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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 1-10323

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	X	Accelerated filer	_____
Non-accelerated filer	_____	Smaller reporting company	_____
(Do not check if 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 X

The registrant is a wholly owned subsidiary of United Continental Holdings, Inc., and there is no market for the registrant's common stock. As of October 21, 2010, there were 1,000 shares of the registrant's Common Stock outstanding with a par value of $0.01 per share.

OMISSION OF CERTAIN INFORMATION

Continental Airlines, Inc. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format allowed under that General Instruction.

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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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Operating Revenue:				
Passenger:				
Mainline	$ 2,967	$ 2,442	$ 8,002	$ 6,940
Regional	588	505	1,667	1,391
Total Passenger Revenue	3,555	2,947	9,669	8,331
Cargo	115	92	328	259
Other	283	278	833	814
Total Operating Revenue	3,953	3,317	10,830	9,404
Operating Expenses:				
Aircraft fuel and related taxes	984	881	2,806	2,507
Wages, salaries and related costs	909	794	2,527	2,358
Aircraft rentals	230	233	689	705
Landing fees and other rentals	228	222	656	647
Regional capacity purchase	212	211	625	641
Distribution costs	193	160	555	467
Maintenance, materials and repairs	131	159	413	473
Depreciation and amortization	124	124	380	353
Passenger services	106	99	299	282
Special charges	2	20	18	68
Merger-related costs	11	-	29	-
Other	382	353	1,114	1,050
Total Operating Expenses	3,512	3,256	10,111	9,551
Operating Income (Loss)	441	61	719	(147)
Nonoperating Income (Expense):				
Interest expense	(102)	(91)	(288)	(274)
Interest capitalized	5	8	17	25
Interest income	2	2	6	10
Other, net	8	2	(12)	19
Total Nonoperating Expense	(87)	(79)	(277)	(220)
Income (Loss) before Income Taxes	354	(18)	442	(367)
Income Taxes	-	-	(1)	-
Net Income (Loss)	$ 354	$ (18)	$ 441	$ (367)
Earnings (Loss) per Share:				
Basic	$ 2.52	$ (0.14)	$ 3.16	$ (2.91)
Diluted	$ 2.16	$ (0.14)	$ 2.81	$ (2.91)
Shares Used for Computation:				
Basic	140	132	140	126
Diluted	167	132	167	126

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

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

ASSETS	September 30, 2010 (Unaudited)	December 31, 2009	September 30, 2009 (Unaudited)
Current Assets:			
Cash and cash equivalents	$ 3,698	$ 2,546	$ 2,313
Short-term investments	506	310	229
Total unrestricted cash, cash equivalents and short-term investments	4,204	2,856	2,542
Restricted cash and cash equivalents	161	164	164
Accounts receivable, net	640	494	549
Spare parts and supplies, net	253	254	245
Deferred income taxes	266	203	180
Prepayments and other	475	402	435
Total current assets	5,999	4,373	4,115
Property and Equipment:			
Owned property and equipment:			
Flight equipment	9,352	8,769	8,807
Other	1,841	1,787	1,755
Flight equipment and other	11,193	10,556	10,562
Less: Accumulated depreciation	3,814	3,509	3,444
Owned property and equipment, net	7,379	7,047	7,118
Purchase deposits for flight equipment	220	242	226
Capital leases	195	194	195
Less: Accumulated amortization	69	63	60
Capital leases, net	126	131	135
Total property and equipment, net	7,725	7,420	7,479
Routes and airport operating rights, net	777	778	794
Other assets	231	210	208
Total Assets	$ 14,732	$ 12,781	$ 12,596

(continued on next page)

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

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 2010 (Unaudited)	December 31, 2009	September 30, 2009 (Unaudited)
Current Liabilities:			
Current maturities of long-term debt and capital leases	$ 818	$ 975	$ 734
Accounts payable	915	924	911
Air traffic and frequent flyer liability	2,396	1,855	1,936
Accrued payroll	512	367	405
Accrued other liabilities	325	268	279
Total current liabilities	4,966	4,389	4,265
Long-Term Debt and Capital Leases	6,079	5,291	5,290
Deferred Income Taxes	266	203	180
Accrued Pension Liability	1,176	1,248	1,368
Accrued Retiree Medical Benefits	224	216	241
Other Non-Current Liabilities	859	844	806
Stockholders' Equity:			
Class B common stock - $.01 par, 400,000,000 shares authorized; 140,921,965, 138,537,127 and 138,117,042 issued and outstanding	1	1	1
Additional paid-in capital	2,254	2,216	2,210
Accumulated deficit	(1)	(442)	(527)
Accumulated other comprehensive loss	(1,092)	(1,185)	(1,238)
Total stockholders' equity	1,162	590	446
Total Liabilities and Stockholders' Equity	$ 14,732	$ 12,781	$ 12,596

