15	<u>192</u>	<u>N11192</u>	
16	<u>193</u>	<u>N11193</u>	
17	<u>194</u>	<u>N11194</u>	

<u>18</u>	<u>195</u>	<u>N12195</u>	
<u>19</u>	<u>196</u>	<u>N17196</u>	
<u>20</u>	<u>197</u>	<u>N21197</u>	
<u>21</u>	<u>198</u>	<u>N14198</u>	
<u>22</u>	<u>199</u>	<u>N11199</u>	
<u>23</u>	<u>200</u>	<u>N27200</u>	
<u>24</u>	<u>201</u>	<u>N12201</u>	
<u>25</u>	<u>202</u>	<u>N13202</u>	
<u>26</u>	<u>203</u>	<u>N14203</u>	
<u>27</u>	<u>204</u>	<u>N14204</u>	
<u>28</u>	<u>544</u>	<u>N11544</u>	X
<u>29</u>	<u>546</u>	<u>N16546</u>	X
<u>30</u>	<u>547</u>	<u>N11547</u>	X
<u>31</u>	<u>549</u>	<u>N26549</u>	
<u>32</u>	<u>550</u>	<u>N13550</u>	
<u>33</u>	<u>551</u>	<u>N11551</u>	
<u>34</u>	<u>552</u>	<u>N12552</u>	
<u>35</u>	<u>553</u>	<u>N13553</u>	
<u>36</u>	<u>554</u>	<u>N19554</u>	
<u>37</u>	<u>555</u>	<u>N15555</u>	
<u>38</u>	<u>556</u>	<u>N18556</u>	
<u>39</u>	<u>557</u>	<u>N18557</u>	
<u>40</u>	<u>558</u>	<u>N14558</u>	
<u>41</u>	<u>559</u>	<u>N16559</u>	X
<u>42</u>	<u>560</u>	<u>N17560</u>	X
<u>43</u>	<u>561</u>	<u>N16561</u>	X
<u>44</u>	<u>562</u>	<u>N14562</u>	X
<u>45</u>	<u>563</u>	<u>N12563</u>	X
<u>46</u>	<u>568</u>	<u>N14568</u>	X

SCHEDULE 2

Continental Increased Lease Rate

Calculations for Uncovered Aircraft Subleases

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Except as otherwise provided in the Agreement, the interest rate used in a Covered Aircraft Sublease relating to an aircraft to determine the lease payments thereunder shall be increased by 200 basis points based on the financing terms and rates applicable as of the Covered Aircraft's original delivery date and used to determine the lease payments under the Uncovered Aircraft Sublease for the same aircraft.

SCHEDULE 3

Compensation for Capacity Purchase

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A. Base and Incentive Compensation.

1. Base Compensation. Continental will pay to Contractor, in respect of each calendar month, as follows:

a. an amount equal to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]% of the number of block hours set forth on the Final Monthly Schedule for such calendar month, multiplied by the "block hour" rate as set forth in Appendix 1 hereto.

In addition, Continental will pay Contractor an allocation for Reconciled Expenses set forth in Appendix 3, and as reconciled and further described in Paragraph B(4)(a) below:

b. for Reconciled Expenses constituting payments described in clauses (i), (ii), (v), (viii), (ix), (xi), (xii) and (xiv) of Paragraph 4 of this Schedule 3, Base Compensation shall include the amount set forth for such Reconciled Expenses on Appendix 3; and

c. for Reconciled Expenses described in clauses (iii), (iv), (vi), (vii), (x), (xiii), (xv) and (xvi) of Paragraph 4 of this Schedule 3, Base Compensation shall include an allocation based on the statistical drivers set forth for such Reconciled Expenses on Appendix 3 and calculated in accordance with Paragraph B(4)(b).

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The aggregate Base Compensation shall be invoiced as provided in Section 3.06(b).

2. Incentive Compensation. With respect to each calendar month, incentive compensation shall be calculated as follows:

a. On-Time Bonus/Rebate. The reconciliation for any calendar month shall include, as applicable, a bonus (represented by a payment by Continental to Contractor) or a rebate (represented by a payment by Contractor to Continental), in each case in respect of on-time performance, as determined pursuant to Appendix 4 to this Schedule 3.

The aggregate Incentive Compensation shall be invoiced as provided in Section 3.06(b).

B. Expenses and Reconciliation.

1. Passenger, Certain Aircraft, Facility and Cargo Revenue-Related Expenses. With respect to Scheduled Flights, in consideration of the provision by Contractor of Regional Airline Services and its compliance with the other terms and conditions of this Agreement, the following expenses shall be incurred directly by Continental:

- i. passenger and cargo revenue-related expenses, including but not limited to commissions, taxes and fees related to the transportation of passengers or cargo, food, beverage costs and catering (including, but not limited to, catering security), charges for fare or tariff filings, sales and advertising costs, computer reservation system fees, credit card fees, interline fees, revenue taxes, GDS fees, airport collateral materials, ticket jackets, reservation costs, revenue accounting costs, including costs associated with ticket sales reporting and unreported sales, OnePass participation costs and Continental Currencies;
- ii. glycol, de-icing and snow removal costs at Continental Airports;
- iii. passenger inconvenience or denied boarding expenses (interrupted trip expense, travel certificates, mishandled baggage etc.);
- iv. fuel, fuel taxes and fuel into plane charges, including administration fees, if any;
- v. rent for Terminal Facilities at Continental Airports;
- vi. ground handling costs at Continental Airports for which Continental is responsible pursuant to the Continental Ground Handling Agreement;
- vii. aircraft appearance costs at Continental Airports;
- viii. technology services related to all passenger services processes provided by Continental as of the date hereof and any other Administrative services pursuant to the Administrative Services Agreement; and
- ix. TSA fees or charges and any other passenger security fees or charges for security at all Continental Airports.

2. Flight Reconciliation.

a. With respect to Scheduled Flights, for any calendar month in which Contractor's actual block hours flown exceeds the block hours invoiced pursuant to Paragraph A(1)(a) for such calendar month, then the reconciliation for such period shall include a payment by Continental to Contractor in an amount equal to the product of (i) the difference between the actual block hours flown for Scheduled Flights and such invoiced block hours, multiplied by (ii) the Base Compensation per block hour as set forth in Appendix 1 hereto.

b. With respect to Scheduled Flights, for any calendar month for which the block hours invoiced pursuant to Paragraph A(1)(a) exceeds Contractor's actual block hours flown in such calendar month, then the reconciliation for such period shall include a payment by Contractor to Continental in an amount equal to the product of (i) the difference between such invoiced block hours and the actual block hours flown for Scheduled Flights, multiplied by (ii) the Base Compensation per block hour as set forth in Appendix 1 hereto.

3. Flight Cancellation Reconciliation.

a. With respect to Scheduled Flights, for any calendar month in which (x) the actual number of Controllable Cancellations exceeds (y) the product of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] multiplied by the total number of actual Scheduled Flight departures in such calendar month (the "Benchmark Controllable Cancellation Number" for such calendar month), then the reconciliation for such period shall include a payment by Contractor to Continental in an amount equal to the product of (i) the Controllable Completion Factor Incentive Rate set forth on Appendix 2 multiplied by (ii) the number of such excess actual Controllable Cancellations over the Benchmark Controllable Cancellation Number.

b. With respect to Scheduled Flights, for any calendar month in which (x) the Benchmark Controllable Cancellation Number for such calendar month exceeds (y) the actual number of Controllable Cancellations in such calendar month, then the reconciliation for such period shall include a payment by Continental to Contractor in an amount equal to the product of (i) the Controllable Completion Factor Incentive Rate as set forth in Appendix 2 multiplied by (ii) the excess of such Benchmark Controllable Cancellation Number over the number of actual Controllable Cancellations.

c. For all purposes of this Agreement, the term Uncontrollable Cancellations shall include the following:

- I. After presentation of the Final Monthly Schedule pursuant to Section 2.01(b) of the Agreement, if Continental makes any changes to such schedule that result in a cancellation of a Scheduled Flight, then such cancellation shall constitute an Uncontrollable Cancellation.
- II. If any proposed Scheduled Flight on a planned flight schedule involves a flight to a new airport which will be a Contractor Airport, and Contractor experiences a delay in preparing the required facilities and making all necessary arrangements to complete a flight to such airport, which delay either (i) is caused by the Environmental Protection Agency, airport or any other governmental authority, or (ii) occurs after Contractor received less than 90 days' advance notice of such Scheduled Flight to a new airport and used its commercially reasonable efforts to prepare the required facilities and make all necessary arrangements (all in accordance with the Master Facility and Ground Handling Agreement), and in either case such Scheduled Flight is cancelled, then such cancellation shall constitute an Uncontrollable Cancellation; it being understood that any airport to which Contractor flies on the Effective Date or has previously flown pursuant to this Agreement shall not constitute a "new airport."

d. Contractor hereby agrees that each cancellation of a Scheduled Flight shall be designated as either a Controllable Cancellation or an Uncontrollable Cancellation on a basis consistent with Continental's practice with operators of its regional jets as of the date of this Agreement.

e. Notwithstanding any provisions of this Agreement to the contrary, for any calendar month (or other relevant period) during which a Labor Strike shall occur, the Benchmark Controllable Cancellation Number shall be zero.

4. Reconciled Expenses.

- a. The following expenses incurred in connection with Scheduled Flights shall be reconciled monthly (except as specifically set forth below) to actual costs (collectively, the "Reconciled Expenses"):
 - i. rent paid by Contractor for Terminal Facilities at Contractor Airports (it being understood, for the avoidance of doubt, that the term "rent" as used herein shall not be deemed to include indemnity or similar payments, irrespective of its definition under any applicable lease, except to the extent

such indemnity or similar payment is attributable to the fault or neglect of Continental);

- ii. property taxes, ad valorem, sales, use and franchise taxes (but excluding all other taxes including without limitation income, profits, withholding, employment, social security, disability, occupation, severance, excise taxes);
- iii. passenger liability, hull and war risk insurance costs; provided, that if Continental and Contractor are not participating in a combined placement pursuant to Section 6.04, then Continental shall not pay to Contractor any amount in respect of this clause (iii) that is in excess of the Average Peer Group Rates;
- iv. landing fees;
- v. glycol, de-icing and snow removal costs at Contractor Airports;
- vi. air navigation fees paid to NavCanada (or any Canadian successor thereto) and Servicios a la Navegación en el Espacio Aéreo Mexicano (SENEAM) (or any Mexican successor thereto), in each case in respect of Scheduled Flights;
- vii. the amount of TSA fees or charges and any other passenger security fees or charges for security at all Contractor Airports;
- viii. landing gear overhaul and LLP costs;
- ix. Engine LLP costs;
- x. payments made by Contractor for "power-by-the-hour" services under the Engine Maintenance Agreement;
- xi. depreciation expense associated with capital expenditures specifically approved by Continental in writing (it being acknowledged, for the avoidance of doubt, that Continental has specifically approved all capital expenditures that are being depreciated by Contractor, or that are included in Contractor's Work-in-Process balance, in each case as of April 30, 2008 and that are reflected within financial records provided by Contractor to Continental prior to June 5, 2008 and that are consistent with invoices paid by Continental to Contractor under the Existing CPA prior to June 5, 2008. It being agreed that, for those capital expenditures the depreciation expense of which is partially allocated to Continental as of June 5, 2008, the portion of such depreciation expenses allocated to Continental after the Effective Date hereof shall be [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%. Additionally, any additional depreciation expense will be allocated to Continental based on the Contractor's then current fleet allocation percentage for Continental;
- xii. routine aircraft paint costs (excluding livery preparation costs pursuant to Section 10.01);
- xiii. Contractor airport non-agent labor expense and agent labor expense (not to exceed the lesser of authorized or actual agent hours, excluding hours related to vacation liability payouts, at the average agent wage rate as set forth in Contractor's budget for 2008);
- xiv. ARINC system costs paid directly to Aeronautical Radio Inc. for voice and data communications between a Covered Aircraft and Contractor ground personnel;
- xv. aircraft appearance costs at Contractor airports; and
- xvi. third party ground handling per turn rate at Contractor airports.

The Base Compensation includes allocations of the Reconciled Expenses as set forth in Appendix 3 and with respect to certain Reconciled Expenses, as further provided in Paragraph B(4)(b) below. If in any month the Contractor's actual Reconciled Expenses exceed the amount of Reconciled Expenses included in the Base Compensation in accordance with Appendix 3 and with respect to certain Reconciled Expenses as further provided in Paragraph B(4)(b) below for such month, Continental shall pay to Contractor an amount equal to such difference. If in any month the amount of Reconciled Expenses included in the Base Compensation in accordance with Appendix 3 and with respect to certain Reconciled Expenses as further provided in Paragraph B(4)(b) below for such month exceeds the Contractor's actual Reconciled Expenses, Contractor shall pay to Continental an amount equal to such difference.

b. The allocations included in Base Compensation for Reconciled Expenses of the type set forth in Paragraph A(1)(c) for any particular month shall be calculated as provided below:

I. The amount of landing fees referred to in clause (iv) of Paragraph B(4)(a), the amount of Canada and Mexico air navigation fees referred to in clause (vi) of Paragraph B(4)(a), the amount of Contractor airport agent expense at Contractor airports referred to in clause (xiii) of Paragraph B(4)(a), aircraft appearance costs at Contractor airports referred to in clause (xv) of Paragraph B(4)(a) and third party ground handling per turn rate at Contractor airports referred to in clause (xvi) of Paragraph B(4)(a), in each case, as included in the Base Compensation for any particular month will be equal to the aggregate sum of the following products: (1) the applicable rate set forth in Appendix 3, multiplied by (2) the number of scheduled departures set forth in the Final Monthly Schedule, multiplied by (3) [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%.
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II. The amount of passenger liability, hull and war risk insurance referred to in clause (iii) of Paragraph B(4)(a) and TSA fees or charges for security at Contractor airports referred to in clause (vii) of Paragraph B(4)(a), included in the Base Compensation for any particular month will be equal to the aggregate sum of the following products: (1) the applicable rate set forth in Appendix 3, multiplied by (2) the number of passengers set forth in the Final Monthly Schedule multiplied by (3) [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%.
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- I. The amount of payments made for engine power-by-the-hour cost referred to in clause (x) of Paragraph B(4)(a) included in the Base Compensation for any particular month will be equal to the following product: (1) the power-by-the-hour cost set forth in Appendix 3, multiplied by (2) the number of block hours set forth in the Final Monthly Schedule, multiplied by (3) [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%.
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5. Insurance Costs.

a. If Contractor elects not to participate in a combined placement for a particular insurance policy, Contractor shall not be reimbursed or otherwise compensated (through adjustments to block hour rate, reconciliation amounts or otherwise) for any Excess Insurance Costs with respect to such policy for insurance as provided in Paragraph A(1)(a) and Paragraph B(4)(a)(iii) above.

b. If Continental elects not to participate in a combined placement for a particular insurance policy, Continental shall pay to Contractor an amount equal to the Excess Insurance Costs with respect to such policy, up to the Average Peer Group Rates. Contractor shall not be reimbursed or otherwise compensated (through adjustments to block hour rate or otherwise) to the extent that its insurance costs exceed the Average Peer Group Rates.

c. Contractor will pay to Continental its proportionate share of all combined-placement insurance premiums not later than the date that Continental is required under the terms of the applicable policy to pay the policy premiums. The cost allocation for such combined placements shall be as follows:

I. Hull and War Risk Coverage Rate. To be determined each year; a dollar amount equal to the combined placement program's composite whole rate as set forth in the current group policy, multiplied by Contractor's average fleet value for the policy period, as determined by recognized standard industry methods of valuation consistent with prior practice.

II. Liability Rates. To be determined each year; an amount equal to the combined placement program's composite liability rate as set forth in the current group policy, multiplied by revenue passenger miles, as determined by recognized standard industry methods consistent with prior practice.

III. Property Insurance Rates. The parties agree to meet annually to determine the cost allocation for property insurance coverage based on Contractor's portion of the "total exposure base" for such coverage, as determined by recognized standard industry methods consistent with prior practice.

d. In the fiscal quarter subsequent to the next combined policy insurance renewal following a Major Loss caused by Continental (or, if such a Major Loss occurs so close to the combined policy insurance renewal date that the effects are not reflected in the next combined policy insurance renewal premium amount, then in the fiscal quarter subsequent to the renewal in which the effects are first included), Continental and Contractor agree to determine and allocate the amount of increase in the combined policy insurance premiums, if any, to be attributed to such Major Loss (as opposed to a general increase in the premiums) as follows:

- I. The parties will compare the combined policy premium increase to premium increases experienced by the five Major Network Carriers closest to Continental in aggregate revenue passenger miles at the time of such determination, excluding any Major Network Carrier that experienced a Major Loss within the previous three years.
- II. The average annual increase in insurance costs for such Major Network Carriers shall be calculated by (i) subtracting the expiring rates of each such Major Network Carrier from its new rates, (ii) adding the total of such differences and (iii) dividing the total by the number of Major Network Carriers whose rates were included in the calculation.
- III. The amount that the increase in the combined premiums for Continental and Contractor exceeds the average annual increase in insurance costs calculated pursuant to clause (II) above shall be deemed to be the portion of the increase for such year due to such Major Loss (the "Continental Premium Surcharge Amount").
- IV. The Continental Premium Surcharge Amount for the two years following the beginning of such fiscal quarter shall be **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%** and **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%**, respectively, of the Continental Premium Surcharge Amount for the first year, and shall be **\$(CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT)** thereafter.
- V. The Continental Premium Surcharge Amount shall be borne solely by Continental and that amount shall be deducted from the aggregate premium amounts included in all cost-sharing calculations between Continental and Contractor.

e. In the fiscal quarter subsequent to the next combined policy insurance renewal following a Major Loss caused by Contractor (or, if such a Major Loss occurs so close to the combined policy insurance renewal date that the effects are not reflected in the next combined policy insurance renewal premium amount, then in the fiscal quarter subsequent to the renewal in which the effects are first included), Continental and Contractor agree to determine and allocate the amount of increase in the combined policy insurance premiums, if any, to be attributed to such Major Loss (as opposed to a general increase in the premiums) as follows:

- I. The parties will compare the combined policy premium increase to premium increases experienced by the five regional airlines with annual revenues closest to those of Contractor, excluding any such regional airline that experienced a Major Loss within the previous three years.
- II. The average annual increase in insurance costs for such regional airlines shall be calculated by (i) subtracting the expiring rates of each such regional airline from its new rates, (ii) adding the total of such differences and (iii) dividing the total by the number of such regional airlines whose rates were included in the calculation.
- III. The parties will also calculate the maximum permitted increase in annual premiums which would be permitted if the policy coverage was limited to the insurance limits required to be maintained by Contractor (the "Contractor Premium Surcharge Limit").
- IV. The amount that the Contractor Premium Surcharge Limit exceeds the average annual increase in insurance costs calculated pursuant to clause (II) above shall be deemed to be the portion of the increase for such year due to such Major Loss and payable by Contractor (the "Contractor Premium Surcharge Amount").
- V. The amount that the increase in the combined premiums for Continental and Contractor exceeds the sum of (x) the average annual increase in insurance costs calculated pursuant to clause (II) above and (y) the Contractor Premium Surcharge Amount shall be deemed to be the portion of the increase for such year due to such Major Loss and payable by Continental (the "Contractor Premium Surcharge Overflow Amount").
- VI. The Contractor Premium Surcharge Amount for the two years following the beginning of such fiscal quarter shall be **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%** and **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%**, respectively, of the Contractor Premium Surcharge Amount for the first year, and shall be **\$(CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT)** thereafter.
- VII. The Contractor Premium Surcharge Overflow Amount for the two years following the beginning of such fiscal quarter shall be **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%** and **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]%**, respectively, of the Contractor Premium Surcharge Overflow Amount for the first year, and shall be **\$(CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT)** thereafter.
- VIII. The Contractor Premium Surcharge Amount shall be borne solely by Contractor and that amount shall be deducted from the aggregate premium amounts included in all cost-sharing calculations between Continental and Contractor.

IX. The Contractor Premium Surcharge Overflow Amount shall be borne solely by Continental and that amount shall be deducted from the aggregate premium amounts included in all cost-sharing calculations between Continental and Contractor.

f. Contractor shall be reimbursed in full for the aggregate of all insurance deductibles paid in any calendar year in respect of insurance policies placed pursuant to Section 6.04, up to an amount equal to the historical average of such deductibles paid by Contractor during the last five full calendar years for which such calculations are available as of such date of determination.

6. No Reconciliation for Fines, Etc. Notwithstanding anything to the contrary contained in this Paragraph B, Continental shall not be required to incur any cost or make any reconciliation payment pursuant to this Paragraph B to the extent that such cost or reconciliation payment is attributable to any costs, expenses or losses (including fines, penalties and any costs and expenses associated with any related investigation or defense) incurred by Contractor as a result of any violation by Contractor of any law, statute, judgment, decree, order, rule or regulation of any governmental or airport authority. Continental shall be liable for all any costs, expenses or losses (including fines, penalties and any costs and expenses associated with any related investigation or defense) incurred by Contractor as a result of any violation by Continental or its agents of any law, statute, judgment, decree, order, rule or regulation of any governmental or airport authority.

Schedule 3 Appendices

Appendix 1 Base Compensation Rates

Appendix 2 Controllable Completion Factor Incentives and Rebates

Appendix 3 Reconciliation of Expenses

Appendix 4 Incentive Bonuses/Rebates

Appendix 5 Insurance Rates

Appendix 1 to Schedule 3

Base Compensation Rates

§ [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for each actual block hour

These Base Compensation Rates shall be adjusted to the extent provided pursuant to the terms of Section 3.02 of this Agreement.

Appendix 2 to Schedule 3

Controllable Completion Factor Incentives and Rebates

"Controllable Completion Factor Incentive Rate" shall be § [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], as adjusted pursuant to Section 3.02 of this Agreement.

Appendix 3 to Schedule 3

Reconciliation of Expenses

<u>Reconciled Expense</u>	<u>Schedule 3 Reference</u>	<u>Statistical Driver</u>	<u>Rate</u>
Terminal Facility Rent at Contractor Airports	Sched 3.B.4(a)(i).	Fixed	\$. [XXX]
Property Taxes	Sched 3.B.4(a)(ii).	Fixed	\$. [XXX]
Passenger Liability, Hull and War Risk Insurance	Sched 3.B.4(a)(iii).	Passengers	\$. [XXX]
Landing Fees	Sched 3.B.4(a)(iv).	Departures	\$. [XXX]
Glycol, De-icing and Snow Removal at Contractor Airports	Sched 3.B.4(a)(v).	Fixed	\$. [XXX]
Canadian and Mexican Air Navigation	Sched 3.B.4(a)(vi).	Departures	\$. [XXX]
TSA Fees or Charges and any Other Passenger Security Fees or Charges for Security at Contractor Airports	Sched 3.B.4(a)(vii).	Passengers	\$. [XXX]
Landing Gear Overhaul and LLP Costs	Sched 3.B.4(a)(viii).	Fixed	\$. [XXX]
Engine LLP Costs	Sched 3.B.4(a)(ix).	Fixed	\$. [XXX]
Engine Power-by-the-Hour Costs	Sched 3.B.4(a)(x).	Block Hours	\$. [XXX]
Depreciation Expense	Sched 3.B.4(a)(xi).	Fixed	\$. [XXX]
Routine Aircraft Paint	Sched 3.B.4(a)(xii).	Fixed	\$. [XXX]
Contractor Airport Agent Expense at Contractor Airports	Sched 3.B.4(a)(xiii).	Departures	\$. [XXX]
ARINC System Costs	Sched 3.B.4(a)(xiv).	Fixed	\$. [XXX]
Aircraft Appearance Costs at Contractor Airports	Sched 3.B.4(a)(xv).	Departures	\$. [XXX]
3rd Party Ground Handling Per Turn Rate at Contractor Airports	Sched 3.B.4(a)(xvi).	Departures	\$. [XXX]

The Appendix 3 Rates shall be adjusted from time to time with the mutual agreement of the parties to reflect the actual rates charged to Contractor. As Contractor Airports become Continental Airports, appropriate adjustments shall be made to Appendix 3 Rates related to such Contractor Airports.