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

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

	Nine Months Ended September 30,	
	2010	2009
Cash Flows from Operating Activities:		
Net income (loss)	$ 441	$ (367)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	380	353
Special charges	18	68
Stock-based compensation related to equity awards	10	7
Other, net	20	35
Changes in operating assets and liabilities	438	91
Net cash provided by operating activities	1,307	187
Cash Flows from Investing Activities:		
Capital expenditures	(246)	(301)
Aircraft purchase deposits refunded, net	10	42
Proceeds from (purchases) sales of short-term investments, net	(171)	256
Proceeds from sales of property and equipment	32	46
Decrease in restricted cash and cash equivalents	3	26
Expenditures for airport operating rights	-	(22)
Other	-	(3)
Net cash (used in) provided by investing activities	(372)	44
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net	1,025	295
Payments on long-term debt and capital lease obligations	(836)	(542)
Proceeds from public offering of common stock	-	158
Proceeds from issuance of common stock pursuant to stock plans	28	6
Net cash provided by (used in) financing activities	217	(83)
Net Increase in Cash and Cash Equivalents	1,152	148
Cash and Cash Equivalents - Beginning of Period	2,546	2,165
Cash and Cash Equivalents - End of Period	$ 3,698	$ 2,313
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through the issuance of debt	$ 467	$ 370

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

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. We recorded $11 million of depreciation expense during the quarter ended March 31, 2010 that relates to prior periods, the impact of which is not material to any individual prior period or our expected annual results for 2010.

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, 2009 (the "2009 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.

NOTE 1 – MERGER WITH UNITED

On October 1, 2010, we became a wholly-owned subsidiary of United Continental Holdings, Inc. (formerly UAL Corporation and referred to herein as "UAL"), as a result of the merger of JT Merger Sub Inc. ("Merger Sub"), a wholly-owned subsidiary of UAL, with and into Continental (the "Merger"). In connection with the Merger, UAL changed its name to United Continental Holdings, Inc. to reflect that both United Air Lines, Inc. ("United") and Continental are its wholly-owned subsidiaries. The Merger was effected pursuant to an Agreement and Plan of Merger dated as of May 2, 2010, entered into by and among UAL, Continental and Merger Sub (the "Merger Agreement"). Until the operational integration of United and Continental is complete, United and Continental will co ntinue to operate as separate airlines.

Pursuant to the terms of the Merger Agreement, each outstanding share of Continental common stock was converted into and became exchangeable for 1.05 fully paid and nonassessable shares of UAL common stock with any fractional shares paid in cash. UAL issued approximately 148 million shares of UAL common stock to former holders of Continental common stock. Based on the closing price of $23.66 per share of UAL common stock on The NASDAQ Global Select Market ("NASDAQ") on September 30, 2010, the last trading day before the closing of the Merger, the aggregate value of the consideration paid in connection with the Merger to former holders of Continental common stock was approximately $3.5 billion. Upon completion of the Merger, Continental stock options became e xercisable into shares of UAL common stock and Continental convertible debt became convertible into shares of UAL common stock, in each case after giving effect to the exchange ratio.

Upon the closing of the Merger, the shares of Continental common stock, which previously traded under the ticker symbol "CAL" on the New York Stock Exchange (the "NYSE"), ceased trading on, and were delisted from, the NYSE.

The Merger will be accounted for using the acquisition method of accounting with UAL being considered the acquirer of Continental for accounting purposes. UAL will allocate the purchase price to the fair value of Continental's tangible and intangible assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill. Under the acquisition method of accounting, goodwill is not amortized but is tested for impairment at least annually. The new basis for our assets and liabilities will also be reflected in our separate-entity financial statements.

We incurred costs totaling $11 million and $29 million in the three and nine months ended September 30, 2010, respectively, relating to the Merger. We currently expect to incur additional costs of at least $140 million in the fourth quarter of 2010 related to the Merger. These costs include financial advisor fees, legal and other advisory fees, integration costs, severance to departing employees and their benefits earned upon the change in control. We expect that we will also incur additional expenses in periods after 2010 related to the Merger.

NOTE 2 – ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Variable Interest Entities. In June 2009, the Financial Accounting Standards Board ("FASB") issued guidance to change financial reporting by enterprises involved with variable interest entities ("VIEs"). The standard replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a VIE with an approach focused on identifying which enterprise has the power to direct the activities of a VIE and the obligation to absorb losses of the entity or the right to receive the entity's residual returns. This accounting standard became effective for us on January 1, 2010. The adoption of this pronouncement did not have any eff ect on our consolidated financial statements.

Revenue Arrangements with Multiple Deliverables. In October 2009, the FASB issued guidance that changes the accounting for revenue arrangements with multiple deliverables. The guidance requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices and eliminates the use of the residual method of allocation. The guidance establishes a hierarchy for determining the selling price of a deliverable, based on vendor-specific objective evidence, third-party evidence or estimated selling price. In addition, this guidance expands required disclosures related to a vendor's multiple-deliverable revenue arra ngements. This accounting standard is effective for us on January 1, 2011 and may change our accounting for the sale of frequent flyer mileage credits. We may elect to adopt this guidance through either prospective application for revenue arrangements entered into, or materially modified, after the effective date or retrospective application to all applicable revenue arrangements for all periods presented. We are currently evaluating the requirements of this pronouncement and have not determined the impact, if any, that adoption of this standard will have on our consolidated financial statements.