Appendix 4 to Schedule 3

Incentive Bonuses/Rebates

1. On Time Bonus/Rebate: For purposes of Paragraph A(2), the bonus or rebate, as the case may be, for on-time performance shall be determined as follows:

- a. Contractor's on-time Scheduled Flight departures (i.e. Scheduled Flight departures that actually departed not later than the scheduled departure time, as determined solely by ACARS, excluding (i) departures impacted by weather or ATC, (ii) unscheduled, extra-section or diversion related departures or (iii) departures delayed upon Continental's request and not otherwise impacted by weather or ATC) to or from each of EWR, CLE and IAH shall be measured.
- b. If Contractor's actual percentage of on-time Scheduled Flight departures (as a percentage of Contractor's actual departures, as determined solely by ACARS, excluding (i) departures impacted by weather or ATC, (ii) unscheduled, extra-section or diversion related departures or (iii) departures delayed upon Continental's request and not otherwise impacted by weather or ATC) for any such calendar month to or from any of EWR, CLE or IAH is above the Annual Historical Percentage set forth below for such airport, then the reconciliation payment for such month shall include a payment by Continental to Contractor equal to \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] multiplied by the number of Contractor's actual departures (excluding (i) departures impacted by weather or ATC, (ii) unscheduled, extra-section or diversion related departures or (iii) departures delayed upon Continental's request and not otherwise impacted by weather or ATC) for such month at such airport, multiplied by the excess of Contractor's actual percentage of on-time Scheduled Flight departures over the Annual Historical Percentage of on-time Scheduled Flight departures. If Contractor's actual percentage of on-time Scheduled Flight departures, as determined solely by ACARS (as a percentage of Contractor's actual departures excluding (i) departures impacted by weather or ATC, (ii) unscheduled, extra-section or diversion related departures or (iii) departures delayed upon Continental's request and not otherwise impacted by weather or ATC) for any such calendar month to or from any of EWR, CLE or IAH is below the Annual Historical Percentage set forth below for such airport, then the reconciliation payment for such month shall include a payment by Contractor to Continental equal to \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] multiplied by the number of Contractor's actual departures (excluding (i) departures impacted by weather or ATC, (ii) unscheduled, extra-section or diversion related departures or (iii) departures delayed upon Continental's request and not otherwise impacted by weather or ATC) for such month at such airport, multiplied by the excess of the Annual Historical Percentage of on-time Scheduled Flight departures over Contractor's actual percentage of on-time Scheduled Flight departures. For purposes of this Appendix 4, the "Annual Historical Percentage" for any of EWR, CLE or IAH for any year shall equal the average of the actual percentage of on-time Scheduled Flight departures (as a percentage of Contractor's flown departures excluding (i) departures impacted by weather or ATC, (ii) unscheduled, extra-section or diversion related departures or (iii) departures delayed upon Continental's request and not otherwise impacted by weather or ATC) of Covered Aircraft during such year in each of the last five full calendar years (or such lesser number of years as shall date back to January 1, 2004); provided that for the purposes of calculating the Annual Historical Percentage inclusive of years through December 31, 2006 calculations shall include all of Continental's regional jet aircraft. Should the processes currently utilized by the air traffic control system in the United States to manage commercial aircraft change, Contractor and Continental agree to meet and confer to adjust the targets. Additionally, should Continental's ground handling performance materially change from historical performance levels, Contractor and Continental agree to meet and confer to adjust the targets. Should the parties be unable to reach an agreement on prospective targets, the on-time incentive provisions set forth in this Appendix 4 to Schedule 3 will cease to be of any force or effect. As of January 1, 2006, the Annual Historical Percentages for EWR, CLE or IAH were as follows:

<u>CLE</u>	<u>EWR</u>	<u>IAH</u>
[XXX]%	[XXX]%	[XXX]

2. Fuel Efficiency Bonus: At Continental's expense Contractor agrees to develop a fuel efficiency program modeled on Continental's fuel program as set forth in Exhibit K. Contractor acknowledges that such program is the property of Continental, shall be deemed confidential by Contractor and, for Contractor but not for Continental, shall be subject to the provisions of Section 10.08 of the Agreement. For purposes of Paragraph A(2), the bonus for fuel burn reduction shall be determined as follows:

- a. The Contractor's second year of operation will be the first year under which the Contractor will be eligible to receive a bonus payment. The Contractor's first year of operations will provide the baseline by which the second year of operations will be measured. The baseline for each subsequent year will be the previous year's performance. For each year a Block Hour Fuel Burn Rate will be calculated by dividing gallons consumed in a given year by total block hours flown for Scheduled Flights in the same year.
- b. The Contractor's bonus will be calculated by subtracting (a) the current year's Block Hour Fuel Burn Rate from (b) the baseline year's Block Hour Fuel Burn Rate, and multiplying the positive difference, if any, by (c) Continental's average domestic price per gallon of fuel paid in the current year, multiplied by (d) the total block hours flown by Contractor in current year multiplied by (e) [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

Appendix 5 to Schedule 3

Insurance Rates

<u>Insurance Type</u>	<u>Rate</u>	<u>Driver Units</u>
Hull Insurance	[XXX]	per \$100 value
Liability Insurance	[XXX]	per Departure; or
	[XXX]	per Passenger
War Risk Insurance	[XXX]	per 1000 RPMs;
	[XXX]	per Passenger

EXHIBIT A

Definitions

Adjustment Date - is defined in Section 3.02.

Administrative Support and Information Services Provisioning Agreement - means that certain Amended and Restated Administrative Support and Information Services Provisioning Agreement, dated as of the date hereof, among Continental, Holdings and ExpressJet, in the form attached hereto as Exhibit E (or as otherwise agreed or amended).

Affiliate - means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise. With respect to any natural person, the term "Affiliate" shall additionally mean (1) the spouse or children (including those by adoption) and siblings of such Person; and any trust whose primary beneficiary is such Person, such Person's spouse, such Person's siblings and/or one or more of such Person's lineal descendants, (2) the legal representative or guardian of such Person or of any such immediate family member in the event such Person or any such immediate family member becomes mentally incompetent and (3) any Person controlled by or under the common control with any one or more of such Person and the Persons described in clauses (1) or (2) preceding.

Agreement - means the Second Amended and Restated Capacity Purchase Agreement, dated as of June 5, 2008, among Continental, Holdings, XJT and ExpressJet, as amended from time to time pursuant to Section 10.05 hereof.

Ancillary Agreements - means (i) each of the agreements entered into by Continental and Contractor substantially in the form of Exhibits C, E, and F hereto, together with all amendments, exhibits, schedules and annexes thereto; (ii) each Covered Aircraft Sublease; (iii) each Uncovered Aircraft Sublease; (iv) the Employee Benefits Separation Agreement, as amended as of the date of this Agreement, among Continental, Holdings, XJT and ExpressJet; and (v) the Settlement Agreement, dated the date of this Agreement, among Continental, Holdings, XJT and ExpressJet.

Annual CPI Change - means, for any Adjustment Date, the fraction (expressed as a number rounded to four decimal places) as determined on the 15th day of the immediately preceding month (or the first Business Day thereafter on which relevant CPI figures are publicly available) equal to the quotient obtained by dividing the simple average of the sum of the CPI for each of the last twelve months ending with the penultimate month preceding such Adjustment Date by the simple average of the sum of the CPI for each of the last twelve months ending with such penultimate month of the preceding year. (As an example, and for illustrative purposes only, the Annual CPI Change for April 1, 2007 would be equal to 202.335 (the simple average of the sum of the CPI for the last twelve months ending February 2007) divided by 196.500 (the simple average of the sum of the CPI for the last twelve months ending February 2006), or 1.0297.)

Annual Historical Percentage - is defined in Paragraph 1(b) of Appendix 4 to Schedule 3.

ATC - means Air Traffic Control.

Average Peer Group Rates - means, with respect to any insurance coverage and as of any date of determination, (x) the insurance rates set forth on Appendix 5 to Schedule 3, multiplied by (y) the average percentage increase or decrease, as appropriate, from July 1, 2008 to such date of determination, in the cost of such insurance coverage for the five regional airlines with annual revenues per passenger mile closest to those of Contractor, as determined by available information obtained from public sources or reputable insurance brokers, excluding (i) any such regional airline that experienced a major loss within the previous three years, and (ii) any regional airline whose insurance rates are included with its major airline partners.

Base Compensation - is defined in Paragraph A(1) of Schedule 3.

Base Term - is defined in Section 8.01.

Basic Rent - is defined, with respect to any Covered Aircraft, in the Covered Aircraft Sublease for such Covered Aircraft.

Benchmark Controllable Cancellation Number - is defined in Paragraph B(3)(a) of Schedule 3.

Block Hour Rate - means, for any month, the Base Compensation for such month divided by the total number of block hours comprising the Scheduled Flights during such month.

Branded Aircraft - is defined in Section 2.04(b).

Business Day - means each Monday, Tuesday, Wednesday, Thursday and Friday unless such day shall be a day when financial institutions in New York, New York or Houston, Texas are authorized by law to close.

Cause - means (i) bankruptcy of ExpressJet, XJT or Holdings; (ii) the suspension or revocation of Contractor's authority to operate as a scheduled airline; (iii) the ceasing of Contractor's operations as a scheduled airline, other than as a result of a Labor Strike and other than any temporary cessation not exceeding 14 days in length; (iv) the occurrence of a Labor Strike that shall have continued for 90 days or (v) a willful or intentional material breach of this Agreement by ExpressJet, XJT or Holdings that substantially deprives Continental of the benefits of this Agreement, which breach shall have continued for 90 days after notice thereof is delivered to ExpressJet, XJT or Holdings, as the case may be.

Change of Control - means:

(i) a transaction as a result of which ExpressJet, XJT or Holdings and a Major Network Carrier (other than Continental and its successors and any Subsidiary thereof) are legally combined;

(ii) a transaction, other than one described in clause (i) above, as a result of which ExpressJet, XJT or Holdings acquires, directly or indirectly, beneficial ownership of 25% or more of the capital stock or voting power of a Major Network Carrier (other than Continental and its successors and any Subsidiary thereof);

(iii) the direct or indirect acquisition by a Major Network Carrier (other than Continental and its successors and any Subsidiary thereof) or any Person directly or indirectly controlling a Major Network Carrier of beneficial ownership of 25% or more of the capital stock or voting power of ExpressJet, XJT or Holdings;

(iv) the sale, transfer or other disposition of all or substantially all of the airline assets of ExpressJet, XJT or Holdings on a consolidated basis directly or indirectly to a Major Network Carrier (other than Continental and its successors and any Subsidiary thereof) or its Affiliate, whether in a single transaction or a series of related transactions;

(v) the sale, transfer or other disposition of all or substantially all of the airline assets of a Major Network Carrier (other than Continental and its successors and any Subsidiary thereof) and its Affiliates, on a consolidated basis, directly or indirectly to ExpressJet, XJT or Holdings, whether in a single transaction or a series of related transactions; or

(vi) the execution by ExpressJet, XJT or Holdings of bona fide definitive agreements, the consummation of the transactions contemplated by which would result in a transaction described in the immediately preceding clauses (i), (ii), (iii), (iv) or (v).

Claims - is defined in Section 10.09(a).

Continental - means Continental Airlines, Inc., a Delaware corporation, and its successors and permitted assigns.

Continental Airport - means any airport at which Continental provides or arranges for the provision of ground handling services pursuant to the Continental Ground Handling Agreement.

Continental Currencies - means inflight currency coupons issued by Continental that may only be purchased at any Continental eService Center and may only be redeemed for alcoholic beverages or headsets on any Continental or Contractor flight.

Continental Expenses - is defined in Section 3.04.

Continental Ground Handling Agreement - means that certain IATA Standard Ground Handling Agreement (April 1993 version) between Continental and Contractor, together with Annex A thereto (Ground Handling Services, April 1993 version) and Annex B thereto substantially in the form of Exhibit C to the Master Facility and Ground Handling Agreement (or as otherwise agreed or amended), providing for the provision by or on behalf of Continental to Contractor of ground handling services at the airports specified therein.

Continental Marks - is defined in Exhibit G.

Continental Premium Surcharge Amount - is defined in Paragraph B(5)(d)(III) of Schedule 3.

Contractor - means, collectively, ExpressJet, XJT and Holdings.

Contractor Airport - means (i) any airport at which Contractor provides or arranges for the provision of ground handling services pursuant to the Contractor Ground Handling Agreement, and (ii) any other airport into or out of which Contractor operates any Scheduled Flight and which is not a Continental Airport.

Contractor Fleet - means all or any of the following fleets of Covered Aircraft (to the extent that any Covered Aircraft are part of such fleet): (i) ERJ Aircraft, (ii) any other type of regional jet aircraft (whether manufactured by Embraer or another manufacturer) that constitutes one or more Covered Aircraft, and (iii) any portion of such group of aircraft consisting of one or more models (for example, ERJ-135s and ERJ-145s, or ERJ-145LRs and ERJ-145XRs), or any subgroup of such aircraft as determined from time to time by regulatory or court order or other governmental action (for example, all such aircraft manufactured within specific time frames).

Contractor Ground Handling Agreement - means that certain IATA Standard Ground Handling Agreement (April 1993 version) between Continental and Contractor, together with Annex A thereto (Ground Handling Services, April 1993 version) and Annex B thereto substantially in the form of Exhibit D to the Master Facility and Ground Handling Agreement (or as otherwise agreed or amended), providing for the provision by or on behalf of Continental to Contractor of ground handling services at the airports specified therein.

Contractor Marks - is defined in Exhibit H.

Contractor Premium Surcharge Amount - is defined in Paragraph B(5)(e)(IV) of Schedule 3.

Contractor Premium Surcharge Limit - is defined in Paragraph B(5)(e)(III) of Schedule 3.

Contractor Premium Surcharge Overflow Amount - is defined in Paragraph B(5)(e)(V) of Schedule 3.

Controllable Cancellation - means a cancellation of a Scheduled Flight that is not an Uncontrollable Cancellation.

Controllable Cancellation Factor - means, for any period of determination, the percentage of Scheduled Flights completed during such period, excluding Uncontrollable Cancellations.

Controllable Completion Factor Incentive Rate - is defined in Appendix 2 to Schedule 3.

Controllable On-Time Departure - means a flight departing within 15 minutes of scheduled departure time, as determined solely by ACARS, excluding (i) cancelled flights, (ii) flights impacted by ATC or weather-related delays, (iii) flights impacted by Labor Strike, (iv) unscheduled, extra section or diversion departures, or (v) departures delayed upon Continental's request and not otherwise impacted by weather or ATC.

Controllable On-Time Departure Rate - means, for any period of determination, the percentage of Scheduled Flights that are Controllable On-Time Departures.

Covered Aircraft - means all of the aircraft listed in Section A of Schedule 1 (as amended from time to time pursuant to the provisions of this Agreement) and presented for service by Contractor, as adjusted from time to time for additions and withdrawals pursuant to Article II and Article VIII (it being understood by the parties hereto that Schedule 1 shall be revised from time to time to reflect any such additions and withdrawals).

Covered Aircraft Sublease - means a sublease (or lease) in effect with respect to an Covered Aircraft as of the Effective Date between Contractor and Continental and any new sublease (or lease) covering an Covered Aircraft entered into by Contractor and Continental after the date hereof, which shall be substantially in the form of the Covered Aircraft Subleases in effect as of the Effective Date (or as otherwise agreed or amended).

CPA Records - is defined in Section 3.05.

CPI - means (i) the Consumer Price Index for All Urban Consumers - U.S. City Average, All Items, Not Seasonally Adjusted Base Period: 1982-84 = 100, as published by the Bureau of Labor Statistics, United States Department of Labor, or (at any time when the Bureau of Labor Statistics is no longer publishing such Index) as published by any other agency or instrumentality of the United States of America, or (ii) at any time after the index described in clause (i) shall have been discontinued, any reasonably comparable replacement index or other computation published by the Bureau of Labor Statistics or any other agency or instrumentality of the United States of America. If any such index shall be revised in any material respect (such as to change the base year used for computation purposes), then all relevant determinations under this Agreement shall be made in accordance with the relevant conversion factor or other formula published by the Bureau of Labor Statistics or any other agency or instrumentality of the United States of America, or (if no such conversion factor or other formula shall have been so published) in accordance with the relevant conversion factor or other formula published for that purpose by any nationally recognized publisher of such statistical information.

Delta - means Delta Air Lines, Inc., a Delaware corporation, and its successors and assigns.

Delta CPA - means the capacity purchase agreement, dated as of June 1, 2007, by and among Contractor and Delta as in effect on the date hereof, and as the same may be extended pursuant to the terms thereof.

Delta CPA Aircraft - is defined in Section 2.04(a).

Delta Pro-Rate Agreement - means the pro-rate agreement, dated as of June 29, 2007, by and among Contractor and Delta as in effect on the date hereof, and as the same may be extended pursuant to the terms thereof.

Delta Pro-Rate Aircraft - is defined in Section 2.04(b).

DOT - means the United States Department of Transportation.

Effective Date - is defined in Section 8.01.

Embraer - means Empresa Brasileira de Aeronautica S.A., a Brazilian corporation with its principal place of business in Sao Paulo, Brazil.

Embraer Contract - means, collectively, Purchase Agreement No. GPJ-003/96 between Embraer and XJT dated August 5, 1996, Letter of Agreement No. GPJ-004/96 between Embraer and XJT dated August 5, 1996, Letter of Agreement No. PCJ-004A/96 among Embraer, Continental and XJT dated August 31, 1996, Purchase Agreement No. DCT-054/98, between Embraer and XJT dated December 23, 1998, Letter of Agreement No. DCT-059/2000 between Embraer and XJT dated October 27, 2000, Letter of Agreement No. DCT-055/98 between Embraer and XJT dated December 23, 1998, Letter of Agreement No. DCT-058/2000 between Embraer and XJT dated October 27, 2000, and EMB-135 Financing Letter of Agreement among Continental, Embraer and XJT dated March 23, 2000, in each case including such amendments and supplements entered into by the parties prior to the date of this Agreement.

Embraer ERJ-135 Fleet - means all Covered Aircraft that are ERJ-135 aircraft.

Embraer ERJ-145 Fleet - means all Covered Aircraft that are ERJ-145 aircraft.

Embraer Fleets - means any of the Embraer ERJ-135 Fleet, the Embraer ERJ-145 Fleet or the Embraer XRJ-145 Fleet

Embraer XRJ-145 Fleet - means all Covered Aircraft that are XRJ-145 aircraft.

Engine - means any jet aircraft engine that constitutes an "Engine," as such term is defined in a Covered Aircraft Sublease for a jet aircraft, under such Covered Aircraft Sublease.

Engine Maintenance Agreement - means the contract entered into between Contractor and Rolls Royce, dated as of March 21, 2001 for the maintenance of the Engines, as amended and supplemented from time to time.

Excess Aircraft - means, (i) at any time prior to the first anniversary of the Effective Date, if there are more than 205 Covered Aircraft, each Covered Aircraft in excess of 205 and (ii) at any time on or after the first anniversary of the Effective Date, if there are more than 190 Covered Aircraft, each Covered Aircraft in excess of 190.

Excess Insurance Costs - means, in respect of any insurance policy obtained by Contractor, the cost of such insurance coverage, if any, in excess of the amount such insurance coverage would have cost if Contractor and Continental had participated in a combined placement pursuant to Section 6.04.

Excess Inventory - means, at any time of determination, the spare engines and other rotatable parts, repairable parts, expendable parts and other miscellaneous spare parts comprising components of the Covered Aircraft that are, in the reasonable judgment of Contractor and as a result of a reduction in the number of Covered Aircraft, in excess of the needs of Contractor for the provision of Regional Airline Services at such time of determination.

Existing CPA - is defined in the first whereas clause to this Agreement.

Existing Hub Airports - means George Bush Intercontinental Airport in Houston, Texas, Hopkins International Airport in Cleveland, Ohio and Newark International Airport in Newark, New Jersey, provided, however, that the foregoing shall only constitute Existing Hub Airports to the extent which Continental, together with its Subsidiaries and all other regional jets operating as Continental or a direct contractor of Continental, operates an average of more than 50 flights/day during a relevant fiscal quarter.

ExpressJet - means ExpressJet Airlines, Inc., a Delaware corporation, and its successors and permitted assigns.

FAA - means the United States Federal Aviation Administration.

Final Monthly Schedule - means the final schedule of Scheduled Flights for the next calendar month delivered by Continental to Contractor pursuant to Section 2.01(b).

Flight Cancellation Reconciliation - is defined in Paragraph B(3) of Schedule 3.

Flight Hour Agreements - means, collectively, (i) the Engine Maintenance Agreement, (ii) that certain agreement relating to Avionics between Contractor and Honeywell, (iii) that certain agreement relating to Starter Control System between Contractor and Honeywell, (iv) that certain agreement relating to Lighting between Contractor and Honeywell, (v) that certain agreement relating to PRSOV between Contractor and Honeywell, (vi) that certain agreement relating to AHRS between Contractor and Honeywell, (vii) that certain agreement relating to Sensors between Contractor and Goodrich, (viii) that certain agreement relating to Access between Contractor and Goodrich, (ix) that certain agreement relating to ECS between Contractor and Hamilton Sundstrand, (x) that certain agreement relating to Wheels and Brakes between Contractor and Goodrich, (xi) that certain agreement relating to Tires between Contractor and Goodyear, (xii) that certain agreement relating to APU between Contractor and Hamilton Sundstrand, in each case in effect as of the Effective Date, (xiii) any other maintenance agreement related to an Original Aircraft, payment for which is determined by hours, cycles or similar metrics and (xiv) any replacement, amendment or termination of any of the foregoing.

Fuel Purchasing Agreement - means that certain Fuel Purchasing Agreement, dated as of January 1, 2001, between Continental and Contractor, in the form attached hereto as Exhibit F (or as otherwise agreed or amended).

Holdings - means ExpressJet Holdings, Inc., a Delaware corporation, and its successors and permitted assigns.

Identification - means the Continental Marks, the aircraft livery set forth on Exhibit H, the Continental flight code and other trade names, trademarks, service marks, graphics, logos, employee uniform designs, distinctive color schemes and other identification selected by Continental in its sole discretion for the Regional Airline Services to be provided by Contractor, whether or not such identification is copyrightable or otherwise protected or protectable under federal law.

Immediate Withdrawal Election - is defined in Section 8.03(a)(i).

Indemnified Party - is defined in Section 7.03.

Indemnifying Party - is defined in Section 7.03.

Indemnity Notice - is defined in Section 7.03.

Invoiced Amount - is defined in Section 3.06(a).

Labor Strike - means a labor dispute, as such term is defined in 29 U.S.C. Section 113(c) involving Contractor and some or all of its employees, which dispute results in a union-authorized strike occurring after the National Mediation Board has released the Contractor and such employees to self-help and the 30-day "cooling-off" period relating thereto shall have expired.

LLP - means engine life limited parts and landing gear as defined in Contractor's maintenance program.

Major Loss - means an aviation-related accident or incident that results in the combined policy insurance providers establishing a reserve in an amount greater than the aggregate combined base premium amount for the year in which such accident or incident occurs, net of contribution from or subrogation against any third parties.

Major Network Carrier - means Alaska Airlines, American Airlines, Delta Air Lines, Northwest Airlines, Southwest Airlines, United Air Lines and US Airways, and each of their respective parents and subsidiaries (and any successor to each of the foregoing entities), and any entity that acquires substantially all of the airlines assets of any of the foregoing entities (and any successor to each of the foregoing entities).

Master Facility and Ground Handling Agreement - means that certain Amended and Restated Master Facility and Ground Handling Agreement, dated as of the date hereof, between Continental and Contractor, in the form attached hereto as Exhibit C (or as otherwise agreed or amended).

Original Aircraft - means any aircraft set forth on Schedule 1.

Person - means an individual, partnership, limited liability company, corporation, joint stock company, trust, estate, joint venture, association or unincorporated organization, or any other form of business or professional entity.

Reasonable Operating Constraints - means the reasonable constraints on the operation of Scheduled Flights imposed by the aircraft type, maintenance requirements, crew training requirements, aircraft rotation requirements, and route authorities, slots and other applicable regulatory restrictions on flight schedules.

Reconciled Expenses - is defined in Paragraph B(4)(a) of Schedule 3.

Regional Airline Services - means the provisioning by Contractor to Continental of Scheduled Flights using the Covered Aircraft in accordance with this Agreement.

Replacement Aircraft - means an aircraft that is the same aircraft type, is substantially the same age (or newer), has substantially the same passenger configuration and is in substantially the same operating condition (or better) as the aircraft that is being so replaced.

Replacement Date - is defined in Section 2.06(b).

Retained Aircraft - is defined in Section 2.04(b)(ii).

Revenue-Risk Aircraft - is defined in Section 2.04(b).

Scheduled ASMs - means, for any period of calculation, the available seat miles for all Scheduled Flights during such period of calculation.

Scheduled Flight - means a flight by a Covered Aircraft as determined by Continental pursuant to Section 2.01(b) or Section 2.01(c).

Slot or Rate Authorization - is defined in Section 4.09.

Spare Aircraft - means any Covered Aircraft that is designated by Contractor as spare aircraft pursuant to Section 2.01(c), which may be used by Contractor to replace another aircraft in the operation of a Scheduled Flight or flights operated by other Continental service providers that otherwise would be cancelled or as otherwise provided in Section 2.01(c).

Subsidiary - means, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (b) any partnership, association, joint venture, limited liability company, joint stock company or any other form of business or professional entity, in which such Person directly or indirectly through Subsidiaries has more than 50% equity interest at any time.

System Flight Disruption - means the failure by Contractor to complete at least 90% of the aggregate Scheduled ASMs in any three consecutive calendar months, or at least 75% of the aggregate Scheduled ASMs in any consecutive 45-day period, in each case excluding the effect of Uncontrollable Cancellations and flight cancellations caused solely by non-carrier specific airworthiness directives or other non-carrier specific regulatory order; *provided*, that if the average number of block hours flown per Covered Aircraft during such period is more than the Trailing Utilization Rate, then the calculation for purposes of this definition shall disregard that number of Scheduled ASMs for such period as is necessary to reduce the average number of block hours flown per Covered Aircraft during such period to such Trailing Utilization Rate; *provided further*, that a System Flight Disruption shall be deemed to continue until the next occurrence of a single calendar month in which Contractor completes at least 90% of the aggregate Scheduled ASMs; and *provided further*, that completions and cancellations of Scheduled Flights on any day during which a Labor Strike is continuing shall not be taken into account in the foregoing calculations.

Term - means the Base Term, as earlier terminated pursuant to Section 8.02, and any Wind-Down Period.

Terminal Facilities - means "Terminal Facilities" as such term is defined in the Master Facility and Ground Handling Agreement.

Termination Date - means the date of early termination of this Agreement, as provided in Article VIII of this Agreement, or, if no such early termination shall have occurred, the date of the end of the Base Term.

Trailing Utilization Rate - means, as of any date of determination, the average number of block hours flown per Covered Aircraft for the last completed fiscal quarter.

Uncontrollable Cancellation - means any cancellation of a Scheduled Flight that is solely (i) weather-related, air traffic control-related or described in Paragraph B(3)(c) of Schedule 3, in each case as coded on Contractor's operations reports in accordance with Continental's standard coding policies and consistent with Contractor's past practices, (ii) directed or caused by Continental, including, but not limited to any cancellations or delays as a result of the unavailability of Spare Aircraft pursuant to Continental's direction under Section 2.01(c), (iii) caused by the failure of any reservation system, or (iv) caused by damage to any Covered Aircraft and such damage is caused by Continental or its designee (other than Contractor) providing ground handling and related services for such Covered Aircraft.

Uncovered Aircraft - means those Original Aircraft owned, leased or operated by Contractor, other than Covered Aircraft.

Uncovered Aircraft Sublease - means a sublease (or lease) in effect with respect to an Uncovered Aircraft as of the Effective Date between Contractor and Continental and any new sublease (or lease) covering an Uncovered Aircraft entered into by Contractor and Continental after the date hereof, which shall be substantially in the form of the Uncovered Aircraft Subleases in effect as of the Effective Date (or as otherwise agreed or amended).

Wind-Down Period - means the period after the Termination Date and until the time when the last Covered Aircraft has become an Uncovered Aircraft or has been returned to Continental (or its designee), as applicable.

Wind-Down Schedule - means the schedule, determined as provided in Article VIII of this Agreement, for Covered Aircraft to become Uncovered Aircraft or be returned to Continental (or its designee), as applicable.

XJT - means XJT Holdings, Inc., a Delaware corporation (formerly ExpressJet Airlines, Inc.), and its successor and permitted assigns.

EXHIBIT B

[Reserved.]

EXHIBIT C

Master Facility and Ground Handling Agreement

AMENDED AND RESTATED

MASTER FACILITY

AND

GROUND HANDLING AGREEMENT

among

Continental Airlines, Inc.

ExpressJet Holdings, Inc.

and

ExpressJet Airlines, Inc.

-

-

Executed as of January 1, 2001

Amended as of November 1, 2003

Amended and Restated as of June 5, 2008

AMENDED AND RESTATED

MASTER FACILITY AND GROUND HANDLING AGREEMENT

-
This Amended and Restated Master Facility and Ground Handling Agreement (this "Agreement"), dated as of June 5, 2008, is among Continental Airlines, Inc., a Delaware corporation ("Continental"), ExpressJet Holdings, Inc., a Delaware corporation ("Holdings"), and ExpressJet Airlines, Inc., a Delaware corporation and a wholly owned subsidiary of Holdings ("ExpressJet" and, collectively with Holdings, "Contractor").

WHEREAS, Continental, Holdings and ExpressJet are parties to that certain Second Amended and Restated Capacity Purchase Agreement, dated as of June 5, 2008 (as amended from time to time), among such parties and XJT Holdings, Inc. (as so amended, the "Capacity Purchase Agreement");

WHEREAS, Continental, Holdings and ExpressJet are parties to that certain Master Facility and Ground Handling Agreement dated as of January 1, 2001, as amended prior to the date hereof (the "Original MFA"), in which they established the terms by which both Continental and Contractor will use and share airport facilities in furtherance of the Capacity Purchase Agreement, to include, without limitation, the mutual or coordinated use of airport facilities at any airport in or out of which Continental operates any flight or Contractor operates any Scheduled Flight, and the terms by which each of them will provide certain ground handling services for the other at certain airports in furtherance of the Capacity Purchase Agreement;

WHEREAS, Continental, Holdings and ExpressJet desire to amend certain provisions of the Original MFA as more fully set forth herein;

WHEREAS, the parties are entering into the Capacity Purchase Agreement and the other Ancillary Agreements as an integral part of this Agreement; and

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and obligations hereinafter contained, the parties agree to amend the Original MFA and to restate it in its entirety as the Amended and Restated Master Facility and Ground Handling Agreement, as follows:

Section 1. Defined Terms. Capitalized terms used in this Agreement (including, unless otherwise defined therein, in the Exhibits, Schedules and Annexes to this Agreement) and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Capacity Purchase Agreement. The following terms shall have the meanings set forth below:

"Airport Facilities" shall mean all Terminal Facilities and Non-Terminal Facilities.

"Airport Authority" shall mean any municipal, county, state or federal governmental authority, or any private authority, owning or operating any Applicable Airport with authority to lease, convey or otherwise grant rights to use any Airport Facilities.

"Applicable Airport" shall mean any Continental Airport or Contractor Airport.

"CLE Primary Hangar" shall mean the aircraft maintenance hangar located at 19200 Primary Road, Cleveland, Ohio, 44135.

"Continental Airport" shall mean any airport at which Continental provides or arranges for the provision of ground handling services pursuant to the Continental Ground Handling Agreement.

"Continental Ground Handling Agreement" shall mean that certain IATA Standard Ground Handling Agreement (April 1993 version) between Continental and Contractor, together with Annex A thereto (Ground Handling Services, April 1993 version), and Annex B thereto substantially in the form of Exhibit C hereto (or as otherwise agreed) providing for the provision by or on behalf of Continental to Contractor of ground handling services at the airports specified therein.

"Contractor Airport" shall mean any airport at which Contractor provides or arranges for the provision of ground handling services pursuant to the Contractor Ground Handling Agreement, and any other airport into or out of which Contractor operates any Scheduled Flight and which is not a Continental Airport.

"Contractor Facilities" shall mean the Contractor Terminal Facilities and the Contractor Non-Terminal Facilities.

"Contractor Ground Handling Agreement" shall mean that certain IATA Standard Ground Handling Agreement (April 1993 version) between Contractor and Continental, together with Annex A thereto (Ground Handling Services, April 1993 version), and Annex B thereto substantially in the form of Exhibit D hereto (or as otherwise agreed) providing for the provision by or on behalf of Contractor to Continental and, at Continental's request from time to time, its codeshare partners, of ground handling services at the airports specified therein.

"Contractor Non-Terminal Facility" shall mean any Non-Terminal Facility to the extent owned, leased, subleased or otherwise retained or used by Contractor as of January 1, 2001, and any Non-Terminal Facility to the extent owned, leased, subleased or otherwise retained or used by Contractor pursuant to Section 2 after January 1, 2001 for the provision of Contractor Services.

"Contractor Services" shall mean Regional Airline Services as contemplated by the Capacity Purchase Agreement and the ground handling services contemplated by the Contractor Ground Handling Agreement.

"Contractor Terminal Facility" shall mean any Terminal Facility to the extent owned, leased, subleased or otherwise retained or used by Contractor as of January 1, 2001, and any Terminal Facility to the extent owned, leased, subleased or otherwise retained or used by Contractor pursuant to Section 2 after January 1, 2001 for the provision of Contractor Services.

"IAH Express Training Center" shall mean the training center located at 17445 JFK Boulevard, Houston, Texas, 77032.

"Non-Terminal Facilities" shall mean all maintenance, training, office and other facilities and spaces leased, subleased or otherwise retained or used by a party at an Applicable Airport or adjacent thereto that are not Terminal Facilities.

"Passenger-Related Terminal Facilities" shall mean all passenger-related terminal facilities and spaces leased, subleased or otherwise retained or used by a party at an Applicable Airport, including without limitation all passenger lounges, passenger holding areas, aircraft parking positions (which may or may not be adjacent to a passenger holding area) and associated ramp spaces, gates (including loading bridges and associated ground equipment parking areas), ticketing counters and curbside check-in facilities.

"Terminal Facilities" shall mean (i) all Passenger-Related Terminal Facilities and (ii) all other terminal facilities and spaces leased, subleased or otherwise retained or used by a party at an Applicable Airport, including without limitation, all baggage makeup areas, inbound baggage areas, crew rooms, in-terminal office spaces, associated employee parking areas and other terminal facilities.

"Transfer" shall mean any lease, sublease, assignment, disposition or other transfer.

Section 2. Lease, Use and Modification of Airport Facilities.

(a) Continental and Contractor agree that the use by Contractor of all Airport Facilities at all Applicable Airports for the provision of Contractor Services shall be at the direction of Continental. In furtherance of this Section 2(a), from time to time at the request and direction of Continental and subject to Section 2(b) and Section 2(c), and subject to the provisions of Sections 6(c) and 6(f) relating to Transfers in connection with certain terminations, Contractor shall:

(i) use its commercially reasonable efforts to enter into a lease, sublease or other appropriate agreement with any Airport Authority at any Applicable Airport for the lease, sublease or use of any Airport Facilities used or to be used in connection with the provision of Contractor Services;

(ii) use its commercially reasonable efforts to amend, modify or terminate any agreement with any Airport Authority at any Applicable Airport for the lease, sublease or use of any Contractor Facilities;

(iii) use its commercially reasonable efforts to obtain the consent of any relevant Airport Authority at any Applicable Airport for the Transfer to Continental or its designee of any lease, sublease or other agreement in respect of any Contractor Facilities, or for the right of Continental or its designee to use any Contractor Facilities;

(iv) enter into a sublease substantially in the form of Exhibit A hereto (or as otherwise agreed) for the sublease to Continental or its designee of Contractor's interest in any Contractor Facility;

(v) enter into an assignment substantially in the form of Exhibit B hereto (or as otherwise agreed) for the assignment to Continental or its designee of Contractor's interest in any Contractor Facility;

(vi) enter into a sublease substantially in the form of Exhibit A hereto (or as otherwise agreed) for the sublease to Contractor of Continental's interest in any Airport Facility at any Applicable Airport used or to be used in connection with the provision of Contractor Services;

(vii) enter into an assignment substantially in the form of Exhibit B hereto (or as otherwise agreed) for the assignment to Contractor of Continental's interest in any Airport Facility at any Applicable Airport used or to be used in connection with the provision of Contractor Services; and

(viii) take any other action reasonably requested by Continental in furtherance of this Section 2(a).

(b) The assignments and subleases to be entered into pursuant to Section 2(a) shall be subject to the rights of the Applicable Airports in such Airport Facilities and to the receipt of all necessary consents from Airport Authorities and other third parties to such sublease or assignment.

(c) Notwithstanding any other provision of this Section 2, but without limiting any other provision hereof, including without limitation Section 7 hereof, Contractor shall not be required to sublease or assign to Continental or its designee any interest of Contractor in any Contractor Non-Terminal Facility; provided that the provisions of this Section 2(c) shall not apply at any time from and after any Termination Date occurring pursuant to Continental's termination of the Capacity Purchase Agreement pursuant to Section 8.02(a) or 8.02(b) thereof.

(d) Each of Contractor and Continental shall pay for all landing fees for its flights at all Applicable Airports, and to the extent that the other party is obligated to make such payments under any applicable lease or other agreement, the first party hereby indemnifies and agrees to hold harmless the other party for all such amounts. Contractor agrees that any landing fee or other credits given to Contractor by any applicable Airport Authority in respect of Scheduled Flights shall be for the account of Continental (and if any such credits are applied by Contractor to the payment of any landing fees or other amounts applicable to flights other than Scheduled Flights, Contractor shall pay the amount of any such credits to Continental).

(e) Contractor shall perform in a timely manner all obligations under all leases, subleases and other agreements to which Contractor is or becomes a party for the use of Contractor Facilities, including without limitation making in a timely manner all payments of rent and other amounts due under such agreement, and shall use commercially reasonable efforts to keep such agreements in effect (or to promptly renew or extend such agreements on substantially similar terms as directed by Continental); provided that Continental shall indemnify Contractor for any amounts owed to any Airport Authority or other third party under any such agreement as a direct result of any breach by Continental of such agreement.

(f) Contractor shall obtain the written consent of Continental prior to entering into any lease or other agreement for the use or modification of, or otherwise relating to, any Contractor Terminal Facilities (or other airport facilities which would become Contractor Terminal Facilities), or amending or modifying in any manner any such agreement, or consenting to any of the same. Subject to the provisions of Section 5(e), Contractor may enter into an agreement for the use or modification of, or otherwise relating to, any Contractor Non-Terminal Facility that is not leased or subleased from Continental without the consent of Continental; provided that such agreement permits (or does not prohibit) Continental's right of first refusal (or the exercise thereof) pursuant to Section 7. Contractor may not enter into an agreement for the use or modification of, or otherwise relating to, any Contractor Non-Terminal Facility that is leased or subleased from Continental without the consent of Continental, which consent shall not be unreasonably withheld; provided that it shall be reasonable for Continental to withhold any such consent until any required Airport Authority's consent is obtained or if such agreement would prohibit Continental's right of first refusal pursuant to Section 7.

(g) If Contractor shall make any payment pursuant to Section 2(e), which payment is in whole or in part in respect of facilities other than Contractor Non-Terminal Facilities, then Continental shall promptly reimburse Contractor for the portion of such payment in respect of facilities other than Contractor Non-Terminal Facilities; provided that there shall be no duplication of payment if, for example, Continental is a sublessee of Contractor with respect to some or all of these facilities. If Continental shall make any payment pursuant to any lease, sublease or other agreement for the use of Airport Facilities, which payment is in whole or in part in respect of Contractor Non-Terminal Facilities, then Contractor shall promptly reimburse Continental for the portion of such payment in respect of such facilities; provided that there shall be no duplication of payment if, for example, Contractor is a sublessee of Continental with respect to some or

all of these facilities; and provided further that neither party shall be required under this Section 2(g) to reimburse the other party for any amounts owed to any Airport Authority or other third party under any such agreement as a direct result of any breach by the other party of such agreement.

(h) Contractor shall give Continental at least 30 days' prior written notice before ceasing to use any Airport Facilities for the provision of Contractor Services, provided that no such notice shall be required with respect to Terminal Facilities at locations where such use is ceasing because Continental has informed Contractor that no Scheduled Flights will be scheduled in or out of such location.

Section 3. Exclusivity. Each Contractor Terminal Facility constituting a Passenger-Related Terminal Facility used for the provision of Regional Airline Services shall be used by Contractor exclusively for the provision of Contractor Services, and may not be used by Contractor in connection with any other flights, including any flights using an Uncovered Aircraft, or for any other purpose; provided that the foregoing limitation shall not apply to:

(i) baggage claim and other similar facilities that are leased or otherwise made available to all air carriers at such airport on a common-use or joint-use basis; or

(ii) to any facilities that are properly required by an Airport Authority to be made available for use by others in accordance with any applicable agreement that is in place as of the date hereof or has been approved by Continental under Section 2(f).

Subject to the provisions of Article VIII of the Capacity Purchase Agreement, each Contractor Terminal Facility that is not a Passenger-Related Terminal Facility used for the provision of Regional Airline Services, and each Contractor Non-Terminal Facility may be used by Contractor in connection with other flights, including flights using Uncovered Aircraft, or for other purposes; provided that, for so long as the number of Scheduled Flights in a calendar month represent at least 50% of the aggregate number of Contractor's scheduled flights of Covered and Uncovered Aircraft in such month, Contractor shall use such facilities for the provision of Regional Airline Services in priority to any other use of Contractor, and any other use of such facilities by Contractor shall be subordinate to Contractor's use for the provision of Regional Airline Services.

Section 4. Ground Handling.

(a) Each of Continental and Contractor shall enter into the Continental Ground Handling Agreement. Notwithstanding the identity of the lessee, sublessor or sublessee under any lease or other agreement relating to any Airport Facilities, Continental shall use commercially reasonable efforts to provide Contractor with access (without separate charge) to all Terminal Facilities at each Continental Airport, and at any Contractor Airport where Continental is the lessee or sublessee, in each case as reasonably necessary for the provision of Regional Airline Services and as consistent with historical practices of Continental and Contractor under the Original MFA as reasonably determined by Continental, it being acknowledged that as of the date hereof Continental provides separate crew break rooms at IAH, CLE and EWR without separate charge for use by Contractor employees. In connection with Continental granting to Contractor access to any Terminal Facilities leased by Continental pursuant to this Section 4(a), Contractor covenants and agrees, for the benefit of Continental and its lessor, that Contractor shall not knowingly, by its use and occupancy of such facilities, violate any of the provisions of such lease or other agreements relating thereto which have been made available to Contractor, and that it shall not knowingly permit any breach of any of the obligations of Continental under such agreements, and Contractor further agrees to release and indemnify Continental in respect of such facilities to the same extent as provided in Section 11 of the Form of Sublease Agreement attached hereto as Exhibit A (which provisions are hereby incorporated by reference), as if a sublease in respect of such facilities had been entered into by Continental and Contractor.

(b) Each of Continental and Contractor shall enter into the Contractor Ground Handling Agreement. Notwithstanding the identity of the lessee, sublessor or sublessee under any lease or other agreement relating to any Airport Facilities, Contractor shall use commercially reasonable efforts to provide Continental or its designee with access (without separate charge) to all Terminal Facilities at each Contractor Airport, and at any Continental Airport where Contractor is the lessee or sublessee, in each case as reasonably necessary for Continental's or such designee's operations for which Contractor is providing ground handling services pursuant to the Contractor Ground Handling Agreement. In connection with Contractor granting to Continental access to any Terminal Facilities leased by Contractor pursuant to this Section 4(b), Continental covenants and agrees, for the benefit of Contractor and its lessor, that Continental shall not knowingly, by its use and occupancy of such facilities, violate any of the provisions of such lease or other agreements relating thereto which have been made available to Contractor, and that it shall not knowingly permit any breach of any of the obligations of Contractor under such agreements, and Continental further agrees to release and indemnify Contractor in respect of such facilities to the same extent as provided in Section 11 of the Form of Sublease Agreement attached hereto as Exhibit A (which provisions are hereby incorporated by reference), as if a sublease in respect of such facilities had been entered into by Contractor and Continental.

(c) Contractor acknowledges that Continental intends to solicit requests for proposal for ground handling services necessary to transition each Contractor Airport to a Continental Airport prior to December 31, 2008 (with the expectation that each Contractor Airport would become a Continental Airport prior to March 31, 2009). In this regard, Continental and Contractor each agree to use good faith efforts to cause each Contractor Airport to become a Continental Airport prior to March 31, 2009, subject to receipt of any necessary consent or approval from any applicable Airport Authority in connection therewith. Additionally, Continental agrees that it will afford Contractor an opportunity to bid on any request for proposal solicited by Continental for ground handling services at any Contractor Airport.

Section 5. Capital Costs and Modification Designs.

(a) Contractor Funded. Contractor shall fund all capital expenditures required to be made by Continental or Contractor under any lease or other appropriate agreement to which either of them is a party:

(i) in connection with any Terminal Facility used for the provision of Contractor Services at any Contractor Airport; provided, that Contractor shall not be required to fund any expenditures that are subject to the provisions of Section 5(b)(i);

(ii) in connection with any non-passenger-related Terminal Facility (including crew rooms, break rooms and office space) used exclusively or dedicated exclusively to Contractor at any Continental Airport;

(iii) in connection with any Non-Terminal Facility used for the provision of Contractor Services, which Non-Terminal Facility is not also regularly used by Continental, and regardless of whether such Non-Terminal Facility is located at a Continental Airport or a Contractor Airport;

(iv) in respect of ground handling equipment of the type described in Paragraph 1.1.3 of the Continental Ground Handling Agreement as being supplied by the Carrier (as defined therein); and

(v) in respect of any Airport Facility used for the provision of Contractor Services at any Contractor Airport not described in clauses (i) through (iv) above and not described in Section 5(b) below;

provided, however, that Contractor shall not make any capital expenditures pursuant to the foregoing clauses without the express written consent of Continental, which consent shall not be unreasonably withheld if such capital expenditures are required by an applicable Airport Authority or under the terms of an applicable lease or other applicable agreement in effect as of January 1, 2001 or to which Continental shall have consented pursuant to Section 2(f); and provided, further, that Contractor shall not be required to make any capital expenditures in respect of ground handling equipment of the type described in Paragraph 1.1.3 of the Contractor Ground Handling Agreement as being supplied by the Carrier (as defined therein).

(b) Continental Funded. Continental shall fund all capital expenditures required to be made by Continental or Contractor under any lease or other appropriate agreement to which either of them is a party;

(i) in respect of any Terminal Facility used for the provision of Contractor Services as required in connection with a change to the Continental Marks or the other Identification, except for such capital expenditures made as a part of Contractor's customary refurbishment expenditures;

(ii) in respect of any Terminal Facility used for the provision of Contractor Services at any Continental Airport; *provided, that* Continental shall not be required to fund any expenditures that are subject to the provisions of Section 5(a)(ii);

(iii) in connection with any Non-Terminal Facility regularly used by Continental, regardless of whether such Non-Terminal Facility is also used by Contractor for the provision of Contractor Services or whether such Non-Terminal Facility is located at a Continental Airport or a Contractor Airport;

(iv) in respect of ground handling equipment of the type described in Paragraph 1.1.3 of the Contractor Ground Handling Agreement as being supplied by the Carrier (as defined therein); and

(v) in respect of any Airport Facility used for the provision of Contractor Services at any Continental Airport not described in clauses (i) through (iv) above and not described in Section 5(a) above;

provided, however, that Continental shall not be required to make any capital expenditures in respect of ground handling equipment of the type described in Paragraph 1.1.3 of the Continental Ground Handling Agreement as being supplied by the Carrier (as defined therein).

(c) *Airport Conversion.* If during the Term a Contractor Airport becomes a Continental Airport, then Continental shall purchase from Contractor at their book value at such time (as reflected on Contractor's books) all fixtures and other unremovable capitalized items located at the Contractor Terminal Facilities at such Airport that either (i) have been paid for by Contractor and consented to by Continental pursuant to the proviso to Section 5(a), or (ii) are reflected on Contractor's books as of January 1, 2001; and *provided* that any payment under this Section 5(c) shall not be in duplication of any payment made under Section 6. If a Continental Airport becomes a Contractor Airport, then Contractor shall have no obligation to Continental in respect of expenditures made pursuant to Section 5(b).

(d) *Reimbursements.* Any reimbursement (whether or not made in the form of a rental credit) by any Airport Authority of any capital expenditures made by Contractor or Continental and referenced in this Section 5 shall be remitted to the party (Contractor or Continental) that funded such capital expenditures, except that any such reimbursement in respect of fixtures or other capitalized items purchased by Continental pursuant to Section 5(c) shall be remitted to Continental, and *provided* that any such reimbursement to Contractor shall be applied, for all purposes relating to the Capacity Purchase Agreement, as a reduction of book value of the asset or assets in respect of which such capital expenditure was made.

(e) *Modification Designs.* The designs (including the design and construction specifications and scope of work) for any modification of Contractor Facilities, including without limitation all modifications funded by capital expenditures pursuant to Section 5, or any Contractor Non-Terminal Facility that is at or adjacent to an Existing Hub Airport, shall be generated by Continental and shall be consistent with the Continental Marks and other Identification. The contractors hired to make such modifications shall be selected by Continental. All such modifications, including without limitation all modifications funded by capital expenditures pursuant to Section 5, shall be consistent with the requirements of the applicable leases or other relevant agreements in respect of such Airport Facilities.

Section 6. Transfer of Terminal Facilities.

(a) Except as otherwise provided in Section 2(a), Section 5(c) or this Section 6, during the Term Contractor shall not Transfer all or any portion of its interest in any Contractor Terminal Facility. Any purported Transfer of an interest in a Contractor Terminal Facility in violation of Section 2(a), Section 5(c) or this Section 6 shall be void and ineffectual *ab initio*.

(b) Upon the termination or other non-temporary cessation of all Scheduled Flights into or out of any Applicable Airport at which there are any Contractor Terminal Facilities (including in connection with the termination of the Capacity Purchase Agreement), Continental shall provide written notice as soon as practicable (but in no event later than 20 Business Days after such termination or other non-temporary cessation) to Contractor of Continental's intention to retain for itself or its designee any Contractor Terminal Facilities at such Applicable Airport.

(c) If, pursuant to a notice delivered pursuant to Section 6(b), Continental or its designee is retaining any or all of the Contractor Terminal Facilities, then Continental shall purchase from Contractor, at their book value (as reflected on Contractor's books) at the time such notice is delivered, all fixtures and other unremovable capitalized items paid for by Contractor (with Continental's approval pursuant to Section 5) in connection with the use of such Contractor Terminal Facilities; *provided* that any payment under this Section 6(c) shall not be in duplication of any payment made under Section 5(c). In addition, Contractor shall use commercially reasonable efforts to assign the rights and obligations of the lease or other applicable agreements with regard to such Contractor Terminal Facilities to Continental or its designee, in which event Continental shall assume such rights and obligations applicable to such Contractor Terminal Facilities, including without limitation the obligation to make all rental or similar payments from and after the date of such assignment, but not including any amounts owed in respect of any breach by Contractor of such lease or applicable agreements. Prior to the consummation of such assignment, Contractor shall continue to fulfill its obligations under such lease or other applicable agreements; *provided* that Continental shall promptly reimburse Contractor for all rental or similar payments applicable to such Contractor Terminal Facilities from the date of such notice until the lease or applicable agreements are assigned, but not including any amounts owed in respect of any breach by Contractor of such lease or applicable agreements.

(d) If, pursuant to a notice delivered pursuant to Section 6(b), Continental is not retaining one or more of the Contractor Terminal Facilities (such Contractor Terminal Facilities not so retained, the "Continental Rejected Facilities"), then Contractor shall provide written notice as soon as practicable (but in no event later than 20 Business Days after receipt of a notice pursuant to Section 6(b)) to Continental of Contractor's intention to retain or reject the Continental Rejected Facilities; *provided* that if such termination of Scheduled Flights is pursuant to a termination of the Capacity Purchase Agreement for Cause, then, without limiting any of Continental's remedies under the Capacity Purchase Agreement, Contractor shall retain all of the Continental Rejected Facilities.

(e) If, pursuant to a notice delivered pursuant to, or the proviso of, Section 6(d), Contractor is retaining any of the Continental Rejected Facilities, then Continental's obligations under this Agreement shall terminate with respect to those Continental Rejected Facilities as of the date of such notice.