NOTE 3 – EARNINGS (LOSS) PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Numerator:				
Numerator for basic earnings (loss) per share - net income (loss)	$ 354	$ (18)	$ 441	$ (367)
Effect of dilutive securities - interest expense on:				
5% convertible notes	2	-	10	-
6% convertible junior subordinated debentures held by subsidiary trust	3	-	10	-
4.5% convertible notes	3	-	7	-
Numerator for diluted earnings (loss) per share - net income (loss) after assumed conversions	$ 362	$ (18)	$ 468	$ (367)
Denominator:				
Denominator for basic earnings (loss) per share - weighted average shares	140	132	140	126
Effect of dilutive securities:				
5% convertible notes	9	-	9	-
6% convertible junior subordinated debentures held by subsidiary trust	4	-	4	-
4.5% convertible notes	12	-	12	-
Employee stock options	2	-	2	-
Dilutive potential shares	27	-	27	-
Denominator for diluted earnings (loss) per share - weighted average shares after assumed conversions	167	132	167	126

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 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 nine months ended September 30, 2009 because they were antidilutive. In addition, approximately two million weighted average options to purchase shares of our common stock for the three and nine months ended September 30, 2010 and approximately eight million weighted average options for the three and nine months ended September 30, 2009 were excluded from the computation of diluted earnings per share because the effect of including the options would have been antidilutive.

NOTE 4 – FLEET INFORMATION

As of September 30, 2010, our operating fleet consisted of 348 mainline jets and 252 regional aircraft. The 348 mainline jets are operated exclusively by us, while the 252 regional aircraft are operated on our behalf by other operators under capacity purchase agreements.

We own or lease 274 regional jets. Of these, 206 are leased or subleased to ExpressJet Airlines, Inc. ("ExpressJet") and operated on our behalf under a capacity purchase agreement with ExpressJet, 43 are subleased to ExpressJet and other operators but are not operated on our behalf and 25 are temporarily grounded. Additionally, our regional operating fleet includes 46 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 September 30, 2010:

Aircraft Type	Total	Owned	Leased	Third-Party Aircraft

Mainline (a):					
777-200ER	22	10	12	-	
767-400ER	16	14	2	-	
767-200ER	10	9	1	-	
757-300	21	9	12	-	
757-200	41	15	26	-	
737-900ER	30	30	-	-	
737-900	12	8	4	-	
737-800	126	53	73	-	
737-700	36	12	24	-	
737-500	34	-	34	-	
Total mainline	348	160	188	-	
Regional (b):					
ERJ-145XR	89	-	89	-	
ERJ-145	132	18	99	15	(c)
Q400	15	-	-	15	(d)
Q200	16	-	-	16	(e)
Total regional	252	18	188	46	
Total	600	178	376	46	

(a) Excludes five grounded Boeing 737-500 aircraft (two owned and three leased) and three grounded owned Boeing 737-300 aircraft.
(b) Excludes 25 ERJ-135 aircraft that are temporarily grounded and 15 ERJ-145XR aircraft, 23 ERJ-145 aircraft and five ERJ-135 aircraft that are subleased to other operators, but are not operated on our behalf.
(c) Operated by Chautauqua Airlines, Inc. ("Chautauqua") under a capacity purchase agreement.
(d) Operated by Colgan Air, Inc. ("Colgan") under a capacity purchase agreement.
(e) Operated by Champlain Enterprises, Inc. ("CommutAir") under a capacity purchase agreement.

Substantially all of the aircraft and engines we own are subject to mortgages.

Mainline Fleet Activity. During the first nine months of 2010, we placed into service two owned Boeing 777 aircraft, three leased Boeing 757-300 aircraft and nine owned Boeing 737-800 aircraft. We also removed three Boeing 737-300 aircraft from service.

Regional Fleet Activity. In December 2009, we agreed with ExpressJet to amend our capacity purchase agreement to permit ExpressJet to fly eight ERJ-145 aircraft for United under a capacity purchase agreement. These eight aircraft had been removed from service on our behalf as of September 30, 2010.

In September 2010, Colgan began operating one new Q400 aircraft on our behalf under our existing capacity purchase agreement. An additional 14 Q400 aircraft are scheduled to be inducted into service under the agreement through the second quarter of 2011.

Firm Order and Option Aircraft. As of September 30, 2010, we had firm commitments to purchase 78 new aircraft (53 Boeing 737 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2010 through 2016, with an estimated aggregate cost of $4.6 billion including related spare engines. In addition to our firm order aircraft, we had options to purchase a total of 94 additional Boeing aircraft as of September 30, 2010. We are currently scheduled to take delivery of three Boeing 737 aircraft in the fourth quarter of 2010.

NOTE 5 – LONG-TERM DEBT

Maturities. Maturities of long-term debt due before December 31, 2010 and for the next four years are as follows (in millions):

October 1, 2010 through December 31, 2010	$	339
Year ending December 31,		
2011		828
2012		624
2013		850
2014		375

Senior Secured Notes. In August 2010, we issued $800 million aggregate principal amount of 6.75% Senior Secured Notes due 2015. The Senior Secured Notes have a maturity date of September 15, 2015 and have an annual interest rate of 6.75%. The notes were sold at 98.938% of par which resulted in our receiving net cash proceeds of $776 million upon issuance, after giving effect to issuance costs. We may redeem some or all of the Senior Secured Notes at any time on or after September 15, 2012 at specified redemption prices. If we sell certain of our assets or if we experience specific kinds of change in control, we will be required to offer to repurchase the Senior Secured Not es.

Our obligations under the Senior Secured Notes are unconditionally guaranteed by our subsidiaries Air Micronesia, Inc. ("AMI") and Continental Micronesia, Inc. ("CMI"). The Senior Secured Notes and related guarantees are secured by certain of our U.S.-Asia and U.S.-London Heathrow routes and related assets, all of the outstanding common stock of AMI and CMI and substantially all of the other assets of AMI and CMI, including route authorities and related assets.