(f) If pursuant to a notice delivered pursuant to Section 6(d), Contractor is not retaining one or more of the Continental Rejected Facilities (such Continental Rejected Facilities not so retained, the "Contractor Rejected Facilities"), then Continental shall purchase from Contractor, at their book value (as reflected on Contractor's books) at the time such notice is delivered, all fixtures and other unremovable capitalized items paid for by Contractor (with Continental's approval pursuant to Section 5) in connection with the use of the Contractor Rejected Facilities. In addition, at Continental's direction, Contractor shall use commercially reasonable efforts to either (i) terminate the lease or other agreement applicable with respect to any such Contractor Rejected Facility, (ii) assign the rights and obligations of such leases or other applicable agreements to Continental or its designee, in which event Continental shall assume such rights and obligations applicable to such Contractor Rejected Facilities, including without limitation the obligation to make all rental or similar payments from and after the date of such assignment, including any termination payments, but not including any amounts owed in respect of any breach by Contractor of such lease or applicable agreements; *provided* that any payment under this Section 6(f) shall not be in duplication of any payment made under Section 5(c), or (iii) continue to fulfill its obligations under such lease or other applicable agreements; *provided* that Continental shall promptly reimburse Contractor for all rental or similar payments applicable to such Contractor Rejected Facilities from the date of Contractor's notice until the leases or applicable agreements terminate or are otherwise assigned, but not including any amounts owed in respect of any breach by Contractor of such lease or applicable agreements.

(g) Notwithstanding any other provision of this Section 6, if Contractor returns to or otherwise reuses any Contractor Rejected Facility or begins the use of any other Airport Facilities at such airport reasonably similar to any Contractor Rejected Facility (other than at the written direction of Continental pursuant to

Section 2 or otherwise pursuant to the Capacity Purchase Agreement) within six months of the termination or other non-temporary cessation of all Scheduled Flights to such airport, then Contractor shall reimburse Continental for all amounts paid to Contractor pursuant to this Section 6.

(h) For purposes of this Agreement, the parties agree that the cessation of seasonal Scheduled Flights upon the end of the relevant season shall constitute a temporary cessation if such Scheduled Flights are expected to resume in the subsequent relevant season.

Section 7. Right of First Refusal for Certain Transfers.

(a) Until the fifth anniversary of the Termination Date under the Capacity Purchase Agreement, Contractor shall not accept any offer that, if consummated, would result in a Transfer of all or any portion of an interest in a Contractor Facility, or a facility that was at any time during the Term a Contractor Facility (including any Contractor Terminal Facility that was retained by Contractor pursuant to Section 6(d), (an "Offer"), unless (x) Contractor shall have provided written notice (an "Offer Notice") to Continental of such Offer, setting forth all material terms and conditions upon which the proposed Transfer is to be made, and (y) a period of 20 Business Days shall have expired after receipt of the Offer Notice by Continental (the "Option Period"), or Continental shall have earlier declined the Offer in writing delivered to Contractor. Transmittal of the Offer Notice to Continental shall constitute an offer by Contractor to Transfer the specified interest in the Contractor Facility to Continental or its designee subject to the terms and conditions set forth in the Offer Notice; provided that, if the Offer Notice contains non-financial terms and conditions that are not capable of being matched by Continental on commercially reasonable terms, then Continental and Contractor shall use commercially reasonable efforts to determine the economic value of such terms and conditions (and the Option Period will be deemed not to have commenced until the parties have so determined such economic value), and Continental shall be entitled to accept the Offer Notice without matching such terms and conditions, but rather by matching the economic value of such terms and conditions.

(b) Continental shall have the exclusive option during the Option Period to accept Contractor's offer to Transfer the specified interest in the Contractor Facility to Continental or its designee, subject to the terms and conditions set forth in the Offer Notice, which option shall be exercisable during the Option Period by written notice from Continental to Contractor. During the Option Period, Contractor shall fully cooperate with Continental in the determination of any material data relevant to the Transfer of the specified interest in the Contractor Facility.

(c) If Continental shall accept the Offer in writing delivered to Contractor during the Option Period, then Continental and Contractor shall consummate the Transfer of the specified interest in the Contractor Facility to Continental or its designee, subject to the terms and conditions of the Offer, within 20 Business Days after receipt of such written notice.

(d) If Continental does not accept the Offer in writing delivered to Contractor during the Option Period, then Contractor shall be entitled to Transfer the specified interest in the Contractor Facility within 20 Business Days after the end of the Option Period on terms and conditions no more favorable to the transferee than those set forth in the Offer Notice. If the Transfer is not completed within such time period, then Contractor must again comply with all of the provisions of this Section 7 prior to making any Transfer of the specified interest in the Contractor Facility.

(e) Any purported Transfer of an interest in a Contractor Facility in violation of this Section 7 shall be void and ineffectual *ab initio*.

8. Term. This Agreement shall terminate at the end of the Term; provided that, any right or obligation hereunder that is specifically extended beyond the termination of this Agreement shall be so extended.

9. Special CLE Primary Hangar Provisions. With regard to that certain Sublease Agreement, dated effective as of January 1, 2001, between Continental and ExpressJet relating to the CLE Primary Hangar (which the parties hereby ratify and confirm), Continental agrees that it shall use commercially reasonable efforts to keep in full force and effect that certain Lease By Way of Concession, dated February 28, 2001, between Continental and the City of Cleveland, until the Termination Date and for a period of three years thereafter, subject to the provisions of Section 2(c) and the other provisions hereof, and provided that nothing contained herein shall impose any obligation on Continental to cure any default by Contractor under the Sublease Agreement referenced above.

10. Special IAH Express Training Center Provisions. With regard to that certain Sublease Agreement, dated effective as of January 1, 2001, between Continental and ExpressJet relating to the IAH Express Training Center (which the parties hereby ratify and confirm), Continental agrees that it shall use commercially reasonable efforts to keep in full force and effect that certain First Amended and Restated Special Facilities Lease Agreement, dated effective as of December 1, 1998, between Continental and the City of Houston, but only to the extent that such lease relates to the IAH Express Training Center, until December 30, 2027, subject to the provisions of Section 2(c) and the other provisions hereof, and provided that nothing contained herein shall impose any obligation on Continental to cure any default by Contractor under the Sublease Agreement referenced above.

11. Continental Inventory. After receipt of notice by Continental from time to time of inventory or equipment available for acquisition from Continental, Contractor agrees to use reasonable commercial efforts to satisfy all of its inventory or equipment acquisition requirements by acquiring items of such inventory and equipment from Continental.

12. Cooperation. Notwithstanding any other provision of this Agreement, each of the parties hereto shall use commercially reasonable efforts to comply in a timely manner with all reasonable requests of the other parties made from time to time that are in furtherance of this Agreement.

13. Relationship of the Parties. Nothing in this Agreement shall be interpreted or construed as establishing among the parties a partnership, joint venture or other similar arrangement.

14. Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon the parties hereto and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by a party hereto without the prior written consent of the other parties.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The Agreement may be executed by facsimile signature.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas (excluding Texas choice-of-law principles that might call for the application of the law of another jurisdiction) as to all matters, including matters of validity, construction, effect, performance and remedies.

17. Arbitration. Any Claims arising out of or related to this Agreement shall be resolved by binding arbitration pursuant to the provisions of Section 10.09 of the Capacity Purchase Agreement.

18. Confidentiality. Except as required by law or in any proceeding to enforce the provisions of this Agreement, Continental, ExpressJet and Holdings hereby agree not to publicize or disclose to any third party the terms or conditions of this Agreement or any exhibit, schedule or appendix hereto without the prior written consent of the other parties hereto. Except as required by law or in any proceeding to enforce the provisions of this Agreement, Continental, ExpressJet and Holdings hereby agree not to disclose to any third party any confidential information or data, both oral and written, received from the other in connection with this Agreement and designated as such by the other, without the prior written consent of the party providing such confidential information or data. If any party is served with a subpoena or other process requiring the production or disclosure of any of such agreements or information, then the party receiving such subpoena or other process, before complying with such subpoena or other process, shall immediately notify the other parties of same and permit said other parties a reasonable period of time to intervene and contest disclosure or production. Upon termination of this Agreement, each party must return to each other any confidential information or data received from the other and designated as such by the party providing such confidential information or data which is still in the recipient's possession or control.

19. Equitable Remedies. Each of Continental and Contractor acknowledges and agrees that under certain circumstances the breach by Continental or Contractor of a term or provision of this Agreement will materially and irreparably harm the other party, that money damages will accordingly not be an adequate remedy for such breach and that the non-defaulting party, in its sole discretion and in addition to its rights under this Agreement and any other remedies it may have at law or in equity, may apply to any court

of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any breach of the provisions of this Agreement.

20. Subject to Capacity Purchase Agreement. Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Agreement (and any exhibit hereto, other than the provisions of Exhibit D hereto that pertain to airports listed on Schedule 2 thereto) shall be subject in all respects to any provisions of the Capacity Purchase Agreement that require any true-up or reconciliation payment be made by Continental or Contractor.

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

CONTINENTAL AIRLINES, INC.

-
By:

Name: Lawrence W. Kellner

Title: Chairman and Chief Executive Officer

-
EXPRESSJET HOLDINGS, INC.

-
By:

Name: James B. Ream

Title: President and Chief Executive Officer

-
EXPRESSJET AIRLINES, INC.

-
By:

Name: James B. Ream

Title: President and Chief Executive Officer

EXHIBIT A

to the Master Facility and Ground Handling Agreement

FORM OF SUBLEASE AGREEMENT

This Sublease Agreement (this "Agreement"), dated as of the ___ day of _____, by and between _____, a _____ corporation ("Sublessor"), whose address is _____, and _____, a _____ corporation ("Sublessee"), whose address is _____.

WITNESSETH:

WHEREAS, Sublessor and Sublessee are parties to that certain Amended and Restated Master Facility and Ground Handling Agreement dated as of June ___, 2008 ("Master Facility Agreement");

WHEREAS, Sublessor has entered into various agreements (such agreements, as the same may have been or may from time to time be amended, the "Prime Agreements") with other parties ("Prime Lessors") pursuant to which the Prime Lessors have conferred upon Sublessor the right to use certain premises;

WHEREAS, Sublessor desires to allow Sublessee the right to use certain portions of the premises that Sublessor has the right to use pursuant to the Prime Agreements (such portions, together with such associated rights and privileges, such as reasonable and necessary ingress and egress thereto to the extent permitted by the applicable Prime Agreement, are described on Schedule 1 attached hereto and are hereinafter referred to as the "Subleased Premises"); and,

WHEREAS, Sublessee desires to hire and take said Subleased Premises as provided herein, in accordance with the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, Sublessor and Sublessee agree as follows:

1- Subleased Premises

a) Sublessor hereby lets unto Sublessee and Sublessee hereby hires and takes from Sublessor the Subleased Premises in accordance with the terms and conditions hereof.

b) Sublessee agrees and accepts the associated rights and privileges granted under the Prime Agreements, subject, however, to the following limitations and reservations, and subject to other terms and conditions set forth in this Agreement:

(1) The Prime Agreements, insofar as they relate to the Subleased Premises, and such Prime Agreements are hereby incorporated by this reference as if fully set forth herein.

(2) Sublessee covenants and agrees, for the benefit of Sublessor and the Prime Lessors, that it shall not, by its use and occupancy of the Subleased Premises, violate any of the provisions of the Prime Agreements relating thereto, and that it shall not knowingly permit any breach of any of the obligations of Sublessor under such Prime Agreements. Sublessee covenants and agrees that this Agreement shall be in all respects subject and subordinate to the Prime Agreements relating thereto. Nothing contained in this Agreement shall be deemed to confer upon Sublessee any rights that are not granted by or are in conflict with the applicable Prime Agreement.

(3) Sublessor reserves the right to enter upon the Subleased Premises at any time during an emergency to take such action therein as may be required for the protection of persons or property and at other reasonable times for the purpose of inspection, maintenance, making repairs, replacements, alterations or improvements (to the Subleased Premises or to other areas), showing to prospective subtenants or other users, and for other purposes permitted elsewhere in this Agreement.

Except to the extent that Sublessor has been granted representations or warranties under the Prime Agreements regarding the condition of the Subleased Premises the benefit of which may, pursuant to the applicable Prime Agreement and applicable law, inure to Sublessee (in which case such representations and warranties shall be deemed made by Sublessor in favor of Sublessee), Sublessee accepts the Subleased Premises AS-IS, WITH ALL FAULTS, LATENT OR KNOWN. Subject to the foregoing, Sublessor MAKES NO WARRANTIES, GUARANTEES, OR REPRESENTATIONS OF ANY KIND EITHER EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, PERTAINING TO THIS AGREEMENT OR THE PROPERTY DESCRIBED IN THIS AGREEMENT. Subject to the foregoing, SUBLESSEE HEREBY WAIVES, AND SUBLESSOR EXPRESSLY DISCLAIMS ALL WARRANTIES, GUARANTEES AND REPRESENTATIONS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, INCLUDING BUT NOT LIMITING THE GENERALITY OF THE FOREGOING, ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR REGARDING THE CONDITION OF THE PROPERTY. Subject to the foregoing, IN NO EVENT SHALL SUBLESSOR'S LIABILITY OF ANY KIND UNDER THIS AGREEMENT INCLUDE ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES EVEN IF SUBLESSOR SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGE.

Any alterations will be the sole responsibility and expense of the Sublessee and will require the prior written approval of Sublessor and, if required under the applicable Prime Agreement, the respective Prime Lessor.

3 - TERM

The term of this Agreement shall commence as of the date of first occupancy of the Subleased Premises by Sublessee and (unless sooner terminated as hereinafter provided) shall continue in effect thereafter until terminated pursuant to the provisions of this Agreement or the Master Facility Agreement, but under no circumstances shall it continue beyond the term of the Prime Agreement (as the same may be extended) relating to such portion of the Subleased Premises.

4 - RENTAL

For the use of the Subleased Premises, Sublessee agrees to pay to Sublessor the amounts set forth for each separate Subleased Premises location on Schedule 2 attached hereto.

5 - UTILITIES AND SERVICES

Sublessor shall not be liable for any interruptions of utilities or services arising from repairs, alterations, or improvements on or about the Subleased Premises, except (and only) to the extent that the Prime Lessor of such portion of the Subleased Premises is liable to Sublessor for such event. Sublessee shall pay Sublessor an equitably allocated pro rata share of any electrical, gas, water or other utility costs associated with the use by Sublessee of the Subleased Premises.

6 - GOVERNMENT REQUIREMENTS

Sublessee shall procure from all governmental authorities having jurisdiction over the operations of Sublessee at the Subleased Premises, all licenses, certificates, permits or other authorization which may be necessary for the conduct of its operations. Sublessee shall also at all times promptly observe, comply with, and execute the provisions of any and all present and future governmental laws, rules, regulations, requirements, orders and directives which may apply to the operations of Sublessee on the Subleased Premises or its occupancy thereof.

7 - RULES, REGULATION & ADMINISTRATION

Sublessee covenants and agrees to observe and obey the applicable rules and regulations promulgated by the applicable Prime Lessor and all reasonable rules and regulations promulgated by Sublessor for the conduct of tenants and subtenants at the Subleased Premises; and to observe and obey all present rules and regulations issued by Sublessor and/or the respective Prime Lessor for safety, health, preservation of the Subleased Premises, security and all reasonable rules and regulations promulgated in writing in the future by Sublessor and/or the respective Prime Lessor.

8 - OTHER OBLIGATIONS OF SUBLESSEE

Sublessee, in its use of all of the Subleased Premises and related facilities, and in the conduct of its operations, shall:

- a. Conduct its operations in an orderly and proper manner. Sublessee shall not create or generate or permit the creation or generation of vibrations that could reasonably be regarded as posing a material risk of damage to the Subleased Premises; unreasonably loud noises; the emission of steam, gases or unpleasant or noxious odors; nor in any other manner annoy, disturb or be offensive to other tenants or users of the premises or common areas.
- b. Comply with all applicable federal, state and local laws, ordinances, regulations and orders. Without limiting the generality of the foregoing, to the extent that the activities of Sublessee shall be subject to the same, Sublessee shall comply with the following:

1. Compliance with Regulations. Sublessee shall comply with the regulations relative to nondiscrimination in federally assisted programs of the United States Department of Transportation (hereinafter "DOT") Title 49, Code of Federal Regulations, Part 21, as they may be amended from time to time ("Regulations"), which are herein incorporated by reference and made a part of this Agreement.

2. Nondiscrimination Generally. Sublessee shall not discriminate on the grounds of race, color, sex, creed or national origin in the selection and retention of subcontractors, including procurements of materials and leases of equipment.

3. Solicitations for Subcontractors, Including Procurements of Materials and Equipment. If required by the Regulations, in all solicitations either by competitive bidding or negotiation made by Sublessee for work to be performed under a subcontract, including procurements of materials or leases of equipment, each potential subcontractor or supplier shall be notified by Sublessee of Sublessee's obligations under the Regulations relative to nondiscrimination on the grounds of race, color, or national origin.

4. Information and Reports. Sublessee shall provide all information and reports required by the Regulations or directives issued pursuant thereto and shall permit access to its books, records, accounts other sources of information, and its facilities as may be determined by the airport sponsor or the Federal Aviation Administration (the "FAA") to be pertinent to ascertain compliance with such Regulations, orders, and instructions. Where any information required of Sublessee is in the exclusive possession of another who fails or refuses to furnish this information, Sublessee shall so certify to the airport sponsor or the FAA, as appropriate, and shall set forth what efforts it has made to obtain the information.

5. Nondiscrimination Covenant. Sublessee hereby covenants and agrees, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated by Sublessee on the Subleased Premises for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Sublessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended. Sublessee hereby covenants and agrees, as a covenant running with the land: (1) that no person on the grounds of race, color, sex, creed or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of the Subleased Premises, (2) that in the construction of any improvements on, over, or under such Subleased Premises and the furnishing of services thereon, no person on the grounds of race, color, sex, creed or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Sublessee shall use the Subleased Premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended. Sublessee assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or handicap be excluded from participating in any activity conducted with or benefiting from Federal assistance.

- c. Control the demeanor and appearance of its officers, and employees so as to maintain professional standards and upon objection from Sublessor or the respective Prime Lessor concerning the conduct, demeanor, or appearance of any person, Sublessee shall immediately take all steps necessary to remove the cause of the objection.

d) Not allow garbage, debris, or other waste materials (whether solid, liquid or gaseous) to collect or accumulate on the Subleased Premises or in access and service areas of the Subleased Premises used by Sublessee, and Sublessee shall cause to be removed from the Subleased Premises any debris and other waste material generated by Sublessee. Sublessee shall use all due care when effecting removal of all such waste and shall effect such removal pursuant to the applicable regulations existing at Subleased Premises for the removal of waste as promulgated by the respective Prime Lessor, Sublessor or others having jurisdiction. Sublessee shall keep all lobbies, vestibules and steps within the Subleased Premises free from dirt and rubbish.

e) Sublessee is responsible to maintain at all times the Subleased Premises and all equipment, fixtures, and materials used by Sublessee thereon, or in other areas, in a clean and sanitary manner.

It is intended that the standards and obligations imposed by this section shall be maintained or complied with by Sublessee in addition to its compliance with any applicable governmental laws, ordinances and regulations currently in effect or which may be enacted.

9 - MAINTENANCE AND REPAIR

a) Sublessee shall take good care of the Subleased Premises while they are under Sublessee's control and shall make or cause to be made at its own expense all installations, repairs, replacements, redecorating and other maintenance necessary to keep the Subleased Premises, and equipment, fixtures, furnishings and signs therein clean and in good condition and repair; all of which shall be in accordance with the standards of the facility and of a quality and class not inferior to the original material or workmanship. All maintenance and repair work undertaken by Sublessee shall be done in a good and workmanlike manner, leaving the Subleased Premises free of liens for labor and materials.

b) Sublessee shall maintain the Subleased Premises and conduct its operations in such manner that at no time during the letting hereunder will it do or knowingly permit to be done any act or thing upon the Subleased Premises which will invalidate or conflict with any fire and casualty insurance policies covering the Subleased Premises, or any part thereof, or the Subleased Premises, or any part thereof, or which may create a hazardous condition so as to increase the risk normally attendant upon the operations contemplated hereunder, and Sublessee shall promptly observe and comply with any and all present and future rules and regulations, requirements, orders and directions of Fire Underwriters Association or of any other board or organization which may exercise similar functions. Any increase in fire or casualty insurance premiums attributable to Sublessee's acts or omissions under this Agreement shall be promptly reimbursed by Sublessee, upon receipt of Sublessor's invoice therefor.

10 - RELATIONSHIP

It is expressly understood and agreed that Sublessee is and shall be an independent contractor and operator, responsible for its acts or omissions in connection with its use and occupancy of the Subleased Premises and any related areas used by Sublessee.

11 - RELEASE AND INDEMNITY

Release

Sublessee agrees that Sublessor shall not be liable for any loss or damage to any property of any persons (including property of Sublessee, its officers, directors, employees, agents, customers, concessionaires, vendors, contractors or invitees), occasioned by theft, fire, acts of God, or any governmental body or authority, injunction, riot, war, other tenants of the Subleased Premises or the premises of which the Subleased Premises are a part, or any damage or inconvenience which may arise through repair, or alteration of the Subleased Premises, or failure to make repairs in a timely manner, or the unavailability of utilities, or for any other cause, except to the extent caused by the gross negligence or willful misconduct of Sublessor or the respective Prime Lessor, it being agreed that this release shall apply to claims resulting from the negligence of Sublessor or such Prime Lessor. Sublessor agrees that any waivers of claims for property damage contained in the respective Prime Agreement made by the Prime Lessor thereunder shall inure to the benefit of Sublessee to the extent permitted by the applicable Prime Agreement and applicable law.

Indemnity.

Anything in this Agreement to the contrary notwithstanding, and without limiting Sublessee's obligation to provide insurance pursuant to Article 12 hereunder, Sublessee covenants and agrees that it shall indemnify, defend and save harmless Sublessor, its affiliates (other than Sublessee), any affected Prime Lessor, and their respective directors, officers, employees, agents, successors and assigns ("Indemnitees"), from and against all liabilities, losses, damages, penalties, claims, costs, charges and expenses, causes of action and judgments of any nature whatsoever, including without limitation reasonable attorney's fees, costs and related expenses that may be imposed upon or incurred by the Indemnitees by reason or arising out of any of the following, except if caused by the negligence or willful misconduct of any such Indemnitee (it being acknowledged, however, that if the indemnification obligations of Sublessor under the respective Prime Agreement requires Sublessor to indemnify such Prime Lessor (or other parties therein identified) Sublessee shall be required to indemnify such Prime Lessor and other identified parties to the same extent; and that such indemnification duties may apply even where an Indemnitee under the applicable Prime Agreement is negligent or otherwise at fault):

a) Any occupancy, management or use of the Subleased Premises, or areas surrounding the Subleased Premises or the service areas, parking areas, or pedestrian areas in or around the Subleased Premises, by Sublessee or any of its directors, officers, agents, contractors, servants, employees, licensees, invitees, successors and assigns;

d) Any negligence on the part of Sublessee or any of its directors, officers, agents, contractors, servants, employees, licensees, invitees, successors and assigns;

c) Any accident, injury to or death of any person, or damage to or destruction of any property of Sublessee or its officers, directors, employees, agents, customers, concessionaires, vendors, contractors or invitees occurring in or on the Subleased Premises; or

d) Any failure on the part Sublessee to comply with any of the covenants, agreements, terms or conditions contained in this Agreement.

12 - INSURANCE

Without limiting Sublessee's obligation to indemnify Sublessor as provided for in this Agreement, Sublessee shall procure and maintain, at its own cost and expense, at all times during the term of this Agreement, insurance of the following types in amounts not less than those indicated with insurers satisfactory to Sublessor:

Comprehensive public liability insurance with limits of not less than \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] per occurrence for death or bodily injury; workers compensation insurance with statutory limits; and employer's liability insurance of not less than \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] in limits.

Such insurance shall contain the following endorsements:

(1) Name Sublessor and the respective Prime Lessor, its parents and subsidiaries, their respective directors, officers, employees, agents, successors and assigns, as Additional Insureds as it pertains to this Agreement and the respective Subleased Premises. Upon written notice from Sublessor, Sublessee shall promptly cause any other party required to be named by as an Additional Insured under the Prime Agreement to be so named.

(2) Include a Severability of Interest (Cross Liability) provision whereby such insurance applies separately to each insured to the extent of Sublessee's indemnity obligations hereunder.

(3) Include a breach of warranty clause in favor of the Additional Insureds, whereby such insurance shall not be invalidated by any breach of warranty by Sublessee.

(4) Include a blanket contractual liability clause to cover the liability and indemnity assumed by the Sublessee under this Agreement.

(5) Provide that such insurance is primary without right of contribution from Sublessor's insurance.

(6) Provide that Sublessor is not obligated for payment of any premiums, deductibles, retention or other self-insurances thereunder.

(7) Provide for 30 days advance notice to Sublessor and the respective Prime Lessor, by registered or certified mail, of any cancellation, reduction, lapse or other material change.

(8) Include a Waiver of Subrogation clause in favor of the Additional Insureds.

The indemnities and insurance provisions contained or referred to herein shall survive the expiration or other termination of this Agreement.

13 - ASSIGNMENT

This Agreement and the rights and obligations created hereunder may not be assigned or delegated by Sublessee without the prior written consent of Sublessor and, if required of Sublessor under the applicable Prime Agreement, the applicable Prime Lessor; but subject to the foregoing, this Agreement and the rights and obligations of the parties hereby created, shall be binding upon and inure to the benefit of the parties hereto, their respective successors, assigns and legal representatives. Sublessor reserves the right to assign or transfer its interest hereunder without notice.

14 - WAIVER

The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term, but such waiver shall be effective only if it is in writing signed by the party against which such waiver is to be asserted. Unless otherwise expressly provided in this Agreement, no delay or omission on the part of any party in exercising any right or privilege under this Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right or privilege under this Agreement operate as a waiver of any other right or privilege under this Agreement nor shall any single or partial exercise of any right or privilege preclude any other or further exercise thereof or the exercise of any other right or privilege under this Agreement. No failure by either party to take any action or assert any right or privilege hereunder shall be deemed to be a waiver of such right or privilege in the event of the continuation or repetition of the circumstances giving rise to such right unless expressly waived in writing by the party against whom the existence of such waiver is asserted.

15 - FORCE MAJEURE

Neither party shall be deemed in violation of this Agreement if it is prevented from performing any of its non-monetary obligations hereunder by any labor or industrial dispute; civil disturbance; vandalism or act of a public enemy; shortage of labor, energy or material; court order, regulation, action or non-action of any governmental authority; weather condition; natural disaster; act of God; or other circumstances not reasonably within its control, and which, with the exercise of due diligence, it is unable to overcome; provided that, the provisions of this Article 15 shall not apply where the time period for Sublessor to perform its obligations under the Prime Agreement would not be extended upon the occurrence of any of the foregoing. Each party shall give the other immediate notice of such interruption, shall make all reasonable efforts to eliminate it as soon as possible, and at its conclusion, shall resume performance in accordance with its obligations hereunder; provided that, neither party shall be required to settle or compromise any strike or other labor dispute to so eliminate such interruption.

16 - NOTICE

All notices made pursuant to this Agreement shall be in writing and shall be deemed given upon (a) a transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery of a standard overnight courier the following Business Day or if delivered by hand the following Business Day), or (b) confirmed delivery of a standard overnight courier or delivered by hand, to the parties at the following addresses:

if to Sublessor:

[insert]

if to Sublessee:

[insert]

or to such other address as either party hereto may have furnished to the other party by a notice in writing in accordance with this Article 16.

17 - TERMINATION

Without limiting any rights of Sublessor, either at law or in equity, to exercise any remedies available to Sublessor as may be afforded by operation of law, this Agreement may be terminated as follows:

a) Immediately upon termination or expiration of the respective Prime Agreement (notwithstanding that such agreement may remain in effect as to space other than the Subleased Premises), or upon expiration or termination of Sublessor's right to grant Sublessee the right to occupy and use the applicable portion of the Subleased Premises.

b) Immediately without notice to Sublessee if Sublessee files a voluntary petition in bankruptcy or if proceedings in bankruptcy shall be instituted against it and not dismissed within 30 days, or that a court shall take jurisdiction of Sublessee or its assets pursuant to proceedings brought under the provisions of any Federal Reorganization Act, or that a receiver of Sublessee's assets shall be appointed and such taking or appointment shall not be stayed or vacated within a period of 30 days.

c) Immediately upon written notice to Sublessee, if Sublessee fails to pay any installment of rent or additional rent within 10 days after receipt of written notice that the same was not paid when due.

d) Immediately upon written notice to Sublessee, if Sublessee fails to perform, keep, and observe any of the terms, covenants or conditions herein contained on the part of Sublessee to be performed, kept, or observed and such failure continues for 30 days after the date of written notice thereof is sent to Sublessee; provided that, if Sublessor would have a lesser period of time to cure such default under the applicable Prime Agreement, then Sublessee shall only be permitted the time period that Sublessor would be permitted to cure such default, less 48 hours; it being further agreed that Sublessor may, but shall not be obligated to, take any action it reasonably deems necessary or advisable at Sublessee's expense to cure such default if such default causes interference with Sublessor's operations or if it is determined by Sublessor, acting reasonably, that such default is likely to result in Sublessor's loss of the use of the Subleased Premises pursuant to the Prime Agreement.

e) Immediately by either party upon the acquisition or condemnation of the Subleased Premises by eminent domain, in which event Sublessee shall have no claim for the unexpired term nor a claim for any part of the award made for the Subleased Premises.

In the event that this Agreement is terminated in accordance with the foregoing provisions prior to the expiration of the term after a default by Sublessee hereunder, Sublessor may (but shall not be obligated to) relet the Subleased Premises for a term and upon any conditions it may deem proper. In no event will Sublessee be entitled to receive any payment from Sublessor if the profits from such reletting exceed the rental reserved to be paid hereunder by Sublessee. Any termination by Sublessor under this section shall not affect or impair the right of Sublessor to recover actual damages occasioned by any default by Sublessee that may be recoverable under applicable law.

18 - SURRENDER OF SUBLEASED PREMISES

Upon expiration or other termination of this Agreement, Sublessee shall remove all its signs, trade fixtures and any other personal property, repair all damage caused by removal, and surrender the Subleased Premises in good order and condition, reasonable wear and tear excepted. If Sublessee fails to surrender possession as aforesaid, Sublessor may re-enter and repossess the Subleased Premises without further notice (any personal property therein being deemed abandoned by Sublessee) and Sublessee hereby waives service of any notice of intention to re-enter and/or right to redeem that may be granted by applicable laws.

Sublessor agrees that on payment of the rents and any other payments due, and performance of the covenants and agreements on the part of Sublessee to be performed hereunder, Sublessee shall peaceably have and enjoy the Subleased Premises for the uses granted to Sublessee hereunder, subject to Sublessor's continued rights under the applicable Prime Agreement and any limitations otherwise stated herein.

20 - CONDITIONS

It is agreed that if required under the terms of the applicable Prime Agreement, the use of the Subleased Premises by Sublessee is subject to the consent and approval of the applicable Prime Lessor. If written consent by any Prime Lessor is denied after reasonable efforts by the parties hereto to obtain such consent, then either party may, at its option (but without limiting any of Sublessor's rights in respect of any breach of the terms hereof prior to such rescission) rescind its signature hereon and thereafter this Agreement shall become null and void (but only as to the portion of the Subleased Premises covered by such Prime Agreement), and the parties shall become discharged from all further unaccrued liabilities hereunder. If the consent of any Prime Lessor is required, then for purposes of submittal of this Agreement for the consent of such Prime Lessor, it is agreed that Schedule 1 may be redacted so as to describe only the portion of the Subleased Premises as are leased by Sublessor from such Prime Lessor and so as to set forth only the respective Prime Agreements that pertain to the Subleased Premises.

21 - TAXES

If Sublessor shall be assessed for taxes on any of the Sublessee's leasehold improvements, equipment, furniture, fixtures, personal property or business operations, Sublessee shall pay to Sublessor the amount of such taxes within 10 days after delivery of a written statement thereof.

22 - SUBJECT IN ALL RESPECTS TO MASTER FACILITY AGREEMENT

Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Agreement shall be subject in all respects to the provisions of the Master Facility Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

SUBLESSOR SUBLESSEE

BY: _____ BY: _____

DATE: _____ DATE: _____

Schedules to be added:

Schedule 1 - Description of Subleased Premises

Schedule 2 - Rental Amounts for Subleased Premises

EXHIBIT B

to the Master Facility and Ground Handling Agreement

FORM OF ASSIGNMENT

This Agreement (this "Agreement") is made and entered into, and is to be effective on, this the ____ day of _____ (the "Effective Date"), by _____, a _____ corporation ("Assignor") and _____, a _____ corporation ("Assignee"), [and the _____ ("Airport Lessor")].

WITNESSETH:

WHEREAS, Assignor leases space], designated on Exhibit(s) _____ attached hereto and made a part hereof (together the "Premises"), at _____ at the _____ Airport, _____ (the "Airport") under a certain [Airport Use and Lease Agreement dated _____, (as amended, hereinafter referred to as the "Lease")] between Assignor and the Airport Lessor;

WHEREAS, a copy of the Lease has been provided to Assignee and is incorporated herein by reference;

WHEREAS, Assignee operates at the Airport and from portions of the Premises;

WHEREAS, Assignor desires to assign to Assignee [all] [a portion] of Assignor's remaining right, title and interest in the Lease [insofar (and only insofar) as the Lease pertains to certain leased premises and improvements described on the attached Annex 1], such space herein called the "Assigned Space" and the improvements located within the Assigned Space are herein called the "Assigned Space Improvements". The Assigned Space and Assigned Space Improvements are herein called the "Assigned Premises";

WHEREAS, Assignee desires to accept such assignment from Assignor;

[WHEREAS, such assignment requires the prior written consent of the Airport Lessor];

[WHEREAS, pursuant to the Lease, such assignment does not require the consent of the Airport Lessor (but written notice of such assignment is required to be given to the Airport Lessor)].

NOW, THEREFORE, in consideration of the assignment herein made and of the mutual agreements and covenants hereinafter set forth, the parties hereto agree as follows:

1. DEMISE AND USE

Effective on the Effective Date, Assignor hereby assigns to Assignee all of the interest of the lessee under the Lease [insofar (and only insofar) as the Lease pertains to the Assigned Premises].

2. ACCEPTANCE OF ASSIGNMENT

Assignee accepts the foregoing assignment of the Lease [insofar (and only insofar) as the Lease pertains to the Assigned Premises] and covenants with Assignor, from and after the Effective Date, to pay all rent and other charges provided for in the Lease, as amended and to perform and observe all of the other covenants, conditions and provisions in the Lease, as amended, to be performed or observed by or on the part of Assignor as tenant under the Lease [in respect of the Assigned Premises].

3. WARRANTIES

Assignor hereby warrants and covenants that (i) except for the rights and interests of the Airport Lessor under the Lease, Assignor is now the sole owner of all rights and interests in and to the Assigned Premises, (ii) the Lease [as it relates to the Assigned Premises] is in full force and effect, (iii) Assignor has complied with all terms and provisions of the Lease [as it relates to the Assigned Premises] and same is not currently in default and Assignor knows of no condition which with the passage of time or giving of notice might constitute a default under the Lease by any party, and (iv) the Assigned Premises and the Lease [insofar as it relates to the Assigned Premises] are free from all liens and encumbrances. A copy of the Lease (and all amendments thereto) are attached as Annex 2.

Subject to the foregoing, Assignee accepts the Assigned Premises and equipment thereon "AS IS" and acknowledges that there is, with respect to the Assigned Premises and equipment thereon, NO WARRANTY, REPRESENTATION, OR CONDITION OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING THE WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE, and that none shall be implied by law. Except as stated in this Agreement, Assignee acknowledges that Assignor has made no representations with respect to the Assigned Premises or equipment. Final determination of the suitability of the Assigned Premises or equipment for the use contemplated by Assignee is the sole responsibility of Assignee, and Assignor shall have no responsibility in connection with such suitability.

4. ASSIGNEE TO COMPLY WITH LEASE TERMS

Assignee agrees to perform and observe all of the covenants, conditions and terms of the Lease relating to the period of time from and after the Effective Date [(insofar, but only insofar, as the same related to the Assigned Premises)], and to protect, defend, indemnify and hold harmless Assignor from and against all claims, damages, and expenses of any kind asserted by any person or entity, including the Lessor, arising out of the nonperformance, nonobservance or improper performance or observance of the covenants, conditions or terms of the Lease [(insofar, but only insofar, as the same relates to the Assigned Premises)]. Assignor shall comply with all remaining terms of the Lease, to the extent any non-compliance could adversely affect Assignee rights in or to the Assigned Premises. Assignor agrees to protect, defend, indemnify and hold harmless Assignee from and against all claims, damages, and expenses of any kind asserted by any person or entity, including the Airport Lessor, arising out of the nonperformance, nonobservance or improper performance or observance prior to the Effective Date of the covenants, conditions or terms of the Lease [(insofar, but only insofar as the same relates to or effects the Assigned Premises)]. Nothing herein shall be construed as to obligate Assignee to be responsible in any way for any hazardous material located in, or the environmental condition of, the Assigned Premises as of the Effective Date to the extent not caused by or arising from Assignee's operations.

5. APPROVALS

[This Agreement shall not become effective unless and until the consent of the Airport Lessor is given by execution of consents for the assignments herein made, which consents shall be requested on the standard form for such consents by the lessor as attached hereto as Annex 3. Assignor and Assignee hereby mutually agree to expeditiously take any and all actions, and to cooperate fully with each other, with respect to obtaining any approvals, authorizations, licenses or similar items that may be necessary or desirable in order to carry out the agreements set forth herein or contemplated hereby. The parties hereto agree to request the consent of the Lessor on the consent form attached hereto as Annex 3. The parties agree to make such reasonable changes to such form as may be required by Lessor.]

[Consent by Airport Lessor. Airport Lessor, as evidenced by its execution below, does hereby consent to this Assignment, [releases Assignor from all of its responsibilities and obligations under the Lease that are attributable to the period of time after the Effective Date, and] agrees to look solely to Assignee for performance of all obligations thereafter under the Lease [as it relates to the Assigned Premises].]

[Acknowledgement. Assignor and Airport Lessor hereby represent to Assignee that the Lease is currently in full force and effect, and that they know of no events of default relating to the Lease or the Assigned Premises as of the date hereof.]

6. APPLICABLE LAW

[The laws of the State where the Assigned Premises are located shall be used in interpreting this Agreement and in determining the rights of the parties under it.]

7. SEVERABILITY

If any part of this Agreement is held to be invalid by final judgment of any court of competent jurisdiction, the part held invalid shall be modified to the extent necessary to make it valid or, if necessary, excised, and the remainder of the Agreement shall continue to remain effective.

8. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties with respect to its subject matter and may not be changed in any way, except by a written instrument executed by the parties and, if necessary, approved by the Airport Lessor.

9. SUCCESSORS AND ASSIGNS

The provisions of this Agreement shall be binding on the parties, their successors and assigns.

IN WITNESS WHEREOF, the parties have properly executed this Agreement effective the date first above written.

ATTEST: [ASSIGNOR]

_____ BY: _____

TITLE: _____

DATE: _____

-
ATTEST: [ASSIGNEE]

_____ BY: _____

TITLE: _____

DATE: _____

-

[Consent of Airport Lessor

By: _____

Name:

Title:

Date: _____]

Exhibits to be Attached:

Annex 1 - Description of Assigned Space

Annex 2 - Copy of Lease

Annex 3 - Request for Consent

ANNEX 1

to the Form of Assignment

A. DESCRIPTION OF ASSIGNED SPACE

ANNEX 2

to the Form of Assignment

B. COPY OF LEASE

ANNEX 3

to the Form of Assignment

C. REQUEST FOR CONSENT TO ASSIGNMENT

_____, a _____ corporation ("Assignor") and _____, a _____ corporation ("Assignee") hereby apply to the [_____] (the "Airport Lessor") for its consent to an Assignment attached as Exhibit "A" and dated _____ (the "Effective Date"), for premises described therein (the "Assigned Premises") as required by the [_____ Use and Lease Agreement] (the "Agreement") with _____ for certain premises at _____ Airport. As consideration for the granting of the aforesaid consent and without limitation of any right or remedy of the Airport Lessor as set out in the Agreement, Assignor and Assignee agree with the Airport Lessor as follows:

1. Assignor represents to Assignee that to its knowledge as of the date hereof, the agreement dated _____, by and between the Airport Lessor, as Lessor, and Assignor, as Lessee, is in full force and effect and there are no rental fees in arrears and no notices of termination or default are outstanding.
2. The parties hereto recognize and agree that the cancellation, termination, or expiration of the Agreement shall serve to terminate Assignor's and Assignee's rights and obligations concerning the Assigned Premises.
3. All notices to Assignee (as Lessee) with respect to the Assigned Premises pursuant to the Agreement shall hereinafter be sent to Assignee at the following address:

4. In addition, it is expressly understood and agreed as follows:

- a. That by the granting of this consent to Assignment, the Airport Lessor is not consenting in advance to any future subleases or assignments of the Assigned Premises or any other facilities by [either Assignor or] Assignee.
- b. That no future amendment, modification or alteration to the Assignment shall be or become effective without prior notice to and approval by the Airport Lessor if required by the provisions of the Agreement.
- c. That Airport Lessor, as evidenced by its execution of this consent below, [releases Assignor from all of its responsibilities and obligations under the Lease that are attributable to the period of time after the Effective Date, and] agrees to look solely to Assignee for performance of all obligations thereafter under the Lease [as it relates to the Assigned Premises].
- d. [That Assignor and Airport Lessor hereby represent to Assignee that the Lease is currently in full force and effect, and that they know of no events of default relating to the Lease or the Assigned Premises as of the date hereof.]

The parties accept the foregoing acknowledgments and agreements and the Airport Lessor hereby consents to the Assignment attached as Exhibit "A". However, the terms of the Agreement and this Request for Consent shall prevail over any conflicting terms or provisions contained in Exhibit "A" hereto.

FOR THE AIRPORT LESSOR: FOR [ASSIGNOR]:

APPROVED APPROVED

Name: Name:

Title: Director, Department of Aviation Title: _____

Date: _____ Date: _____

FOR [ASSIGNEE]:

APPROVED

ATTEST/SEAL:

Name: Name:

Title: Corporate Secretary Title: _____

Date: _____ Date: _____

EXHIBIT C

to the Master Facility and Ground Handling Agreement

FORM OF CONTINENTAL GROUND HANDLING AGREEMENT

(Continental as Handling Company, Contractor as Carrier)

AHM 810 - Annex B

STANDARD GROUND HANDLING AGREEMENT

SIMPLIFIED PROCEDURE

ANNEX B.SYS.0 - LOCATIONS AGREED SERVICES, FACILITIES AND CHARGES

to the Standard Ground Handling Agreement (SGHA) of April 1993

Between: ExpressJet Airlines, Inc.

700 Sam Houston Parkway West

Suite 200

Houston, Texas 77067

(hereinafter referred to as the "Carrier").

And: Continental Airlines, Inc.

1600 Smith

Mail Stop HQSLG

Houston, Texas 77002

(hereinafter referred to as the "Handling Company")

effective from: January 1, 2001

This Annex B.SYS.0

for the location : The Handling Company shall provide ground handling services as provided herein for Scheduled Flights at the airports set forth on Schedule 1 hereto.

In addition to the airports on Schedule 1, the Handling Company shall also provide ground handling services to the Carrier for Scheduled Flights pursuant to the terms hereof at each additional airport to which Scheduled Flights are scheduled to fly after the date hereof (each, a "New Airport") unless (i) at the time of commencement of Scheduled Flights to such New Airport, the Handling Company does not fly any flights to such airport; (ii) in the calendar month in which such Scheduled Flights commence, such New Airport would be the first, second or third New Airport at which the Handling Company would not provide services to the Carrier pursuant to the terms hereof; and (iii) the Handling Company gives at least 90 days' prior written notice (or such shorter period of time as is reasonably practicable) before the commencement of Scheduled Flights to such New Airport that the Handling Company will not provide ground handling services at such airport. Schedule 1 shall be amended to reflect each such addition.

The Handling Company may elect, upon at least 90 days' prior written notice to the Carrier, to provide ground handling services to the Carrier at any other airport to which Scheduled Flights fly at the time of such election. Schedule 1 shall be amended to reflect each such addition. In this regard, Carrier acknowledges that Handling Company has provided Carrier with proper written notice that Handling Company or its designee will provide ground handling services hereunder at 11 stations effective on September 7, 2008 (AVL, BHM, DAL, TYS, and VPS), September 16, 2008 (CAE, GSP, and SAV), and September 21, 2008 (JAN, LEX, and XNA).

Notwithstanding the foregoing, the Handling Company may elect to terminate the provision of services by the Handling Company pursuant hereto at any airport upon at least 90 days' prior written notice to the Carrier and in any event only at such time as the Carrier, using its commercially reasonable efforts, is able to provide the ground handling services provided by the Handling Company hereunder with respect to Scheduled Flights at such airport. In addition, the provisions of this agreement shall terminate with respect to any airport to which Scheduled Flights cease to be scheduled (other than a temporary cessation, it being understood that the cessation of seasonal Scheduled Flights upon the end of the relevant season shall constitute a temporary cessation if such Scheduled Flights are expected to resume in the subsequent relevant season). Schedule 1 shall be amended to reflect each such termination.

is valid from: July 1, 2008

and replaces: Annex B SYS.0 dated as of January 1, 2001, as previously amended.

Capitalized terms used herein that are not defined herein or in the Standard Ground Handling Agreement of April 1993 as published by the International Air Transport Association (the "Main Agreement") or in Annex A thereto, shall have the meanings given to such terms in the Second Amended and Restated Capacity Purchase Agreement among the Carrier, the Handling Company and ExpressJet Holdings, Inc., the Carrier's parent, as amended from time to time (the "Capacity Purchase Agreement" or "CPA"), or the Amended and Restated Master Facility and Ground Handling among the Carrier, the Handling Company and ExpressJet Holdings, Inc., as amended from time to time.

This Annex B is prepared in accordance with the simplified procedure whereby the Carrier and the Handling Company agree that the terms and conditions of the Main Agreement and Annex A to the Main Agreement shall apply as if such terms were repeated here in full, except as otherwise modified pursuant to this Annex B. By signing this Annex B, the parties confirm that they are familiar with the aforementioned Main Agreement and Annex A. The Main Agreement and Annex A, as modified pursuant to this Annex B shall be referred to herein as the "Agreement."

A. PARAGRAPH 1 - HANDLING CHARGES

1.1 The Handling Company shall provide the services of Annex A enumerated below for the Carrier's Scheduled Flights at the locations set forth above:

1.1.1. For services of the Annex A in its:

SECTION 1 - REPRESENTATION AND ACCOMMODATION:

1.1.2., 1.1.3., 1.1.4.

1.2.1., 1.2.2., 1.2.3.

SECTION 2 - LOAD CONTROL AND COMMUNICATION:

2.1.1., 2.1.2., 2.1.3.

2.2.1., 2.2.2., 2.2.3.

SECTION 4 - PASSENGERS AND BAGGAGE:

4.1.1., 4.1.2., 4.1.3., 4.1.4., 4.1.5., 4.1.6., 4.1.7. (in accordance with the Baggage Resolution System Agreement), 4.1.8., 4.1.10(b) (if applicable), 4.2., 4.3., 4.4.1., 4.4.2. (a), 4.4.4. (a)(c), 4.4.5., 4.4.6., 4.4.7.

SECTION 5 - CARGO AND MAIL:

5.1. thru 5.5 (CO's cargo products)

SECTION 6 - RAMP:

6.1., 6.2.1., 6.2.2. (a), 6.2.3. (on request at ad hoc rate), 6.3., 6.4.1. (b), 6.4.3., 6.4.4., 6.4.5., 6.4.6. (a)(b), 6.4.7., 6.4.8., 6.4.9., 6.4.12., 6.5.1. (on request at ad hoc rate), 6.6.1., 6.7.1.

SECTION 7 - AIRCRAFT SERVICING:

7.2.2., 7.3., 7.6.2. (ad hoc rates apply)

SECTION 8 - FUELING AND OIL:

8.1.1., 8.1.2., 8.1.12.

SECTION 10 - FLIGHT OPERATIONS AND CREW ADMINISTRATION:

10.1.1., 10.1.2., 10.1.4., 10.2.1., 10.2.2. (c), 10.2.5., 10.2.6., 10.2.7., 10.5.1.

SECTION 12 - CATERING SERVICES:

12.1.1., 12.1.2.

SECTION 14 - SECURITY:

14.1., 14.2., 14.4., 14.5. (GSC)

1.1.2. NO SEPARATE FEES FOR SERVICES COVERED UNDER THE SECTIONS LISTED ABOVE:

The ground handling services to be provided hereunder shall be provided in consideration of the mutual obligations of the Handling Company and the Carrier set forth in the Capacity Purchase Agreement among the Carrier, the Handling Company and ExpressJet Holdings, Inc., the Carrier's parent, with no fee charged hereunder; provided that the additional charges specified in Paragraph 2 below shall apply when applicable; and provided further that the Carrier will be responsible for all airport landing fees and other airport taxes or charges, and shall make payment directly therefor.

1.1.3 EQUIPMENT PROVIDED BY CARRIER:

Notwithstanding anything contained in Paragraph 1.1.1 to the contrary, at each airport that does not constitute a Hub Airport (and excluding airports that transition from Contractor Airports to Continental Airports on or after June 1, 2008 (a "Transitioned Airport")), if requested by Handling Company, the Carrier shall be responsible for supplying all ground handling equipment that is usable only for regional jets or turboprops of the type used by Contractor for Scheduled Flights (as opposed to other types of jets flown by the Handling Company), which, as of the date hereof, is the equipment set forth on Schedule 2 hereto, and which equipment may not be used by Handling Company for any purpose other than providing ground handling services to Carrier, except that such equipment may be used by Handling Company to provide ground handling to any codeshare partners of Handling Company. At all Hub Airports, the Handling Company shall be responsible for supplying such equipment. As between Handling Company and Carrier, Handling Company shall be responsible for supplying all other ground handling equipment necessary for the provision of ground handling services hereunder. Additionally, it is acknowledged that Carrier may arrange for the provision by a third party of any equipment otherwise required to be provided by Carrier hereunder and in this regard, Handling Company and Carrier shall use good faith efforts to coordinate with each other concerning the provisioning of any such equipment. From and after the date that an airport becomes a Transitioned Airport, Handling Company will not be responsible for any depreciation expenses relating to any ground handling equipment previously provided by Carrier at such Transitioned Airport, unless such equipment is placed into service in support of Scheduled Flights at another airport.

B. PARAGRAPH 2 - ADDITIONAL CHARGES

Services in Annex A which are not included in Paragraph 1 of this Annex and all other additional services that are available and that are agreed to be provided to Carrier in respect of Scheduled Flights will be provided by Handling Company at no additional charge.

C. PARAGRAPH 3 - DISBURSEMENTS

3.1 At the Handling Company's request, disbursements made on behalf of the Carrier shall be reimbursed to the Handling Company at cost.

D. PARAGRAPH 4 - SETTLEMENT OF ACCOUNT

4.1 Notwithstanding Article 7.2 of the Main Agreement, settlement of account shall be effected in accordance with the relevant provisions of the CPA, including any applicable setoff provisions).

E. PARAGRAPH 5 - TERMINATION OF AGREEMENT

5.1 This Agreement may be terminated by either party at any time following the termination of the Capacity Purchase Agreement; provided, that this Agreement may not be terminated pursuant to this sentence during the Wind-Down Period with respect to any location to which Scheduled Flights continue to fly during such Wind-Down Period. If the Carrier fails to make payments as agreed upon in Paragraph 4.1., the Handling Company may terminate the agreement upon twenty-four (24) hours notice by letter, teletype or facsimile.

F. PARAGRAPH 6 - TRANSFER OF SERVICES

6.1 In accordance with Article 3.1 of the Main Agreement, the Handling Company may subcontract the services of Annex A as necessary in order to support the Carrier's operation.