The indenture for the Senior Secured Notes includes covenants that, among other things, restrict our ability to sell assets, incur additional indebtedness, issue preferred stock, make investments or pay dividends. In addition, if we fail to maintain a collateral coverage ratio of 1.5 to 1, we must pay additional interest on the Senior Secured Notes at the rate of 2% per annum until the collateral coverage ratio equals at least 1.5 to 1. The indenture for the Senior Secured Notes also includes events of default customary for similar financings.

In conjunction with the issuance of the Senior Secured Notes, we repaid the $350 million senior secured term loan credit facility that was due in June 2011 and bore interest at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 3.375%.

Convertible Debt Securities. Our 5% Convertible Notes with a principal amount of $175 million are convertible, effective October 1, 2010, into 52.5 shares of UAL common stock per $1,000 principal amount at a conversion price of $19.0476 per share. Prior to the Merger, the notes were convertible into shares of Continental common stock. If a holder of the notes exercises the conversion right, in lieu of delivering shares of UAL common stock, we may elect to pay cash or a combination of cash and shares of UAL common stock for the notes surrendered. All or a portion of the notes are also redeemable at any time for cash at our option at par plus accrued and unpaid interest, if any. & #160;On October 4, 2010, we notified the holders of the notes of our intent to redeem $75 million principal amount of the notes at par plus accrued and unpaid interest on November 4, 2010. Holders who received a redemption notice may, prior to November 4, 2010, elect to convert their notes into shares of UAL common stock at a conversion price of $19.0476 per share.

Holders of the notes may require us to repurchase all or a portion of their notes at par plus any accrued and unpaid interest on June 15 of 2013 or 2018. We may at our option choose to pay the repurchase price on those dates in cash, shares of UAL common stock or any combination thereof. However, if we are required to repurchase all or a portion of the notes, our policy is to settle the notes in cash. The holders of the notes also had the right to require us to repurchase their notes on June 15, 2010; however, none did so. Accordingly, we have classified these notes as long-term debt and capital leases at September 30, 2010. The maturity table above reflects the principal amount of the notes as due in 2013.

Holders of the notes may also require us to repurchase all or a portion of their notes for cash at par plus any accrued and unpaid interest if certain changes in control of Continental occur. The Merger did not result in the holders of the notes having any additional rights to require us to repurchase their notes, nor did it trigger any repayment obligation on any of our other outstanding debt.

2009-2 Enhanced Equipment Trust Certificates. In November 2009, we obtained financing for eight currently-owned Boeing aircraft, nine new Boeing 737-800 aircraft and two new Boeing 777 aircraft. We applied this financing to these aircraft during the first nine months of 2010 and recorded related debt of $644 million. In connection with this financing, enhanced equipment trusts raised $644 million through the issuance of two classes of enhanced equipment trust certificates. Class A certificates, with an aggregate principal amount of $528 million, bear interest at 7.25% and Class B certificates, with an aggregate principal amount of $117 million, bear interest at 9.25%. As w e refinanced or took delivery of the aircraft, we issued equipment notes to the trusts, which purchased such notes with proceeds from the issuance of the Class A and Class B certificates. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in November 2010 and will end in November 2019 for Class A certificates and in May 2017 for Class B certificates.

NOTE 6 - FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Accounting rules for fair value clarify 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. FASB Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures," 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 the 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 include (in millions):

	Carrying Amount	Level 1	Level 2	Level 3	Valuation Technique
September 30, 2010					
Cash and cash equivalents	$ 3,698	$ 3,698	$ -	$ -	(A)
Short-term investments:					
Auction rate securities	117	-	-	117	(B)
Asset-backed securities	196	196	-	-	(A)
Fixed income mutual fund	11	-	11	-	(A)
Corporate debt	119	119	-	-	(A)
U.S. government and agency notes	61	61	-	-	(A)
Municipal bonds	2	2	-	-	(A)
Restricted cash and cash equivalents	161	161	-	-	(A)
Fuel derivatives:					
Swaps	36	-	-	36	(A)
Call options	9	-	-	9	(A)
Collars	2	-	-	2	(A)
Foreign currency forward contracts	(6)	-	(6)	-	(A)
December 31, 2009					
Cash and cash equivalents	$ 2,546	$ 2,546	$ -	$ -	(A)
Short-term investments:					
Auction rate securities	201	-	-	201	(B)
CDARS	102	102	-	-	(A)
Asset-backed securities	7	7	-	-	(A)
Restricted cash and cash equivalents	164	164	-	-	(A)
Auction rate securities put right	20	-	-	20	(B)
Fuel derivatives:					
Swaps	6	-	-	6	(A)
Call options	8	-	-	8	(A)
Foreign currency forward contracts	5	-	5	-	(A)
September 30, 2009					
Cash and cash equivalents	$ 2,313	$ 2,313	$ -	$ -	(A)
Short-term investments:					
Auction rate securities	205	-	-	205	(B)
CDARS	24	24	-	-	(A)
Restricted cash and cash equivalents	164	164	-	-	(A)
Auction rate securities put right	23	-	-	23	(B)
Fuel derivatives:					
Swaps	8	-	-	8	(A)
Collars	1	-	-	1	(A)
Foreign currency forward contracts	(3)	-	(3)	-	(A)

The determination of fair value of each of these items is discussed below:

Cash and Cash Equivalents and Restricted Cash. Cash and cash equivalents and restricted cash consist primarily of U.S. Government and Agency money market funds and other AAA-rated money market funds with original maturities of three months or less. The original cost of these assets approximates fair value due to their short-term maturity.

Short-Term Investments Other than Auction Rate Securities. The fair values of short-term investments other than auction rate securities are based on observable market data. "CDARS" are certificates of deposit placed through an account registry service. Asset-backed securities mature through 2011. The fixed income mutual fund invests primarily in money market instruments and investment grade fixed income securities and is valued at the net asset value of shares held by us. The investments underlying the fixed income mutual fund have a weighted average contractual maturity of less than 90 days. Corporate debt securities, government and agency notes and municipal b onds have a weighted average maturity of less than two years.

Student Loan-Related Auction Rate Securities. At September 30, 2010, we held student loan-related auction rate securities with a fair value of $117 million, a par value of $145 million and amortized cost of $117 million. These securities, which we classify as available-for-sale, are variable-rate debt instruments with contractual maturities generally greater than ten years and interest rates that are reset every seven, 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 U.S. government. All of the auction rate securities we hold are senior oblig ations under the applicable indentures authorizing the issuance of the securities. We estimated the fair value of these securities taking into consideration the limited sales and offers to purchase such securities and using internally-developed models of the expected future cash flows related to the securities. Our models incorporated our probability-weighted assumptions about the cash flows of the underlying student loans and discounts to reflect a lack of liquidity in the market for these securities.

During the first nine months of 2010, we sold, at par, auction rate securities having a par value of $106 million. Certain of these auction rate securities were subject to a put right granted to us by an institution permitting us to sell to the institution at their full par value certain auction rate securities. We recognized gains on the sales using the specific identification method. The gains were substantially offset by the cancellation of any related put rights. The net gains are included in other non-operating income (expense) in our consolidated statement of operations and were not material. We did not hold any put rights as of September 30, 2010.

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 Derivatives. We determine the fair value of our fuel derivatives by obtaining inputs from a broker's pricing model that is 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. For derivatives not covered by collateral, we also make an adjustment to incorporate credit risk into the valuation. Due to the fact that certain of the inputs utilized to determine the fair value of the fuel derivatives are unobservabl e (principally volatility of crude oil prices and the credit risk adjustments), we have categorized these option contracts as Level 3.

Foreign Currency-Forward Contracts. We determine the fair value of our foreign currency derivatives by comparing our contract rate to a published forward price of the underlying currency, which is based on market rates for comparable transactions.

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

	Auction Rate Securities	Put Right	Fuel Derivatives		
			Swap	Call Options	Collars
Three Months Ended September 30, 2010					
Balance at beginning of period	$ 117	$ -	$ (6)	$ 5	$ (2)
Purchases, sales, issuances and settlements (net)	-	-	9	8	-
Gains and losses:					
Reported in earnings:					
Unrealized	-	-	1	-	-
Reported in other comprehensive income (loss)	-	-	32	(4)	4
Balance as of September 30, 2010	$ 117	$ -	$ 36	$ 9	$ 2
Three Months Ended September 30, 2009					
Balance at beginning of period	$ 230	$ 27	$ 16	$ -	$ (33)
Purchases, sales, issuances and settlements (net)	(30)	-	(6)	-	38
Gains and losses:					
Reported in earnings:					
Realized	5	(4)	-	-	-
Unrealized	-	-	1	-	-
Reported in other comprehensive income (loss)	-	-	(3)	-	(4)
Balance as of September 30, 2009	$ 205	$ 23	$ 8	$ -	$ 1

	Auction Rate Securities	Put Right	Fuel Derivatives		
			Swap	Call Options	Collars
Nine Months Ended September 30, 2010					
Balance at beginning of period	$ 201	$ 20	$ 6	$ 8	$ -
Purchases, sales, issuances and settlements (net)	(106)	-	10	25	2
Gains and losses:					
Reported in earnings:					
Realized	23	(21)	-	-	-
Unrealized	-	1	1	(1)	(1)
Reported in other comprehensive income (loss)	(1)	-	19	(23)	1
Balance as of September 30, 2010	$ 117	$ -	$ 36	$ 9	$ 2
Nine Months Ended September 30, 2009					
Balance at beginning of period	$ 229	$ 26	$ 2	$ 1	$ (418)
Purchases, sales, issuances and settlements (net)	(31)	-	(1)	(1)	404
Gains and losses:					
Reported in earnings:					
Realized	5	(4)	-	-	-
Unrealized	-	1	9	-	(2)
Reported in other comprehensive income (loss)	2	-	(2)	-	17
Balance as of September 30, 2009	$ 205	$ 23	$ 8	$ -	$ 1

Other Financial Instruments. Other financial instruments that are not subject to the disclosure requirements of ASC Topic 820 are as follows:

- Debt. The fair value of our debt was approximately as follows (in billions):

	Carrying Amount	Fair Value
September 30, 2010	$ 6.7	$ 7.0
December 31, 2009	6.1	5.8
September 30, 2009	5.8	5.1

These estimates were based on either market prices or the discounted amount of future cash flows using our current incremental rate of borrowing for similar liabilities.

- Accounts Receivable and Accounts Payable. The fair values of accounts receivable and accounts payable approximated carrying value due to their short-term maturity.

NOTE 7 - HEDGING ACTIVITIES

As part of our risk management program, we use a variety of derivative financial instruments to help manage our risks associated with changes in fuel prices and foreign currency exchange rates. We do not hold or issue derivative financial instruments for trading purposes.

We are exposed to credit losses in the event of non-performance by issuers of derivative financial instruments. To manage credit risks, we select issuers based on credit ratings, limit our exposure to any one issuer under our defined guidelines and monitor the market position with each counterparty.