G. PARAGRAPH 7 - OTHER MODIFICATIONS TO MAIN AGREEMENT

7.1 Sections 2.2, 3.2, 11.4, 11.5, 11.6, 11.7, 11.10 and Article 9 of the Main Agreement shall not apply to this Agreement.

7.2 Handling Company and Carrier agree that all third-parties engaged by Carrier or Handling Company as of the date hereof, or engaged by Handling Company after the date hereof, to provide ground handling services to Carrier at any of the airports listed on Schedule 1 hereto are hereby approved for all purposes of Section 3.1 and Section 3.2, as appropriate, of the Main Agreement.

7.3 This Agreement shall be governed by and construed in accordance with the laws of the State of Texas as provided in Section 10.15 of the CPA.

7.4 Carrier specifically acknowledges that Article 8 of the Main Agreement provides that Handling Company is not to be responsible for, and that Carrier is to indemnify Handling Company in respect of, legal liability for certain claims arising out of the provision of ground handling services even in circumstances where Handling Company is negligent, and Carrier agrees not to contend otherwise.

7.5 Any Claims arising out of or related to this Agreement shall be resolved by binding arbitration pursuant to the provisions of Section 10.09 of the CPA as if such provisions applied to the subject Claim(s).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers duly authorized thereunto, as of the 1st day of January, 2001.

Handling Company: Carrier:

Continental Airlines, Inc. ExpressJet Airlines, Inc.

BY: BY:

NAME: Lawrence W. Kellner NAME: James B. Ream

TITLE: Chairman and CEO TITLE: President and CEO

DATE: June __, 2008 DATE: June __, 2008

-

-

Schedule 1 Airports

Schedule 2 Carrier Equipment

-

-

AHM 810 - Annex B

Schedule 1

AIRPORTS

Continental Airports

DOMESTIC

ABQ

AEX

ATL

AUS

AVL Eff September 7, 2008

BDL

BHM Eff September 7, 2008

BNA

BOS

BPT

BTR

BUF

BWI

CAE Eff September 16, 2008

CHS

CLE

CLT

CLL

CMH

COS

DAL Eff September 7, 2008

DCA

DEN

DFW

DTW

ELP

ERI

EWR

GRK

GSO

GSP Eff September 16, 2008

HPN

IAH

IND

JAN Eff September 21, 2008

JAX

JFK

LCH

LEX Eff September 21, 2008

LGA

MCI

MCO

MFE

MIA

MLU

MSP

MSY

MJT

MYR

OKC

ORD

ORF

PBI

PHL

PHX

PNS

PVD

RDU

RIC

RSW

SAI

SAV Eff September 16, 2008

SHV

SLC

SRQ

STL

TPA

TUL

TUS

TYS Eff September 7, 2008

VPS Eff September 7, 2008

XNA Eff September 21, 2008

MEXICO

ACA

AGU

BIX

CME

CUU

DGO

GDL

HUX

LOV

LTO

MEX

MLM

MTY

MZT

OAX

PBC

PVR

QRO

SJD

SLP

SLW

TAM

TLC

TRC

VER

VSA

ZIH

ZLO

CARIBBEAN

NAS

CANADA

YHZ

YOW

YQB
YQM
YUL
YYT
YYZ

-
-
-
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Schedule 2
CARRIER EQUIPMENT

-
RJ Towbar
28.5V GPU
RJ Carry-On Gate Check Bag Cart
RJ Passenger Stairs
RJ Passenger Lift
8,000 LB Draw Bar Pull Pushback Tractor
Low Profile Lavatory Cart
75 Gallon Capacity Water Cart
-

AHM 810 - Annex B

EXHIBIT D
to the Master Facility and Ground Handling Agreement
CONTRACTOR GROUND HANDLING AGREEMENT
(Contractor as Handling Company, Continental as Carrier)

AHM 810 - Annex B

STANDARD GROUND HANDLING AGREEMENT

SIMPLIFIED PROCEDURE

ANNEX B.SYS.0 - LOCATIONS AGREED SERVICES, FACILITIES AND CHARGES

to the Standard Ground Handling Agreement (SGHA) of April 1993

Between: Continental Airlines, Inc.

1600 Smith

Mail Stop HQSLG

Houston, Texas 77002

(hereinafter referred to as the "Carrier")

And: ExpressJet Airlines, Inc.

700 North Sam Houston Parkway West, Suite 200

Houston, Texas 77067

(hereinafter referred to as the "Handling Company")

effective from: January 1, 2001

This Annex B.SYS.0

for the location: The Handling Company shall provide ground handling services as provided herein at the airports set forth on Schedule 1 hereto.

The Carrier may elect, at its sole discretion and upon at least 90 days notice to the Handling Company, to require the Handling Company to provide ground handling services to the Carrier at any airport to which the Handling Company already flies Scheduled Flights at the time of such election. Schedule 1 shall be amended to reflect each such addition.

Notwithstanding the foregoing, the Carrier may elect, at its sole discretion and upon at least 90 days' prior written notice to the Handling Company, to terminate the provision of services covered hereunder by the Handling Company at any airport. In addition, the provisions of this agreement shall terminate with respect to any airport not listed on Schedule 2 hereto and to which Scheduled Flights cease to be scheduled (other than a temporary cessation, it being understood that the cessation of seasonal Scheduled Flights upon the end of the relevant season shall constitute a temporary cessation if such Scheduled Flights are expected to resume in the subsequent relevant season), it being acknowledged that this agreement shall not terminate at any airport listed on Schedule 2 hereto as a result of the cessation of Scheduled Flights to such airport. Additionally, Handling Company may elect to terminate the provision of services provided by Handling Company pursuant hereto at any airport listed on Schedule 2 hereto upon at least 90 days' written notice to the Carrier and in any event only at such time as the Carrier, using its commercially reasonable efforts, is able to provide the ground handling services provided by the Handling Company hereunder at such airport. Schedule 1 (and Schedule 2 as applicable) shall be amended to reflect each such termination.

is valid from: July 1, 2008

and replaces: Annex B, SYS.0 dated as of December 1, 2006.

Capitalized terms used herein that are not defined herein or in the Standard Ground Handling Agreement of April 1993 as published by the International Air Transport Association (the "Main Agreement") or in Annex A thereto, shall have the meanings given to such terms in the Second Amended and Restated Capacity Purchase Agreement among the Carrier, the Handling Company and ExpressJet Holdings, Inc., the Handling Company's parent, as amended from time to time (the "CPA") or the Amended and Restated Master Facility and Ground Handling among the Carrier, the Handling Company and ExpressJet Holdings, Inc., as amended from time to time.

This Annex B is prepared in accordance with the simplified procedure whereby the Carrier and the Handling Company agree that the terms and conditions of the Main Agreement and Annex A to the Main Agreement shall apply as if such terms were repeated here in full, except as otherwise modified pursuant to this Annex B. By signing this Annex B, the parties confirm that they are familiar with the aforementioned Main Agreement and Annex A. The Main Agreement and Annex A, as modified pursuant to this Annex B shall be referred to herein as the "Agreement."

F. PARAGRAPH 1 - HANDLING CHARGES

1.1 The Handling Company shall provide the services of Annex A enumerated below for the Carrier's scheduled flights at the locations set forth above:

1.1.1. For services of the Annex A in its:

SECTION 1 - REPRESENTATION AND ACCOMMODATION:

1.1.2., 1.1.3., 1.1.4.

1.2.1., 1.2.2., 1.2.3.

SECTION 2 - LOAD CONTROL AND COMMUNICATION:

2.1.1., 2.1.2., 2.1.3.

2.2.1., 2.2.2., 2.2.3.

SECTION 4 - PASSENGERS AND BAGGAGE:

4.1.1., 4.1.2., 4.1.3., 4.1.4., 4.1.5., 4.1.6., 4.1.7. (in accordance with the Baggage Resolution System Agreement), 4.1.8., 4.1.10(b) (if applicable), 4.2., 4.3., 4.4.1., 4.4.2. (a), 4.4.4. (a)(c), 4.4.5., 4.4.6., 4.4.7.

SECTION 5 - CARGO AND MAIL:

5.1. thru 5.5 (CO's cargo products); at BRO, the employees handling trucking cargo operations will be treated as additional services subject to additional charges hereunder.

SECTION 6 - RAMP:

6.1., 6.2.1., 6.2.2. (a), 6.2.3. (on request), 6.3., 6.4.1.(b), 6.4.3., 6.4.4., 6.4.5., 6.4.6. (a)(b), 6.4.7., 6.4.8., 6.4.9., 6.4.12., 6.5.1. (on request), 6.6.1., 6.7.1.

SECTION 7 - AIRCRAFT SERVICING:

7.2.2., 7.3., 7.4.1., 7.5.1., 7.5.2., 7.6.2. (ad hoc rates apply), 7.8.1.

SECTION 8 - FUELING AND OIL:

8.1.1., 8.1.2., 8.1.12.

SECTION 10 - FLIGHT OPERATIONS AND CREW ADMINISTRATION:

10.1.1., 10.1.2., 10.1.4., 10.2.1., 10.2.2.(c), 10.2.5., 10.2.6., 10.2.7., 10.5.1.

SECTION 12 - CATERING SERVICES:

12.1.1., 12.1.2.

SECTION 14 - SECURITY:

14.1., 14.2., 14.4., 14.5.(GSC)

1.1.2. FEES FOR SERVICES COVERED UNDER THE SECTIONS LISTED ABOVE:

The charges set forth below do not include airport landing fees, or any other airport taxes or charges, except as provided specifically below.

Flight Fee: The Carrier shall pay to the Handling Company a Base Per Flight Fee for the ground handling services listed above to be provided hereunder, which fee shall equal the Handling Company's cost of providing such services, as reasonably determined by the Handling Company.

Notwithstanding the foregoing sentence, effective as of January 1, 2007, the Base Per Flight Fee (expressed on a per turn basis) for ground handling services listed above to be provided hereunder for any regional jet aircraft having 50 or fewer seats operated by Handling Company or any codeshare partner of Carrier at any airport listed on Schedule 2 hereto shall be as set forth opposite such airport on Schedule 2 hereto (and it is acknowledged that any such services provided by Handling Company for aircraft (other than regional jet aircraft having 50 or fewer seats) shall be provided at the incremental cost thereof) and such Base Per Flight Fee (in respect of such regional jet aircraft having 50 or fewer seats at such airports) shall cover any airport charges imposed on Handling Company as of December 1, 2006 in respect of the related ground handling services provided hereunder at such airports and any associated Base Per Flight Fee payable hereunder (except that any such charges imposed on Handling Company after December 1, 2006 shall be reimbursed to the Handling Company by the Carrier).

The Base Per Flight Fee set forth on Schedule 2 hereto shall remain in effect for each airport listed through December 31, 2010, except that it shall be adjusted yearly (commencing on January 1, 2008) as follows: The yearly adjustment would be done by multiplying the applicable Base Per Flight Fee rate in effect for the prior year

by the lower of (a) the Annual CPI Change and (b) 1.035. The Annual CPI Change would be, for any January 1, the fraction (expressed as a number rounded to four decimal places) as determined on the immediately preceding December 15th (or the first Business Day thereafter on which relevant CPI figures are publicly available) equal to the quotient obtained by dividing the simple average of the sum of the CPI for each of the last twelve months ending November immediately preceding such January 1 by the simple average of the sum of the CPI for each of the last twelve months ending November of the preceding year. (As an example, *and for illustrative purposes only*, the Annual CPI Change for January 1, 2005 would be equal to 188.383 (the simple average of the sum of the CPI for the last twelve months ending November of 2004) divided by 183.6750 (the simple average of the sum of the CPI for the last twelve months ending November of 2003), or 1.0256.) "CPI" - means (i) the Consumer Price Index for All Urban Consumers - U.S. City Average, All Items, Not Seasonally Adjusted Base Period: 1982-84 = 100, as published by the Bureau of Labor Statistics, United States Department of Labor, or (at any time when the Bureau of Labor Statistics is no longer publishing such Index) as published by any other agency or instrumentality of the United States of America, or (ii) at any time after the index described in clause (i) shall have been discontinued, any reasonably comparable replacement index or other computation published by the Bureau of Labor Statistics or any other agency or instrumentality of the United States of America. If any such index shall be revised in any material respect (such as to change the base year used for computation purposes), then all relevant determinations under this Agreement shall be made in accordance with the relevant conversion factor or other formula published by the Bureau of Labor Statistics or any other agency or instrumentality of the United States of America, or (if no such conversion factor or other formula shall have been so published) in accordance with the relevant conversion factor or other formula published for that purpose by any nationally recognized publisher of such statistical information.

As provided above, the Base Per Flight Fee set forth on Schedule 2 hereto shall be payable on a per turn basis. However, if in any month through no fault of Handling Company and except in cases of force majeure applicable to Handling Company or the subject airport) the actual number of turns to which such Base Per Flight Fee is applicable at any airport differs from the final scheduled number of such turns for such month at such airport (as determined by the final monthly schedule provided to Handling Company relating to such turns at such airport), then Carrier shall pay Handling Company the greater of (i) the scheduled number of such turns for such month at such airport and (ii) the actual number of such turns for such month at such airport.

In the event of a significant change in the schedule upon which the Base Per Flight Fees in Schedule 2 at any airport are based, Carrier and Handling Company will meet and negotiate in good faith to make appropriate adjustments to the Base Per Flight Fees at the airports where such change is occurring.

Handling Company and Carrier agree that the Base Per Flight Fee payable hereunder in respect ground handling services listed above to be provided hereunder for any regional jet aircraft having 50 or fewer seats operated by Handling Company or any codeshare partner of Carrier at any airport listed on Schedule 2 hereto is the sole and exclusive payment obligation of Carrier for such services and accordingly, that no costs to Handling Company of providing such services (including, without limitation, all costs related to aircraft cleaning as defined in 7.2.2 and 7.3 of the Annex A to the Main Agreement, ground support equipment, ground support equipment gas and oil, labor costs (including without limitation, general managers, supervisors, agents and other ground handling personnel) inclusive of all fringe, profit sharing, on-time or any other incentive compensation) shall be recoverable from Carrier under the CPA. For the avoidance of doubt, it is acknowledged that the Base Per Flight Fees listed on Schedule 2 hereto shall not be deemed to include airport security, snow removal expenses, exceptional passenger services (e.g., denied boarding compensation, interrupted trip costs for meals or lodging, and the costs of baggage delivery, or repairs to baggage), recurring facility expenses (e.g., telecommunications, utilities, facility maintenance, janitorial services), and exterior aircraft cleaning (and further that the exclusion of such items shall not be construed to expand the services that are included within the Base Per Flight Fee). Additionally, notwithstanding anything to the contrary in the CPA, no termination costs, including without limitation, any costs associated with any fixtures or other unremovable capitalized items, shall be chargeable thereunder to Carrier in respect of any such items at any of the airports listed on Schedule 2 hereto; provided further, that if and at such time that any airport listed on Schedule 2 hereto is no longer a Contractor Airport, then Carrier agrees to reimburse Handling Company for any fixtures and other unremovable capitalized items as may be required by Section 5(c) of the Master Facility and Ground Handling Agreement.

1.1.3 EQUIPMENT PROVIDED BY CARRIER:

Notwithstanding anything contained in Paragraph 1.1.1 to the contrary, at each airport, the Carrier shall be responsible for supplying all ground handling equipment that is usable only for jet aircraft (other than regional jets having 50 or fewer seats), which, as of the date hereof, is the equipment set forth on Schedule 3 hereto, and which equipment shall not be used by Handling Company for any purpose other than providing ground handling services to Carrier. As between Handling Company and Carrier, Handling Company shall be responsible for supplying all other ground handling equipment necessary for the provision of ground handling services hereunder.

G. PARAGRAPH 2 - ADDITIONAL CHARGES

2.1 Services in Annex A which are not included in Paragraph 1 of this Annex and all other additional services when available will be charged for as follows, it being the intent of the parties that any such costs incurred by Handling Company on behalf of Carrier or any of Carrier's codeshare partners at the direction of Carrier at a Contractor Airport will be treated as additional services and charged to Carrier at the incremental cost to provide such services or as otherwise provided below:

2.1.1. Overtime. If, upon Carrier's request, the Handling Company agrees to provide additional personnel in order to handle a flight outside of the scheduled arrival and departure times or for any other reason, the Handling Company will charge Carrier the Handling Company's actual cost of providing such additional personnel; provided that, with respect to the airports listed on Schedule 2, Handling Company shall be paid in accordance with the rates set forth on Schedule 2.

2.1.2. Supplies. The Carrier will furnish the Handling Company those items specific to its operation, such as, but not limited to, cabin appearance supplies, (i.e. safety cards, pillows and blankets), baggage tags, forms, ticket envelopes, tariffs, timetables, etc. Any materials or supplies provided to the Carrier by the Handling Company will be charged back to the Carrier at the Handling Company's replacement cost.

2.1.3. Third Party Services. The Carrier shall, at the Handling Company's discretion, be responsible for the cost and/or a pro-rata share of the cost, whichever is applicable, incurred by the Handling Company for outside vendor services (to the extent such services are requested by Carrier and are not included within the services in Annex A that are included in Paragraph 1 of this Annex).

2.1.4. De-Icing. For de-icing services provided by the Handling Company, the Handling Company shall charge the Carrier the procurement cost of fluids and all other actual costs of the Handling Company for providing such de-icing services including the Handling Company's actual labor costs associated with such services (to the extent there are any additional labor costs associated with the provision of such services). Carrier agrees that any additional labor costs for any de-icing services pursuant to this Section 2.1.4 to the extent applicable to regional jet aircraft having 50 or fewer seats (together with any procurement cost of fluids to the extent applicable to Handling Company's operations conducted as "Continental Express") shall be reimbursed to Handling Company pursuant to the reimbursement provisions of the CPA (with margin as provided thereunder).

2.1.5. Training. The Carrier agrees to reimburse the Handling Company for all associated out-of-pocket expenses required to train the Handling Company's employees in the Carrier's procedures and administrative requirements.

H. PARAGRAPH 3 - DISBURSEMENTS

3.1 Disbursements made on behalf of the Carrier shall be reimbursed to the Handling Company at cost.

I. PARAGRAPH 4 - SETTLEMENT OF ACCOUNT

4.1 Notwithstanding Article 7.2 of the Main Agreement, settlement of account shall be effected in accordance with the relevant provisions of the CPA, including any applicable setoff provisions.

J. PARAGRAPH 5 - TERMINATION OF AGREEMENT

5.1 This Agreement may be terminated by either party at any time following the termination of the CPA; provided, that this Agreement may not be terminated pursuant to this sentence during the Wind-Down Period with respect to any location to which Scheduled Flights continue to fly during such Wind-Down Period. If the Carrier fails to make payments as agreed upon in Paragraph 4.1., the Handling Company may terminate the agreement upon twenty-four (24) hours notice by letter, teletype or facsimile.

K. PARAGRAPH 6 - TRANSFER OF SERVICES

6.1 In accordance with Article 3.1 of the Main Agreement, the Handling Company may subcontract the services of Annex A as necessary in order to support the Carrier's operation.

PARAGRAPH 7 - OTHER MODIFICATIONS TO MAIN AGREEMENT

7.1 Upon the request of the Carrier from time to time at its sole discretion, and for so long as requested by the Carrier during the Term of this Agreement, the Handling Company shall provide ground handling services pursuant to this Agreement at any location covered by this Annex B to any of the Carrier's codeshare partners.

7.2 Sections 11.4, 11.5, 11.6, 11.10 and Article 9 of the Main Agreement shall not apply to this Agreement.

7.3 Handling Company and Carrier agree that all third-parties engaged by Carrier or Handling Company as of the date hereof (and any party engaged by Carrier after the date hereof to provide ground handling services to Carrier and/or its code share partners) is hereby approved for all purposes of Section 3.1 and Section 3.2, as appropriate, of the Main Agreement.

7.4 In connection with the determination of the Base Per Flight Fee pursuant to Section 1.1.2 above (other than the stipulated Base Per Flight Fee applicable in respect of the services covered by such Base Per Flight Fee at airports set forth on Schedule 2 hereto) and the charges pursuant to Section 2 above, Handling Company shall make available for inspection by Carrier and its outside auditors, within a reasonable period of time after Carrier makes a written request therefor, all of Handling Company's books and records (including all financial and accounting records and operational reports, and records of other subsidiaries or affiliates of Handling Company, if any, as necessary to audit such charges) relating to this Agreement and the provision of services hereunder by Handling Company. Each of Carrier and its outside auditors shall be entitled to make copies and notes of such information as it deems necessary and to discuss such records with Handling Company's Chief Financial Officer or such other employees or agents of Handling Company knowledgeable about such records. Upon the reasonable written request of Carrier or its outside auditors, Handling Company will cooperate with Carrier and its outside auditors to permit Carrier and its outside auditors access to Handling Company's outside auditors for purposes of reviewing such records.

7.5 This Agreement shall be governed by and construed in accordance with the laws of the State of Texas as provided in Section 10.15 of the CPA.

7.6 Carrier specifically acknowledges that Article 8 of the Main Agreement provides that Handling Company is not to be responsible for, and that Carrier is to indemnify Handling Company in respect of, legal liability for certain claims arising out of the provision of ground handling services even in circumstances where Handling Company is negligent, and Carrier agrees not to contend otherwise.

7.7 Any Claims arising out of or related to this Agreement shall be resolved by binding arbitration pursuant to the provisions of Section 10.09 of the CPA as if such provisions applied to the subject Claim(s).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers duly authorized thereunto, as of the 1st day of December, 2006.

Carrier: Handling Company:

Continental Airlines, Inc. ExpressJet Airlines, Inc.

BY: BY:

NAME: Lawrence W. Kellner NAME: James B. Ream

TITLE: Chairman and CEO TITLE: President and CEO

DATE: June __, 2008 DATE: June __, 2008

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-

Schedule 1 Airports

Schedule 2 Airports/Base Per Flight Fee

Schedule 3 Carrier Equipment

AHM 810 - Annex B

Schedule 1

AIRPORTS

"Contractor Airports"

ABE

ACK

ALB

AMA

AVL (until September 7, 2008)

BGR

BHM (until September 7, 2008)

BRO

BTY

CAE (until September 16, 2008)

CHA

CRP

CRW

CVG

DAB (until September 3, 2008)

DAL (until September 7, 2008)

DAY

DSM

GPT

GRR

GSP (until September 16, 2008)

HRL

HSV

IAD

ICT

JAN (until September 21, 2008)

LBB

LEX (until September 21, 2008)

LFT

LIT

LRD

MAF

MDT

MEM

MGM (until September 3, 2008)

MHT

MKE

MOB

MSN

OMA

PIT

PSP

PWM

ROC

SAV (until September 16, 2008)

SDF

SYR

TLH (until September 3, 2008)

TYS (until September 7, 2008)

VPS (until September 7, 2008)

XNA (until September 21, 2008)

-

AHM 810 - Annex B

Schedule 2

-

Airport Base Per Flight Fee*

AMA [XXX]

BRO [XXX]

CAE (until 9/16/08) [XXX]

CRP [XXX]

HRL [XXX]

LBB [XXX]

LIT [XXX]

LRD [XXX]

MAF [XXX]

MGM (until 9/3/08) [XXX]

MOB [XXX]

SDF [XXX]

VPS (until 9/7/08) [XXX]

["XXX" REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

*Subject to adjustment as provided in the agreement to which this Schedule 2 is attached.

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

AHM 810 - Annex B

Schedule 3

CARRIER EQUIPMENT

Towbar

GPU

Passenger Stairs

Airstart Unit

Deicer

Beltloader

Pushback Tractor

-

-

-

EXHIBIT D

Terms of Codeshare Arrangements

1. Contractor's use of CO code. During the Term of the Agreement, Continental shall be permitted to place its two-letter designator code "CO" on all flights operated by Contractor and shall place its designator code, "CO", on all flights operated by Contractor with Covered Aircraft. Continental may suspend the display of its code on flights operated by Contractor if Contractor is in breach of any of its operational or safety-related obligations under the Agreement during the period that such breach continues. All Contractor operated flights that display the CO code are referred to herein as "CO* Flights".

2. Contractor's display of CO code.

(a) All CO* Flights will be included in the schedule, availability and fare displays of all computerized reservations systems in which Continental and Contractor participate, the Official Airline Guide (to the extent agreed upon) and Continental's and Contractor's internal reservation systems, under the CO code, to the extent possible. Continental and Contractor will take the appropriate measures necessary to ensure the display of the schedules of all CO* Flights in accordance with the preceding sentence.

(b) Continental and Contractor will disclose and identify the CO* Flights to the public as actually being a flight of and operated by Contractor, in at least the following ways:

(i) a symbol will be used in timetables and computer reservation systems indicating that CO* Flights are actually operated by Contractor;

(ii) to the extent reasonable, messages on airport flight information displays will identify Contractor as the operator of flights shown as CO* Flights;

(iii) Continental and Contractor advertising concerning CO* Flights and Continental and Contractor reservationists will disclose Contractor as the operator of each CO* Flight; and

(iv) in any other manner prescribed by law.

1. Terms and Conditions of Carriage. In all cases the contract of carriage between a passenger and a carrier will be that of the carrier whose code is designated on the ticket. Continental and Contractor shall each cooperate with the other in the exchange of information necessary to conform each carrier's contract of carriage to reflect service offered by the other carrier.

4. Notification of irregularities in operations. Contractor shall promptly notify Continental of all irregularities involving a CO* Flight which result in any material damage to persons or property as soon as such information is available and shall furnish to Continental as much detail as practicable. For purposes of this section, notification shall be made as follows:

Continental Airlines System Operations Control Center (SOCC)

1600 Smith

Houston, Texas 77002

Attention: Operations Director

Phone no. (713) 324-7209

Fax no. (713) 324-2138,

SITA FCFDDCO.