Fuel Price Risk Management. We routinely hedge a portion of our future fuel requirements, provided the hedges are expected to be cost effective. We have historically entered into swap agreements, purchased call options or structured costless collar arrangements to protect us against sudden and significant increases in jet fuel prices. We typically conduct our fuel hedging activities using a combination of crude oil, jet fuel and heating oil contracts. We strive to maintain fuel hedging levels and exposure generally comparable to that of our major competitors, so that our fuel cost is not disproportionate to theirs.

As of September 30, 2010, our projected consolidated fuel requirements for the fourth quarter of 2010 and the first half of 2011 were hedged as follows:

	Maximum Price		Minimum Price	
	% of Expected Consumption	Weighted Average price (per gallon)	% of Expected Consumption	Weighted Average price (per gallon)
Fourth Quarter of 2010				
WTI crude oil swaps	21%	$ 1.81	21%	$ 1.81
Jet fuel swaps	19	2.13	19	2.13
WTI crude oil call options	22	2.28	N/A	N/A
WTI crude oil collars	6	2.38	6	1.73
Total	68%		46%	
First Half of 2011				
WTI crude oil swaps	14%	$ 1.86	14%	$ 1.86
WTI crude oil call options	12	2.20	N/A	N/A
WTI crude oil collars	8	2.29	8	1.57
Total	34%		22%	

We account for our fuel derivatives as cash flow hedges and record them at fair value in our consolidated balance sheet with the change in fair value, to the extent effective, being recorded to accumulated other comprehensive income (loss) ("accumulated OCI"), net of applicable income taxes. Fuel hedge gains (losses) are recognized as a component of fuel expense when the underlying fuel hedged is used. The ineffective portion of our fuel hedges is determined based on the correlation between jet fuel and crude oil or heating oil prices and is included in nonoperating income (expense) in our consolidated statement of operations.

When our fuel hedges are in a liability position, we may be required to post cash collateral with our counterparties. We were not required to post any such collateral at September 30, 2010, December 31, 2009 or September 30, 2009. The cash collateral is reported in prepayments and other current assets in our consolidated balance sheet.

Foreign Currency Exchange Risk Management. We have historically used foreign currency average rate options and forward contracts to hedge against the currency risk associated with our forecasted Japanese yen, British pound, Canadian dollar and euro-denominated cash flows. The average rate options and forward contracts have only nominal intrinsic value at the date contracted. At September 30, 2010, we had forward contracts outstanding to hedge the following cash inflows, primarily from passenger ticket sales, in foreign currencies:

- 34% of our projected Japanese yen-denominated cash inflows through the fourth quarter of 2011.
- 6% of our projected Canadian dollar-denominated cash inflows through the fourth quarter of 2010.

We account for these instruments as cash flow hedges. They are recorded at fair value in our consolidated balance sheet with the change in fair value, to the extent effective, being recorded to accumulated OCI, net of applicable income taxes. Gains and losses from settlement of these instruments are recognized as passenger revenue. We measure hedge effectiveness of average rate options and forward contracts based on the forward price of the underlying currency. Hedge ineffectiveness, if any, is included in other nonoperating income (expense) in our consolidated statement of operations.

Quantitative Disclosures. All of our derivative instruments were designated as cash flow hedges and were reported in our consolidated balance sheet as follows (in millions):

	Asset Derivatives (1)			Liability Derivatives (2)		
	September 30, 2010	December 31, 2009	September 30, 2009	September 30, 2010	December 31, 2009	September 30, 2009
Fuel derivatives	$ 47	$ 14	$ 9	$ -	$ -	$ -
Foreign currency derivatives	-	5	-	6	-	3
Total derivatives	$ 47	$ 19	$ 9	$ 6	$ -	$ 3

(1) Amounts are included in prepayments and other current assets.
(2) Amounts are included in accrued other current liabilities.

The gains (losses) related to the effective portion of our cash flow hedges reported in accumulated OCI in our consolidated balance sheet and in our consolidated statement of operations were as follows (in millions):

	Gain (Loss) Recognized in OCI (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (1)		Gain (Loss) Recognized in Income (Ineffective Portion) (2)	
	2010	2009	2010	2009	2010	2009
Three Months Ended September 30						
Fuel derivatives	$ 33	$ (6)	$ (16)	$ (41)	$ -	$ 1
Foreign currency derivatives	(5)	(3)	-	-	-	-
Total	$ 28	$ (9)	$ (16)	$ (41)	$ -	$ 1
Nine Months Ended September 30						
Fuel derivatives	$ (4)	$ 23	$ (23)	$ (392)	$ (2)	$ 7
Foreign currency derivatives	(9)	6	1	-	-	-
Total	$ (13)	$ 29	$ (22)	$ (392)	$ (2)	$ 7

(1) Amounts related to fuel derivatives are included in aircraft fuel and related taxes and amounts related to foreign currency derivatives are included in passenger revenue.
(2) Amounts are included in other nonoperating income (expense).

NOTE 8 - COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income (loss)	$ 354	$ (18)	$ 441	$ (367)
Other comprehensive income (loss) adjustments, before tax:				
Derivative financial instruments:				
Reclassification into earnings	16	40	24	383
Change in fair value	28	(9)	(13)	29
Unrealized gain on student-loan related auction rate securities	-	-	-	2
Employee benefit plans:				
(Increase) decrease in net actuarial losses	(3)	-	(3)	-
Amortization of net actuarial losses	21	27	62	81
Amortization of prior service cost	8	7	23	23
Comprehensive income (loss) adjustments, before tax	70	65	93	518
Income taxes related to items of other comprehensive income (loss)	-	-	-	-
Total comprehensive income	$ 424	$ 47	$ 534	$ 151

NOTE 9 – STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Profit Based RSU Awards. In February 2010, we issued 1.4 million profit based restricted stock unit ("RSUs") awards, which can result in cash payments to our officers upon the achievement of specified profit sharing-based performance targets. The performance period for these awards is January 1, 2010 through December 31, 2012. These awards have cumulative profit sharing performance targets ranging from $4 million to $120 million and payment percentages ranging from 25% to 200% of the initial award size. The cash hurdle associated with these awards is $2.2 billion. These awards were issued pursuant to our Incentive Plan 2010, which was approved by our stockholders on June 9 , 2010. Our statement of operations for the nine months ended September 30, 2010 reflects expense associated with a payment percentage of 150% for these awards and a payment percentage of 100% for our other awards outstanding with performance periods from January 1, 2008 through December 31, 2010 and January 1, 2009 through December 31, 2011, as we concluded, as of September 30, 2010, that it was probable that the applicable performance targets would be met.

Upon completion of the Merger, the performance targets for each performance period were deemed satisfied at a payment percentage of 150% and the minimum cash balance requirement was deemed satisfied. Following the Merger, with limited exceptions as described below, payments under all outstanding profit based RSU awards remain subject to continued employment by the participant and will continue to be paid on their normal payment dates over a three-year period. Payments will be made in cash based on $23.48 per award, the average closing price per share of Continental common stock for the 20 trading days preceding the completion of the Merger. Upon termination of employment under certain circumstances following the Merger, the outstanding profit based RSU awards will be accelerated and paid in full. Accelerated payments will also be made to participants who are, or become, eligible to retire. Our anticipated Merger-related costs in the fourth quarter of 2010 include $46 million related to the profit based RSU awards.

Stock-Based Compensation Expense. Total stock-based compensation expense (credit) included in wages, salaries and related costs was $49 million, $16 million, $57 million and $(7) million for the three months ended September 30, 2010 and 2009 and the nine months ended September 30, 2010 and 2009, respectively. Upon the closing of the Merger, substantially all unvested employee stock options granted prior to 2010 were vested pursuant to the terms of those awards and the profit based RSU awards were affected as discussed above.

Employee Stock Purchase Plan. In conjunction with the Merger, the employee stock purchase plan was terminated in September 2010.

Defined Benefit Pension and Retiree Medical 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 September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009	2010	2009	2010	2009
Service cost	$ 17	$ 16	$ 50	$ 48	$ 3	$ 3	$ 7	$ 8
Interest cost	40	38	119	115	3	4	10	12
Expected return on plan assets	(29)	(22)	(82)	(66)	-	-	-	-
Amortization of unrecognized net actuarial loss	22	28	65	83	(1)	(1)	(3)	(2)
Amortization of prior service cost	3	2	7	7	5	5	16	16
Net periodic benefit expense	$ 53	$ 62	$ 159	$ 187	$ 10	$ 11	$ 30	$ 34

During the first nine months of 2010, we contributed $153 million to our tax-qualified defined benefit pension plans. On October 7, 2010 we contributed an additional $40 million to the plans, satisfying our minimum funding requirements during calendar year 2010.

Defined Contribution Plans. As of September 30, 2010, our defined contribution 401(k) employee savings plans covered substantially all employees. Company matching contributions are made in cash. Total expense for all defined contribution plans was $24 million, $22 million, $74 million and $72 million for the three months ended September 30, 2010 and 2009 and the nine months ended September 30, 2010 and 2009, respectively.

Profit Sharing Plan. Effective January 1, 2010, we adopted a new profit sharing plan with a five year term. Our new profit sharing plan creates an award pool of 15% of annual pre-tax income excluding special items. Generally, the profit sharing pool will be distributed among eligible employees based on an employee's annual base pay relative to the annual base pay of all employees. We recorded profit sharing expense totaling $53 million and $71 million in the three and nine months ended September 30, 2010, respectively.

NOTE 10 – SPECIAL CHARGES

Special charges were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Aircraft-related charges, net	$ -	$ 6	$ 6	$ 53
Severance	1	5	3	5
Other	1	9	9	10
Total special charges	$ 2	$ 20	$ 18	$ 68

The special charges all relate to our mainline segment unless otherwise noted.

In the first nine months of 2010, we recorded $6 million of aircraft-related charges related to grounded Boeing 737-300 aircraft, which is net of gains on the sale of two Boeing 737-500 aircraft to a foreign buyer. We also recorded $3 million of severance during the first nine months of 2010 related to the elimination of approximately 600 reservation positions and other special charges of $9 million primarily related to further increases in our reserve for unused facilities due to a reduction in expected sublease income for a maintenance hangar in Denver.

In the third quarter of 2009, we entered into agreements to sublease five temporarily grounded ERJ-135 aircraft. The subleases have terms of five years, but may be cancelled by the lessee under certain conditions after an initial term of two years. We recorded a $6 million non-cash charge in our regional segment for the difference between the sublease rental income and the contracted rental payments on those aircraft during the initial term of the agreement.