5. Code Sharing License.

- a. Grant of License. Subject to the terms and conditions of the Agreement, Continental hereby grants to Contractor a nonexclusive, nontransferable, revocable license to use the CO* designator code on all of its flights operated as a CO* Flight.
- b. Control of CO* Flights. Subject to the terms and conditions of the Agreement, Contractor shall have sole responsibility for and control over, and Continental shall have no responsibility for, control over or obligations or duties with respect to, each and every aspect of Contractor's operation of CO* Flights.

6. Display of other codes. During the Term of the Agreement, Continental shall have the exclusive right to determine which other airlines ("Alliance Airlines"), if any, may place their two letter designator codes on flights operated by Contractor with Covered Aircraft and to enter into agreements with such Alliance Airlines with respect thereto. Contractor will cooperate with Continental and any Alliance Airlines in the formation of a code share relationship between Contractor and the Alliance Airlines and enter into reasonably acceptable agreements and make the necessary governmental filings, as requested by Continental, with respect thereto.

7. Customer First. During the period that Continental places its designator code on flights operated by Contractor, Contractor will adopt and follow plans and policies comparable (to the extent applicable and permitted by law and subject to operational constraints) to Continental's Customer First Commitments as presently existing and hereafter modified. Contractor acknowledges that it has received a copy of Continental's presently existing Customer First Commitments. Continental will provide Contractor with any modifications thereto promptly after they are made.

EXHIBIT E

Administrative Support and Information Services Provisioning Agreement

SECOND AMENDED AND RESTATED

ADMINISTRATIVE SUPPORT AND INFORMATION SERVICES

PROVISIONING AGREEMENT

This SECOND AMENDED AND RESTATED ADMINISTRATIVE SUPPORT AND INFORMATION SERVICES PROVISIONING AGREEMENT (this "Agreement") is made and entered into as of June 5, 2008 by and among Continental Airlines, Inc., a Delaware corporation ("Continental"), ExpressJet Holdings, Inc., a Delaware corporation ("Holdings"), and ExpressJet Airlines, Inc., a Delaware corporation and a wholly owned subsidiary of Holdings ("ExpressJet" and collectively with Holdings, "Express").

WHEREAS, Continental and Express entered into that certain Administrative Support and Information Services Provisioning Agreement, and the First, Second and Third Amendments thereto with respect to the provision of certain administrative support and information services in connection with entering into the Capacity Purchase Agreement and subsequently entered into that certain Amended and Restated Administrative Support and Information Services Provisioning Agreement as of March 11, 2005 (the "Original Agreement");

WHEREAS, the parties desire to amend and restate the Original Agreement as provided in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree to amend and restate the Original Agreement as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following definitions. Terms not defined shall have the meaning given such terms in the Capacity Purchase Agreement.

"Agreement" means this Second Amended and Restated Administrative Support and Information Services Provisioning Agreement, as the same may be amended or supplemented from time to time.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which banking institutions located in the State of Texas are authorized or obligated by law or executive order to close.

"Capacity Purchase Agreement" means that certain Second Amended and Restated Capacity Purchase Agreement among Continental, Holdings, XJT Holdings, Inc. and ExpressJet dated as of June 4, 2008, as the same may be amended or supplemented from time to time.

"Continental" has the meaning set forth in the Preamble.

"Express" has the meaning set forth in the Preamble.

"ExpressJet" has the meaning set forth in the Preamble.

"Holdings" has the meaning set forth in the Preamble.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Services" means the services provided by Continental to Express in connection with the Capacity Purchase Agreement including, but not limited to, the Services provided pursuant to Section 2.

2. Provision of Services.

Continental agrees to provide Express with the Services described on Exhibit A hereto to the extent that such services are being provided by Continental to Express as of the date of execution of this Agreement and to the extent that Continental reasonably determines from time to time (and after consultation with Express) that such Services are reasonably necessary in support of the continued provision by Express of Regional Airline Services in accordance with the Capacity Purchase Agreement. Consistent with the foregoing, such Services shall be provided subject to the availability of Continental personnel and resources. Services shall be provided on an "as-needed" basis, as determined together in good faith by Continental and Express, with Express receiving the same priority in the provision of such Services as is received by Continental's internal operations.

3. Payment for Services.

In consideration for services provided by Express pursuant to the CPA, Continental will not charge Express for the Services provided by Continental.

4. Changes in Services or Prices.

4.1 Deletions of Services. Upon not less than 90 days' prior written notice, Continental may elect to cease providing any of the Services provided pursuant hereto if any such Services can be obtained from a third party by Express or if Express can itself perform such Services; provided that, if Continental so elects, then effective upon the date such Services are no longer provided, the reasonable out-of-pocket costs to Express of procuring such Services shall thereafter be paid by Continental; and provided further, that Continental may thereafter elect to resume providing any such service upon not less than 90 days' written notice to Express; provided that Continental agrees to be wholly responsible for, and to indemnify and hold Express harmless from any costs incurred by Express in connection with such election by Continental to resume any such Services.

4.2 Changes to Services.

(a) Subject to Section 6 hereof, Continental, in its sole discretion, may make changes to the manner in which it provides the Services including, without limitation, the processes, systems or personnel employed to provide the Services. To the extent that Continental determines in good faith that any such change to the Services (or change in the third-party vendor thereof) would impact Express's processes, systems or operation, Continental will provide Express with notice of such change as soon as practicable (and, if possible, in advance) and will work together in good faith with Express to address such impact, subject to the terms hereof. Failure by Continental to provide such notice shall not be a default hereunder. However, if Continental's failure to provide notice of a change causes Express to incur out-of-pocket costs related to such change, Continental will reimburse Express for such reasonable and documented out-of-pocket costs.

(b) If Express is required by an Obligation to request a modification to a Service, the parties will meet to discuss a course of action to satisfy the Obligation. For this purpose, "Obligation" means any governmental order or regulation (including, but not limited to, regulations promulgated by the Public Company Accounting Oversight Board), in each case, which is applicable to Express that is final and effective and leaves Express no reasonable alternative but to cease receiving or modify the Service.

A.

5. Purchasing and Third-Party Vendors

5.1 Purchasing. If and to the extent that the Services provided pursuant to this Agreement include the services of Continental's purchasing department or any affiliate of Continental organized therefor for the purchase on Express's behalf of supplies or other materials (excluding fuel), Continental or such affiliate may either purchase such supplies or other material in its own name or in the name of Express, and to the extent that Express is not billed directly for any such supplies or other material by the provider thereof, Express shall promptly reimburse Continental or such affiliate for the actual cost thereof, including freight, storage and any applicable taxes, but excluding any allocation by Continental or such affiliate of overhead or general and administrative expenses.

5.2 Use of Third-Party Vendors. It is expressly acknowledged by Express that certain of the Services to be provided by Continental pursuant to this Agreement may be provided by, or using services supplied by, third parties under contracts or other arrangements with Continental. Express consents to the use by Continental of such third-party vendors or subcontractors as Continental, in the exercise of its sole discretion, may from time to time select. In such case, Continental will provide Express with written notice at least 30 days prior to the date a third party vendor begins providing the Service if Continental determines in good faith that any such change to the Services (or change in the third-party vendor thereof) would impact Express's processes, systems or operation.

6. Standard of Care; Disclaimer of Warranties; Limitation of Liabilities. Continental's standard of care with respect to the provision of Services pursuant to this Agreement shall be limited to providing services of the same general quality as Continental provides for its own internal operations, and, notwithstanding Section 7.02 of the Capacity Purchase Agreement, which shall not apply to Services provided hereunder, Express's sole and exclusive remedy for the failure by Continental to meet such standard of care shall be to terminate this Agreement pursuant to Section 8 hereof. Continental makes no representations or warranties of any kind, whether express or implied (i) as to the quality or timeliness or fitness for a particular purpose of Services it provides or any Services provided hereunder by third-party vendors or subcontractors, or (ii) with respect to any supplies or other material purchased on behalf of Express pursuant to this Agreement, the merchantability or fitness for any purpose of any such supplies or other materials. Under no circumstances shall Continental have any liability hereunder for damages in excess of amounts paid by Express under this Agreement or for consequential or punitive damages, including, without limitation, lost profits.

7. Independent Parties.

7.1 Independent Contractors. It is expressly recognized and agreed that each party, in its performance and otherwise under this Agreement, is and shall be engaged and acting as an independent contractor and in its own independent and separate business; and that each party shall retain complete and exclusive control over its staff and operations and the conduct of its business. Neither Continental nor Express nor any officer, employee, representative, or agent of Continental or Express shall in any manner, directly or indirectly, expressly or by implication, be deemed to be in, or make any representation or take any action which may give rise to the existence of, any employment, agent, partnership or other similar relationship as between Continental and Express, but each party's relationship as respects the other parties in connection with this Agreement is and shall remain that of an independent contractor.

7.2 Employees. The employees, agents and independent contractors of Express are employees, agents, and independent contractors of Express for all purposes, and under no circumstances will be deemed to be employees, agents or independent contractors of Continental. The employees, agents and independent contractors of Continental are employees, agents and independent contractors of Continental for all purposes, and under no circumstances will be deemed to be employees, agents or independent contractors of Express. Continental will have no supervision or control over any such Express employees, agents and independent contractors and any complaint or requested change in procedure made by Continental will be transmitted by Continental to Express. Express will have no supervision or control over any such Continental employees, agents and independent contractors and any complaint or requested change in procedure made by Express will be transmitted by Express to Continental.

8. Term and Termination.

8.1 Term. This Agreement shall commence and be effective upon January 1, 2001 and, unless earlier terminated or extended as provided herein, shall continue for the Term of the Capacity Purchase Agreement.

8.2 Early Termination. Continental and Express may terminate this Agreement in accordance with the applicable provisions of Section 8.02 of the Capacity Purchase Agreement. Any notice of termination provided in accordance with the provisions of Section 8.02 of the Capacity Purchase Agreement shall be deemed notice of termination of this Agreement. This Agreement shall terminate effective upon the date of the deletion of the last Service provided hereunder.

1. Privacy; Confidentiality; Intellectual Property.

9.1 With respect to any information provided by the other party that is processed under this Agreement, the CPA or any of the Ancillary Agreements that relates to, or is about, an identified or identifiable person, each party shall at all times (i) protect such information as confidential information as provided in Section 10.08 of the CPA and (ii) comply with all applicable laws and regulations, including but not limited to data privacy laws, in its use of such information.

9.2 The parties agree that any information which is confidential or proprietary to a party or is otherwise not generally available to the public to which the other party may have access by virtue of the provision by Continental of the Services shall be treated as confidential information subject to Section 10.08 of the CPA (Confidentiality).

9.3 Nothing in this Agreement shall be construed to grant Express any license or other right to Continental's intellectual property or other proprietary rights used to provide the Services or otherwise embodied in the Services provided hereunder. If during the term of this Agreement, Express develops intellectual property that it desires to protect and which must be disclosed to Continental in connection with the provision by Continental of the Services, Express will provide written notice of its intent to protect such information and the parties will execute such further documents as may be necessary to document and protect such intellectual property.

2. Miscellaneous.

10.1 Entire Agreement. This Agreement, the Capacity Purchase Agreement and each other Ancillary Agreement shall constitute a single, integrated agreement. Except as otherwise set forth in this Agreement, this Agreement and the exhibit hereto constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, among the parties with respect to the subject matter hereof.

10.2 Authority. Each of the parties hereto represents to the other that (a) it has the corporate power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

10.3 Arbitration. Any Claims arising out of or related to this Agreement shall be resolved by binding arbitration pursuant to the provisions of Section 10.09 of the Capacity Purchase Agreement.

10.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas (other than the laws regarding conflicts of laws) as to all matters, including matters of validity, construction, effect, performance and remedies.

10.5 Notices. All notices shall be in writing and shall be deemed given upon (a) a transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery by a standard overnight courier the following Business Day or if delivered by hand the following Business Day), or (b) confirmed delivery by a standard overnight courier or delivered by hand, to the parties at the following addresses:

if to Continental:

Continental Airlines, Inc.

1600 Smith Street, HQSCD

Houston, Texas 77002

Attention: Chief Financial Officer Telecopy No.: (713) 324-5225

with a copy to:

Continental Airlines, Inc.

1600 Smith Street, HQSLG

Houston, Texas 77002

Attention: General Counsel

Telecopy No.: (713) 324-5161

if to Express, to:

ExpressJet Holdings, Inc.

700 North Sam Houston Parkway West Suite, 200

Suite 200 Houston, Texas 77067

Attention: Chief Financial Officer

Telecopy No.: (832) 353-1144

with a copy to:

ExpressJet Holdings, Inc.

700 North Sam Houston Parkway, Suite 200

Houston, Texas 77067

Attention: General Counsel

Telecopy No.: (832) 353-1141

or to such other address as a party hereto may have furnished to the other parties by a notice in writing in accordance with this Section 10.5.

10.6 Amendment and Modification. This Agreement may not be amended or modified in any respect except by a written agreement signed by each of the parties hereto.

10.7 Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon the parties hereto and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except with respect to a merger of a party with another Person, neither this Agreement nor any of the rights, interests or

obligations hereunder shall be assigned by a party hereto without the prior written consent of the other parties, which consent shall not be unreasonably withheld or delayed.

10.8 Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, and no Person shall be deemed a third party beneficiary under or by reason of this Agreement.

10.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature.

10.10 Waiver. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term, but such waiver shall be effective only if it is in writing signed by the party against which such waiver is to be asserted. Unless otherwise expressly provided in this Agreement, no delay or omission on the part of any party in exercising any right or privilege under this Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right or privilege under this Agreement operate as a waiver of any other right or privilege under this Agreement nor shall any single or partial exercise of any right or privilege preclude any other or further exercise thereof or the exercise of any other right or privilege under this Agreement. No failure by a party to take any action or assert any right or privilege hereunder shall be deemed to be a waiver of such right or privilege in the event of the continuation or repetition of the circumstances giving rise to such right unless expressly waived in writing by the party against whom the existence of such waiver is asserted.

10.11 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.12 Equitable Remedies. Each of Continental and Express acknowledges and agrees that under certain circumstances the breach by Continental or any of its affiliates or Express or any of its affiliates of a term or provision of this Agreement will materially and irreparably harm the other party, that money damages will accordingly not be an adequate remedy for such breach and that the non-defaulting party, in its sole discretion and in addition to its rights under this Agreement and any other remedies it may have at law or in equity, may, notwithstanding the provisions contained in Section 10.3, apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any breach of the provisions of this Agreement.

10.13 References; Construction. The section and other headings and subheadings contained in this Agreement and the exhibits hereto are solely for the purpose of reference, are not part of the agreement of the parties hereto, and shall not in any way affect the meaning or interpretation of this Agreement or any exhibit hereto. All references to days or months shall be deemed references to calendar days or months. Unless the context otherwise requires, any reference to a "Section" or an "Exhibit" shall be deemed to refer to a section of this Agreement or an exhibit to this Agreement, as applicable. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, unless otherwise specifically provided, they shall be deemed to be followed by the words "without limitation." This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing the document to be drafted.

10.14 Equal Opportunity. EEO clauses contained at 11 C.F.R. Sections 60-1.4, 60-250.4 and 60-741.4 are hereby incorporated by reference. Each party shall comply with all equal opportunity laws and regulations which apply to or must be satisfied by that party as a result of this Agreement.

[SIGNATURE PAGE FOLLOWS]

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

CONTINENTAL AIRLINES, INC. EXPRESSJET HOLDINGS, INC.

By: By:

Name: Lawrence W. Kellner Name: James B. Ream

Title: Chairman and CEO Title: President and CEO

EXPRESSJET AIRLINES, INC.

By:

Name: James B. Ream

Title: President and CEO

Exhibit A

1. Technology Support, as follows:

(a) Help Desk Support; and

(b) Technology services dedicated to the flight opening and close-out process as is provided by Shares

2. Human Resources Support for Express employees having Continental flight pass privileges, as follows:

(a) Employee Information Systems, being

(i) COMPAS Position & Table maintenance; and

(ii) Pass Travel and JA maintenance

(b) Employee Travel Center, being:

(i) ePass Support Expense

3. Real estate services related to airport terminal facilities used in connection with performance of Scheduled Flights, as follows:

(i) Airport Affairs support of Express personnel for projects related to leasing terminal facilities and Design and Construction support related to construction approved by Continental at Contractor Airports (and at Continental Airports where Continental provides Express with facilities for Express's use).

EXHIBIT F

Fuel Purchasing Agreement

AMENDED AND RESTATED

FUEL PURCHASING AGREEMENT

This Amended and Restated Fuel Purchasing Agreement (this "Agreement") is made as of this June 4, 2008 and effective as of July 1, 2008, by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Continental"), and EXPRESSJET AIRLINES, INC., a Delaware corporation ("ExpressJet").

WHEREAS, Continental and ExpressJet are party to that certain Fuel Purchasing Agreement, dated as of January 1, 2001;

WHEREAS, Continental, ExpressJet and ExpressJet Holdings, ExpressJet's parent ("Holdings"), are entering into a Second Amended and Restated Capacity Purchase Agreement contemporaneously with the execution of this Agreement (the "Capacity Purchase Agreement");

WHEREAS, in connection with the entering into of the Capacity Purchase Agreement, Continental and ExpressJet desire to amend and restate the Fuel Purchasing Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree that the Fuel Purchasing Agreement shall be, and it is hereby, amended and restated in its entirety, so that it shall read as follows:

1. Definitions. All capitalized terms that are used and not otherwise defined herein shall have the meanings given to such terms in the Capacity Purchase Agreement.

2. Products Covered. The product covered by this Agreement shall be aviation jet fuel meeting ASTM Specification D 1655-99 (such fuel being referred to herein as "Fuel"). The definition of future products and the scope of this Agreement may be revised from time to time upon mutual consent of the parties.

3. Services to Be Provided. Continental shall supply or cause to be supplied to ExpressJet all Fuel that ExpressJet shall require to provide the Regional Airline Services, and ExpressJet shall purchase and pay for such Fuel in accordance with the terms and conditions of Section 5 of this Agreement. In connection with the provision of Fuel to ExpressJet pursuant to this Agreement, Continental shall manage all aspects of procuring, transporting and delivering Fuel to ExpressJet in respect of Regional Airline Services, including without limitation selecting the source of Fuel, negotiating and consummating agreements with fuel suppliers and into-plane service providers, providing consortium representation and furnishing day-to-day management pertaining to any fuel-related services. Continental shall be the exclusive provider of Fuel and fuel-related services used to provide Regional Airline Services during the term of this Agreement.

4. Planning. ExpressJet will provide Continental each month with a rolling twelve-month forecast of fuel needs not later than the 5th day of such month, which forecast shall reflect the Final Monthly Schedule for such month, Continental's proposed schedule for Scheduled Flights for the two months following such month as presented to ExpressJet pursuant to Section 2.01(b) of the Capacity Purchase Agreement and such other information published by Continental regarding scheduled ExpressJet flights over the next twelve-month period.

5. Price and Payment. In consideration of Continental providing Fuel and other services to ExpressJet pursuant to this Agreement, ExpressJet, in addition to other consideration as set forth on Paragraph A of Schedule 3 to the Capacity Purchase Agreement, shall pay Continental \$1 per calendar month. This amount shall be included in the Invoiced Amount pursuant to Section 3.06(a) of the Capacity Purchase Agreement. For the avoidance of doubt, the parties agree that all of Continental's costs, gains or losses resulting from engaging in any fuel-price hedging transactions with respect to Fuel provided to ExpressJet under this Agreement shall be for Continental's account. Upon Continental's request, ExpressJet agrees to execute promptly a written statement (on an Internal Revenue Service certificate entitled "Waiver For Use By Ultimate Purchasers Of Aviation-Grade Kerosene Used In Nontaxable Uses" or such other certificate or document as may be reasonably requested by Continental) stipulating that Continental is the ultimate vendor of the fuel sold to ExpressJet by Continental hereunder.

6. Fuel Storage Consortia. Continental may, in its sole discretion and at its sole expense, direct ExpressJet to do any of the following (in which event ExpressJet shall comply with Continental's directions): (i) join any fuel consortium selected by Continental at any airport at which Continental provides Fuel to ExpressJet, (ii) terminate any membership that it has or may have in any such consortium or (iii) not join any such consortium at any such airport and, in lieu thereof, pay a non-member fee to such consortium for the right to use fuel stored at such consortium's storage facilities in each case of clauses (i) through (iii), with respect only to ExpressJet's provision of Regional Airline Services.

7. Term. This agreement is coterminous with the Capacity Purchase Agreement and may be terminated by either party upon the termination of the Capacity Purchase Agreement; provided, however, that if a party hereto elects to terminate this Agreement as a result of the Capacity Purchase Agreement being terminated, the terms of this Agreement shall continue with respect to any locations to which Scheduled Flights are flown during the Wind-Down Period.

8. Authority. Each of the parties hereto represents to the other that (a) it has the corporate power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

9. Consent to Exclusive Jurisdiction. Any action, suit or proceeding arising out of any claim that the parties cannot settle through good faith negotiations shall be litigated exclusively in the state courts of Harris County of the State of Texas. Each of the parties hereto hereby irrevocably and unconditionally (a) submits to the jurisdiction of such state courts of Texas for any such action, suit or proceeding, (b) agrees not to commence any such action, suit or proceeding except in such state courts of Texas, (c) waives, and agrees not to plead or to make, any objection to the venue of any such action, suit or proceeding in such state courts of Texas, (d) waives, and agrees not to plead or to make, any claim that any such action, suit or proceeding brought in such state courts of Texas has been brought in an improper or otherwise inconvenient forum, (e) waives, and agrees not to plead or to make, any claim that such state courts of Texas lack personal jurisdiction over it, and (f) waives its right to remove any such action, suit or proceeding to the federal courts except when such courts are vested with sole and exclusive jurisdiction by statute. The parties shall cooperate with each other in connection with any such action, suit or proceeding to obtain reliable assurances that confidential treatment will be accorded any information that any party shall reasonably deem to be confidential or proprietary. Each of the parties hereto further covenants and agrees that, until the expiration of all applicable statutes of limitations relating to potential claims under this Agreement, each such party shall maintain a duly appointed agent for the service of summonses and other legal process in the State of Texas.

10. Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon the parties hereto and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party without the

prior written consent of the other party. Notwithstanding the foregoing, Continental may assign its rights and delegate its duties hereunder to a successor that is a certificated air carrier and that will continue to operate a significant portion of Continental's current airline operations.

11. Employees of Continental. The employees, agents and independent contractors of Continental engaged in performing any of the services Continental is to perform pursuant to this Agreement are employees, agents and independent contractors of Continental for all purposes, and under no circumstances will be deemed to be employees, agents or independent contractors of ExpressJet. In its performance under this Agreement, Continental will act, for all purposes, as an independent contractor and not as an agent for ExpressJet. ExpressJet will have no supervisory power or control over any employees, agents or independent contractors engaged by Continental in connection with its performance hereunder.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas (other than laws regarding conflicts of laws) as to all matters, including matters of validity, construction, effect, performance and remedies.

13. Notices. All notices shall be in writing and shall be deemed given upon (a) a transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery of a standard overnight courier the following Business Day or if delivered by hand the following Business Day), or (b) confirmed delivery of a standard overnight courier or delivered by hand, to the parties at the following addresses:

if to Continental:

Continental Airlines, Inc.

1600 Smith Street, HQSCD

Houston, Texas 77002

Attention: Senior Vice President - Corporate Development

Telecopy No.: (713) 324-3229

with a copy to:

Continental Airlines, Inc.

1600 Smith Street, HQSCD

Houston, Texas 77002

Attention: General Counsel

Telecopy No.: (713) 324-5161

if to ExpressJet, to:

ExpressJet Airlines, Inc.

700 North Sam Houston Parkway West, Suite 200

Houston, Texas 77067

Attn: President

Facsimile No.: (832) 353-1008

or to such other address as either party hereto may have furnished to the other party by a notice in writing in accordance with this Section 13.

14. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

15. Entire Agreement. Except as otherwise set forth in this Agreement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether written or oral, between the parties with respect to such subject matter.

16. Amendment and Modification. This Agreement may not be amended or modified in any respect except by a written agreement signed by both of the parties hereto.

17. Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, and no Person shall be deemed a third party beneficiary under or by reason of this Agreement.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The Agreement may be executed by facsimile signature.

19. Waiver. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term, but such waiver shall be effective only if it is in writing signed by the party against which such waiver is to be asserted. Unless otherwise expressly provided in this Agreement, no delay or omission on the part of any party in exercising any right or privilege under this Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right or privilege under this Agreement operate as a waiver of any other right or privilege under this Agreement nor shall any single or partial exercise of any right or privilege preclude any other or further exercise thereof or the exercise of any other right or privilege under this Agreement. No failure by either party to take any action or assert any right or privilege hereunder shall be deemed to be a waiver of such right or privilege in the event of the continuation or repetition of the circumstances giving rise to such right unless expressly waived in writing by the party against whom the existence of such waiver is asserted.

20. Equitable Remedies. Each of Continental and ExpressJet acknowledges and agrees that under certain circumstances the breach by Continental or any of its affiliates or ExpressJet or any of its affiliates of a term or provision of this Agreement will materially and irreparably harm the other party, that money damages will accordingly not be an adequate remedy for such breach and that the non-defaulting party, in its sole discretion and in addition to its rights under this Agreement and any other remedies it may have at law or in equity, may, notwithstanding the provisions contained in Section 10, apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any breach of the provisions of this Agreement.

21. References; Construction. The section and other headings and subheadings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties hereto, and shall not in any way affect the meaning or interpretation of this Agreement. All references to days or months shall be deemed references to calendar days or months. Unless the context otherwise requires, any reference to a "Section" shall be deemed to refer to a section of this Agreement. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, unless otherwise specifically provided, they shall be deemed to be followed by the words "without limitation." This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing the document to be drafted.

CONTINENTAL AIRLINES, INC. EXPRESSJET AIRLINES, INC.

By: By: _____

Name: Lawrence W. Kellner Name: James B. Ream

Title: Chairman and Title: President and Chief Executive Officer

Chief Executive Officer

EXHIBIT G

Use of Continental Marks and Other Identification

1. Grant. Continental hereby grants to Contractor, and Contractor accepts, a non-exclusive, personal, non-transferable, royalty-free right and license to adopt and use the Continental Marks and other Identification in connection with the rendering by Contractor of Regional Airline Services, subject to the conditions and restrictions set forth herein.

2. Ownership of the Continental Marks and Other Identification.

a. Continental shall at all times remain the owner of the Continental Marks and the other Identification and any registrations thereof and Contractor's use of any Continental Marks or other Identification shall clearly identify Continental as the owner of such marks (to the extent practical) to protect Continental's interest therein.

b. Contractor acknowledges Continental's ownership of the Continental Marks and the other Identification and further acknowledges the validity of the Identification. Contractor agrees that it will not do anything that in any way infringes or abridges Continental's rights in the Identification or directly or indirectly challenges the validity of the Identification.

3. Use of the Continental Marks and the Other Identification.

a. Contractor shall use the Continental Marks and other Identification only as authorized herein by Continental and in accordance with such standards of quality as Continental may establish.

b. Contractor shall use the Identification on all Covered Aircraft and all facilities, equipment, uniforms and printed materials used in connection with the Regional Airline Services.

c. Contractor shall not use the Identification for any purpose other than as set forth in this Exhibit G, and specifically shall have no right to use the Continental Marks or other Identification on or in any Uncovered Aircraft or in connection with any other operations of Contractor.

d. Continental shall have exclusive control over the use and display of the Continental Marks and other Identification, and may change the Identification at any time and from time to time (including by adding or deleting marks from the list specified in this Exhibit G), in which case Contractor shall as soon as practicable make such changes as are requested by Continental to utilize the new Identification; provided that Continental shall either pay directly the reasonable costs of making such changes to the Identification or shall promptly reimburse Contractor for its reasonable expenses incurred in making such changes.

e. Nothing shall abridge Continental's right to use and/or to license the Identification, and Continental reserves the right to the continued use of all the Identification, to license such other uses of the Identification and to enter into such agreements with other carriers providing for arrangements similar to those with Contractor as Continental may desire. No term or provision of this Agreement shall be construed to preclude the use of the Continental Marks or other Identification by other persons or for similar or other uses not covered by this Agreement.

4. Continental-Controlled Litigation. Continental at its sole expense shall take all steps that in its opinion and sole discretion are necessary and desirable to protect the Continental Marks and other Identification against any infringement or dilution. Contractor agrees to cooperate fully with Continental in the defense and protection of the Continental Marks and other Identification as reasonably requested by Continental. Contractor shall report to Continental any infringement or imitation of, or challenge to, the Continental Marks and other Identification, immediately upon becoming aware of same. Contractor shall not be entitled to bring, or compel Continental to bring, an action or other legal proceedings on account of any infringements, imitations, or challenges to any element of the Continental Marks and other Identification without the written agreement of Continental. Continental shall not be liable for any loss, cost, damage or expense suffered or incurred by Contractor because of the failure or inability to take or consent to the taking of any action on account of any such infringements, imitations or challenges or because of the failure of any such action or proceeding. If Continental shall commence any action or legal proceeding on account of such infringements, imitations or challenges, Contractor agrees to provide all reasonable assistance requested by Continental in preparing for and prosecuting the same.

5. Revocation of License. Continental shall have the right to cancel the license provided herein in whole or in part at any time and for any reason, in which event all terminated rights to use the Identification provided Contractor herein shall revert to Continental and shall not be used by Contractor in connection with any operations of Contractor. The following provisions shall apply to the termination of the license provided herein: (i) in the case of a termination of the license to use the globe element of the Continental Marks, Contractor shall cease all use of the globe element of the Continental Marks with respect to each Covered Aircraft within 90 days of such aircraft being withdrawn from the capacity purchase provisions of the Agreement, and shall cease all use of the globe element of the Continental Marks in all other respects within 90 days of last Covered Aircraft becoming an Uncovered Aircraft (unless this Agreement is terminated for Cause or pursuant to Section 9.03(b) or the first sentence of Section 9.03(c), in which case Contractor shall cease all use of the globe element of the Continental Marks within 45 days of the Termination Date); (ii) in the case of a termination of the license to use any other Continental Marks and Identification, Contractor shall cease all use of such other Continental Marks and Identification within 45 days of the termination of the license for such other Continental Marks and other Identification. Within such specified period, Contractor shall change its facilities, equipment, uniforms and supplies to avoid any customer confusion or the appearance that Contractor is continuing to have an operating relationship with Continental, and Contractor shall not thereafter make use of any word, words, term, design, name or mark confusingly similar with the Continental Marks or other Identification so that any such word, words, term, design, name or mark would present a likelihood of confusion or otherwise suggest a continuing relationship between Contractor and Continental.

6. Assignment. The non-exclusive license granted by Continental to Contractor is personal to Contractor and may not be assigned, sub-licensed or transferred by Contractor in any manner without the written consent of a duly authorized representative of Continental.

7. Continental Marks. The Continental Marks are as follows:

CONTINENTAL EXPRESS

CONTINENTAL EXPRESS'S LOGO (DESIGN) IN COLOR

CONTINENTAL EXPRESS'S LOGO (DESIGN) IN BLACK & WHITE



8. Aircraft Livery. The aircraft livery shall be as follows, unless otherwise directed by Continental: The colors blue, gray, white and gold are used on the aircraft. The color white appears on the top approximate 2/3 of the body of the aircraft; the color gray appears below the color white on the remainder of the bottom portion of the body of the aircraft; the color gold is used as a stripe or band dividing the white and gray colors. The tail of the aircraft is primarily blue with a logo design in a gold and white combination and the trade name is written in blue on the white portion of the body of the aircraft. The color blue is the dominant aircraft interior color.

9. Survival. The provisions of this Exhibit G shall survive the termination of this Agreement for a period of six years.

EXHIBIT H

Use of Contractor Marks

1. Grant. Contractor hereby grants to Continental, and Continental accepts, a non-exclusive, personal, non-transferable, royalty-free right and license to adopt and use the Contractor Marks (as defined below) in connection with Continental's entering into this Agreement, subject to the conditions and restrictions set forth herein.

2. Ownership of the Contractor Marks.

a. Contractor shall at all times remain the owner of the Contractor Marks and any registrations thereof and Continental's use of any Contractor Marks shall clearly identify Contractor as the owner of such marks (to the extent practical) to protect Contractor's interest therein.

b. Continental acknowledges Contractor's ownership of the Contractor Marks and further acknowledges the validity of the Contractor Marks. Continental agrees that it will not do anything that in any way infringes or abridges Contractor's rights in the Contractor Marks or directly or indirectly challenges the validity of the Contractor Marks.

3. Use of the Contractor Marks.

a. Continental shall use the Contractor Marks only as authorized herein by Contractor and in accordance with such standards of quality as Contractor may establish.

b. Continental shall use the Contractor Marks as necessary or appropriate in Continental's sole discretion in connection with the Regional Airline Services, including without limitation the sale or disposition by Continental of the seat inventory of the Scheduled Flights.

c. Continental shall not use the Contractor Marks for any purpose other than as set forth in this Exhibit H, and specifically shall have no right to use the Contractor Marks in connection with any other operations of Continental.

d. Contractor may change the Contractor Marks at any time and from time to time (including by adding or deleting marks from the list specified in this Exhibit H), in which case Continental shall as soon as practicable make such changes as are requested by Contractor to utilize the new Contractor Marks; provided that Contractor shall either pay directly the reasonable costs of making such changes to the Contractor Marks or shall promptly reimburse Continental for its reasonable expenses incurred in making such changes.

e. Nothing shall abridge Contractor's right to use and/or to license the Contractor Marks, and Contractor reserves the right to the continued use of all the Contractor Marks, to license such other uses of the Contractor Marks and to enter into such agreements with other carriers providing for arrangements similar to those with Continental as Contractor may desire. No term or provision of this Agreement shall be construed to preclude the use of the Contractor Marks by other persons or for other similar uses not covered by this Agreement.

4. Contractor-Controlled Litigation. Contractor at its sole expense shall take all steps that in its opinion and sole discretion are necessary and desirable to protect the Contractor Marks against any infringement or dilution. Continental agrees to cooperate fully with Contractor in the defense and protection of the Contractor Marks as reasonably requested by Contractor. Continental shall report to Contractor any infringement or imitation of, or challenge to, the Contractor Marks, immediately upon becoming aware of same. Continental shall not be entitled to bring, or compel Contractor to bring, an action or other legal proceedings on account of any infringements, imitations, or challenges to any element of the Contractor Marks without the written agreement of Contractor. Contractor shall not be liable for any loss, cost, damage or expense suffered or incurred by Continental because of the failure or inability to take or consent to the taking of any action on account of any such infringements, imitations or challenges or because of the failure of any such action or proceeding. If Contractor shall commence any action or legal proceeding on account of such infringements, imitations or challenges, Continental agrees to provide all reasonable assistance requested by Contractor in preparing for and prosecuting the same.

5. Revocation of License. Contractor shall have the right to cancel the license provided herein in whole or in part at any time and for any reason, in which event all terminated rights to use the Contractor Marks provided Continental herein shall revert to Contractor and shall not be used by Continental in connection with any operations of Continental. Continental shall cease all use of the Contractor Marks in all respects upon the last Covered Aircraft becoming an Uncovered Aircraft. Continental shall not thereafter make use of any word, words, term, design, name or mark confusingly similar with the Contractor Marks so that any such word, words, term, design, name or mark would present a likelihood of confusion or otherwise suggest a continuing relationship between Continental and Contractor.

6. Assignment. The non-exclusive license granted by Contractor to Continental is personal to Continental and may not be assigned, sub-licensed or transferred by Continental in any manner without the written consent of a duly authorized representative of Contractor.

7. Contractor Marks. The Contractor Marks are as follows: XJT.

8. Survival. The provisions of this Exhibit H shall survive the termination of this Agreement for a period of six years.

EXHIBIT I

Catering Standards

Station Services

- Contractor will provide caterer oversight at Contractor Airports that are non-Chelsea Catering locations. Continental will provide caterer oversight at Continental Airports that are non-Chelsea Catering locations.
- At Contractor Airports without contract catering, Contractor will provide supplies and beverage uplift as necessary and will remove, store and re-board perishable supply and beverage items on RON/originating flights. At Continental Airports without contract catering, Continental will provide supplies and beverage uplift as necessary and will remove, store and re-board perishable supply and beverage items on RON/originating flights.
- Contractor will provide meal ordering services at Contractor Airports that are non-Chelsea Catering locations or where catering is downlined by Chelsea Catering. Continental will provide meal ordering services at Continental Airports that are non-Chelsea Catering locations or where catering is downlined by Chelsea Catering.
- Contractor will provide trained catering truck guide person for all Contractor Airports that are Chelsea Catering locations to assist with backing off the aircraft. Continental will provide trained catering truck guide person for all Continental Airports that are Chelsea Catering locations to assist with backing off the aircraft.
- Contractor will coordinate and communicate with Chelsea Catering regarding all flight activity, cancellations and irregular operations providing necessary information in a timely manner.

Onboard Services

- Continental has right to determine meal/beverage service parameters and scheduling for Scheduled Flights.
- Continental has right to conduct onboard service audits on Scheduled Flights to ensure service standards are being met.
- Contractor flight attendants providing Regional Airline Services will be trained on meal and beverage service procedures, including liquor and duty-free sales and cash handling, and will collect all on-board revenue for liquor and duty-free sales.
- Contractor will provide sufficient galley service ship's equipment to operate, such as hot jugs, coffee makers and trash bins.

EXHIBIT J

Ticket Handling Terms

1. Passenger Ticket Stock and Accounting Procedures. Continental will provide Contractor with Continental passenger ticket stock in accordance with the following procedures:

A. Continental will supply Contractor with adequate supplies of all necessary passenger ticket forms, bag tags, boarding passes, validator plates and other documents and materials necessary to enable Contractor to operate in a manner consistent with Continental procedures, upon request to the office designated by Continental from time to time. A receipt for all ticket forms delivered to Contractor shall be signed by an appropriate representative of Contractor, and Contractor shall comply with Continental's procedures with respect to the control of, safeguarding of and accounting for ticket stock and validator plates. All tickets and other documents and materials supplied by Continental for use in connection with the Agreement shall be and remain the property of Continental and shall be held in trust for Continental by Contractor and issued or otherwise utilized only as provided in the Agreement.

B. Contractor shall be responsible for the safe and secure custody and care of all tickets and other documents and materials furnished by Continental. The tickets and other documents of Continental shall be secured in a manner satisfactory to Continental and consistent with any applicable IATA standards and specifications. Such tickets and documents and all records relating to them and to the sale of transportation on Continental shall at all times be made available for inspection by Continental or its designated representative.

C. All tickets shall be issued by Contractor in accordance with the currently effective tariffs and contract of carriage applicable to the transportation being purchased and applicable trade manuals, all in accordance with appropriate instructions, which may be issued from time to time by Continental.

D. All tickets shall be issued by Contractor in numerical sequence and all must be accounted for at each reporting period. All auditors' coupons for tickets issued by Contractor and all coupons of voided tickets shall be sent to the office or offices designated by Continental from time to time on the workday following issuance.

E. All checks accepted for the sale of tickets on Continental ticket stock shall be payable to Continental and acceptance of checks shall conform to Continental's acceptance procedures. Any losses resulting from returned checks where Contractor has failed to follow Continental's acceptance procedures, will be charged to Contractor after Continental exhausts reasonable efforts to collect.

F. All tickets issued for a form of payment other than cash or check shall be supported by such documents as shall be specified by Continental.

G. Contractor shall assume full liability for and agrees to defend, indemnify and hold Continental harmless from and against any and all claims, demands, liability, expenses, losses, costs or damages whatsoever in any manner arising out of or attributed to Contractor's possession, issuance, loss, misapplication, theft, or forgery of tickets, other travel documents, or supplies furnished by Continental to Contractor including but not limited to lost ticket forms, bag tags, boarding passes or other documents and errors in ticket issuance. In the event Contractor loses or has stolen any ticket, fails to return tickets or other documents to Continental upon demand, fails to remit pursuant to the Agreement the monies to which Continental is entitled from the sale of any such ticket or document, or fails to account properly for any such tickets or document, Contractor shall be liable to Continental for the agreed value of any such ticket or document, which is agreed to be the actual damages or loss sustained by Continental from usage of any such ticket or document, as measured by the then current, non-discounted retail price of the transportation or other service obtained with the ticket or document or, if such value cannot be determined, US \$[**CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT**] per ticket.

H. Contractor may accept all credit cards honored by Continental and is appointed Continental's agent for such purpose, provided:

- (i) Contractor observes the floor limits for each credit card set by the issuer of the credit card (the "Card Issuer") as amended by the Card Issuer from time to time;
- (ii) Contractor accepts each credit card within the terms of the contracts between Continental and Card Issuer;
- (iii) Contractor complies with 14 CFR, Part 374;
- (iv) Contractor does not accept blacklisted cards;

(v) Contractor shall reimburse Continental for any losses incurred by Continental as a result of Contractor' failure to observe the terms of this section or of the contracts between Continental and the Card Issuer;

(vi) Contractor complies with all of Continental's established procedures relating to credit cards; and

(vii) For tickets that are not for transportation on Scheduled Flights, Contractor shall reimburse Continental for all charge backs, returns and other direct charges attributable to or arising from Contractor' acceptance of credit cards, unless either (a) Continental has realized an offsetting credit (including through the return and cancellation of a previously issued ticket) or (b) such charge back, return or other charge resulted from the gross negligence, recklessness, or willful misconduct of Continental.

I. Contractor shall prepare and furnish to Continental all written reports, accounts, and documentation with regard to ticket handling that Continental may require daily or at such lesser frequency as Continental may prescribe, at its sole discretion, from time to time during the life of the Agreement. Contractor will comply with all reasonable procedures specified by Continental with regard to ticket handling.

J. Within two business days after the termination of the Agreement for any reason, Contractor will return to Continental all passenger ticket forms, bag tags, boarding passes and other documents provided to Contractor by Continental pursuant to the Agreement.

2. Deposits. Contractor shall deposit all funds, both cash and checks, realized from the sale of tickets on Continental ticket stock by it in Continental accounts maintained at depositories from time to time designated by Continental on or before the first banking day following receipt of such funds.

3. Ticket Acceptance. For the term of the Agreement, Continental hereby authorizes Contractor to accept flight coupons written for CO* Flights in accordance with any applicable restrictions. Contractor shall not endorse or refund any such coupons without Continental's written consent, except in accordance with Continental's contract of carriage.

EXHIBIT K

Fuel Efficiency Program

Contractor shall use commercially reasonable efforts to develop and maintain a comprehensive fuel efficiency program, acceptable to Continental, in a timely manner and with the overall objective of operating and maintaining the Covered Aircraft in a manner that maximizes fuel efficiency, with due consideration to other performance objectives. The program will include applicable data collection and trend analysis, and will set and track target metrics. Continental shall audit Contractor's program at its discretion, but at no less than annual intervals. Such audits will be based on the IATA Fuel and Emissions Efficiency Checklist, supplemented by the IATA Guidance Material and Best Practices for Fuel and Environmental Management, any applicable manufacturer material, Continental's own fuel efficiency program applicable to its own fleet, and any other material standard in the industry.

Contractor's fuel efficiency program shall emphasize at least the following:

1. A "cost index" (CI) based flight planning system, or as an alternative a flight planning system that adequately balances the cost of fuel versus the cost of time on a segment specific basis. The ability to provide the system with current and accurate applicable costs is required.

2. Flight planning technology that accurately predicts fuel burn and optimizes lateral and vertical profiles for takeoff and landing runway, climb and descent, crossing restrictions, special use airspace, preferred routings, enroute altitude agreements, etc.

3. Appropriate, implemented, well documented, and thoroughly trained policies and procedures for dispatchers, pilots, load planners, station agents, mechanics and management that maximize opportunities for fuel efficiency.

4. An active interface with appropriate Air Traffic Control (ATC) facilities, management, and other personnel to minimize operational restrictions, and improve ATC handling of Contractor flights.

5. Well-defined and fully integrated flight planning fuel policies, including statistical tracking of fuel added by pilots and dispatchers, efficient reserves, guidelines for efficient alternate selection, a "no-alternate" policy, and target "fuel on deck".

6. Thorough and effective pilot and dispatcher training on aerodynamics, cruise performance and overall fuel efficient flying in initial, transition, upgrade, and recurrent programs, with an emphasis on operating the aircraft at the most efficient speeds and altitudes as well as correct descent and approach planning.

7. Maximized use of on-board Flight Management Systems (FMS) or performance management computers as an in-flight fuel efficiency tool. Applicable thorough and effective training is required.

8. An effective fuel tankering program, including automated tankering suggestions and calculations, using validated methods and formulas.

9. Thorough statistical tracking, analysis and measurement of fuel efficiency using actual data, data from flight plans, and FOQA data with a comprehensive plan to identify and correct deficiencies, including individual pilot and dispatcher issues.

10. A designated manager charged with overall responsibility for fuel efficiency either as a stand alone position, or as a substantial element of an individual job description.

11. The inclusion of fuel efficiency issues and targets in appropriate job descriptions and performance objectives. Applicable work groups include, but are not limited to, pilots, dispatchers, SOCC managers, and gate and ramp personnel.

12. A weight management program that prevents the carriage of unnecessary galley supplies, spare parts and equipment, customer service items, etc.

13. A center of gravity management system that considers the most efficient center of gravity in load distribution.

14. Adequate ground equipment and an APU management program that prevents unnecessary or costly operation of the APU.

15. An engine-out taxi program both before takeoff and after landing.

16. Fuel and operationally efficient takeoff and landing flap selection priorities.

17. An engine maintenance program or maintenance contracts that track deterioration in Specific Fuel Consumption (SFC) and allow for cost effective early removal and repair/overhaul of high burn engines.

18. An airframe maintenance program that measure airframe drag and corrects high drag airframes that exceed an agreed upon threshold. An airframe maintenance program shall also include scheduled thorough aerodynamic conformity checks and corrective action.

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Supplemental Agreement No. 46toPurchase Agreement No. 1951BetweenThe Boeing Company,andContinental Airlines, Inc.Relating to Boeing Model 737 Aircraft

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THIS SUPPLEMENTAL AGREEMENT, entered into as of

June 25, 2008 by and between THE BOEING COMPANY (Boeing) and Continental Airlines, Inc. (Buyer);WHEREAS, Buyer wishes to exercise [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:1. Table of Contents, Articles, Tables and Exhibits, and Letter Agreements:

1. Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 46.
2. Remove and replace, in their entirety, pages T-6-1 and T-6-2 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-900ER Aircraft", with the revised pages T-6-1 and T-6-2 of Table 1 attached hereto.
3. Remove and replace, in their entirety, page T-2-2, T-2-3 and T-2-4 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-700 Aircraft", with the revised page T-2-2 and T-2-3 of Table 1 attached hereto.
4. Incorporate Letter Agreement 6-1162-SEE-133, Model 737-924ER Performance Guarantees - Settlement.

1.5 Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-311R5 entitled [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], with the revised Letter Agreement 6-1162-MMF-311R6 attached hereto.1.6 Remove and replace, in its entirety, Letter Agreement 6-1162-GOC-131R9 entitled "Special Matters", with the revised Letter Agreement 6-1162-GOC-131R10 attached hereto reflecting agreement to use the appropriate factor contained in Boeing's 4th Qtr 2007 escalation forecast package for [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].1.7 Remove and replace, in its entirety, the cover page to Exhibit A-1.1 entitled "Aircraft Configuration - Model 737-724 [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]." with the revised cover page reflecting revision documented in SA-41 to revise title to "Aircraft Configuration - Model 737-724 [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].The Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

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

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THE BOEING COMPANY Continental Airlines, Inc.

By: /s/ Susan Englander By: /s/ Gerald LadermanIts: Attorney-In-Fact Its: Senior Vice President -Finance and TreasurerTABLE OF CONTENTSPage SANumber NumberARTICLES1. Subject Matter of Sale 1-1 SA 392. Delivery, Title and Risk
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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

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

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

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

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Aircraft Deliveries and Descriptions

Model 737-700 Aircraft

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

Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-900ER Aircraft

-

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

1951PA/CALContinental Airlines, Inc.

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AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

Continental Airlines, Inc.

-

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Exhibit A-1.1 to Purchase Agreement Number 1951

(737-724 Aircraft [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT])

6-1162-MMF-311R6

June 25, 2008

Continental Airlines, Inc.
1600 Smith Street
Houston, TX 77002

Subject: Letter Agreement No. 6-1162-MMF-311R6 to Purchase Agreement No. 1951 - **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-311R5 dated August 3, 2006.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

5. Confidential Treatment.

Boeing and Buyer agree that certain commercial and financial information contained in this Letter Agreement is confidential and subject to the confidentiality provisions of Letter Agreement 6-1162-MMF-308R6, "Disclosure of Confidential Information."

If this Letter Agreement correctly states your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Susan Englander

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: June 25, 2008

CONTINENTAL AIRLINES, INC.

By /s/ Gerald Laderman

Its Senior Vice President - Finance

Attachment A to
Letter Agreement 6-1162-MMF-311R6

Date: June 25, 2008

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Attention: Technical Department

Reference: Letter Agreement 6-1162-MMF-311R6 to
Boeing/CAL Purchase Agreement 1951

Transmitted by Facsimile: TBD

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

Very truly yours,

THE BOEING COMPANY

By: _____

Its: _____

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

6-1162-SEE-133

June 25, 2008

Continental Airlines, Inc.

1600 Smith Street HQSFM

Houston, TX 77002

Subject: Model 737-924ER [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Reference: 1) Purchase Agreement No. 1951 dated July 23, 1996 between The Boeing Company and Continental Airlines, Inc.

2) Letter Agreement 6-1162-MSA-768 dated August 3, 2006, Performance Guarantees - Model 737-900ER

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

This Letter Agreement amends and supplements Purchase Agreement No. 1951 dated July 23, 1996 (The Agreement) between The Boeing Company and Continental Airlines, Inc. All terms used but not defined in this Letter Agreement have the same meaning as in the Agreement.

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

4. Confidential Treatment. Boeing and Customer understand that certain commercial and financial information contained in this Letter Agreement is considered confidential. Both parties agree to treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of the other party, disclose this Letter Agreement or any information contained herein to any other person or entity.

Very truly yours,

THE BOEING COMPANY

By /s/ Susan Englander

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: June 25, 2008

CONTINENTAL AIRLINES, INC.

By /s/ Gerald Laderman

Its Senior Vice President-Finance and Treasurer

June 25, 2008

6-1162-GOC-131R10

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 77002

Subject: Letter Agreement No. 6-1162-GOC-131R10 to Purchase

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-GOC-131R9 dated June 25, 2007.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

2. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Advance Payment Schedule.

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

2.2 Option Aircraft and follow-on Firm. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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

4. Option Aircraft.

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

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

6. Assignment of Credits.

Buyer may not assign the credit memoranda described in this Letter Agreement without Boeing's prior written consent [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

7. Confidential Treatment.

Boeing and Buyer understand that certain information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Notwithstanding the provisions of Letter Agreement 6-1162-MMF-308R4, Boeing and Buyer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By /s/ Susan Englander

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: June 25, 2008

CONTINENTAL AIRLINES, INC.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

CERTIFICATION

I, Lawrence W. Kellner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 18, 2008

-
/s/ Lawrence W. Kellner _____

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

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CERTIFICATION

I, Jeffrey J. Misner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 18, 2008

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/s/ Jeffrey J. Misner

Jeffrey J. Misner

Executive Vice President and

Chief Financial Officer

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Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Dated: July 18, 2008

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/s/ Lawrence W. Kellner

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

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/s/ Jeffrey J. Misner

Jeffrey J. Misner

Executive Vice President and

Chief Financial Officer

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