During the first nine months of 2009, we announced plans to eliminate certain operational, management and clerical positions across the company. In the third quarter of 2009, we recorded a charge of $5 million for severance and other costs in connection with the reductions in force, furloughs and leaves of absence and a $9 million adjustment to our reserve for unused facilities due to reductions in expected sublease income primarily for a maintenance hangar in Denver.

Aircraft-related charges in 2009 prior to the third quarter include $31 million of non-cash impairments on owned Boeing 737-300 and 737-500 aircraft and related assets and $16 million of other charges ($12 million of which was non-cash) related to the grounding and disposition of Boeing 737-300 aircraft and the write-off of certain obsolete spare parts.

Accrual Activity. Activity related to the accruals for severance and associated continuing medical coverage costs and future lease payments on unused facilities is as follows (in millions):

	Severance/ Medical Costs	Unused Facilities
Balance, December 31, 2009	$ 14	$ 26
Accrual	3	9
Payments	(14)	(2)
Balance, September 30, 2010	$ 3	$ 33

Cash payments related to the accruals for severance and associated continuing medical coverage costs will be made through the third quarter of 2011. Remaining lease payments on unused facilities will be made through 2018.

NOTE 11 - INCOME TAXES

Our effective tax rates differ from the federal statutory rate of 35% primarily due to changes in the valuation allowance, expenses that are not deductible for federal income tax purposes and state income taxes. We are required to provide a valuation allowance for our deferred tax assets in excess of deferred tax liabilities because we have concluded that it is more likely than not that such deferred tax assets will ultimately not be realized. As a result, our pre-tax losses for the three and nine months ended September 30, 2009 were not reduced by any tax benefit. No federal income tax expense was recognized related to our pretax income for the three and nine months ended September 30, 2010 due to the utilization of book net operating loss carryforwards ("N OLs") for which no benefit had previously been recognized.

Our ability to use our NOL carryforwards may be limited if we experience an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). Based on currently available information, we believe the Merger resulted in an ownership change of Continental under Section 382. However, we do not believe that the impact of an ownership change would be material to our results of operations, financial condition or liquidity.

NOTE 12 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. The mainline segment consists of flights using larger jets while the regional segment currently consists of flights with a capacity of 78 or fewer seats. As of September 30, 2010, flights in our regional segment were operated by ExpressJet, Chautauqua, CommutAir and Colgan through 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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Operating Revenue:				
Mainline	$ 3,355	$ 2,797	$ 9,131	$ 7,970
Regional	598	520	1,699	1,434
Total Consolidated	$ 3,953	$ 3,317	$ 10,830	$ 9,404
Operating Income (Loss):				
Mainline	$ 430	$ 111	$ 758	$ 111
Regional	11	(50)	(39)	(258)
Total Consolidated	$ 441	$ 61	$ 719	$ (147)
Net Income (Loss):				
Mainline	$ 345	$ 35	$ 489	$ (99)
Regional	9	(53)	(48)	(268)
Total Consolidated	$ 354	$ (18)	$ 441	$ (367)

The amounts in the table above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a prorated 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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Aircraft Purchase Commitments. As of September 30, 2010, we had firm commitments to purchase 78 new aircraft (53 Boeing 737 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2010 through 2016, with an estimated aggregate cost of $4.6 billion including related spare engines. We are currently scheduled to take delivery of three Boeing 737 aircraft in the fourth quarter of 2010. In addition to our firm order aircraft, we had options to purchase a total of 94 additional Boeing aircraft as of September 30, 2010.

We do not have backstop financing or any other financing currently in place for any of the Boeing 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 backstop financing or any other financing not already in place for our aircraft deliveries will be available to us when needed on acceptable terms or at all. Since the commitments for firm order aircraft are non-cancelable, and assuming no breach of the agreement by Boeing, 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 termina te the contract for a material breach, selling the aircraft to one or more other parties and suing us for damages to recover 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 approxi mately $190 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 $109 million at September 30, 2010 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, customs, and aircraft financing obligations at September 30, 2010 in the amount of $73 million. These letters of credit and performance bonds have expiration dates through June 2014.

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 f or 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 LIBOR, for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject in most cases to certain mitigation obligations of the lenders. At September 30, 2010, we had $1.0 billion of floating rate debt and $254 million of fixed rate debt, with remaining terms of up to ten 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 ten years and an aggregate ca rrying value of $1.1 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 Agreements. The covenants contained in our domestic bank-issued credit card processing agreement with Chase Bank USA, N.A. ("Chase") require that we post additional cash collateral if we fail to maintain (1) a minimum level of unrestricted cash, cash equivalents and short-term investments, (2) a minimum ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities of 0.25 to 1.0 or (3) a minimum senior unsecured debt rating of at least Caa3 and CCC- from Moody's and Standard & Poor's, respectively.

Under the terms of our credit card processing agreement with American Express, if a covenant trigger under the Chase processing agreement requires us to post additional collateral under that agreement, we would be required to post additional collateral under the American Express processing agreement. The amount of additional collateral required under the American Express processing agreement would be based on a percentage of the value of unused tickets (for travel at a future date) purchased by customers using the American Express card. The percentage for purposes of this calculation is the same as the percentage applied under the Chase processing agreement, after taking into account certain other risk protection maintained by American Express.

Under these processing agreements and based on our current air traffic liability exposure (as defined in each agreement), we would be required to post collateral up to the following amounts if we failed to comply with the covenants described above:

- a total of $86 million if our unrestricted cash, cash equivalents and short-term investments balance falls below $2.0 billion;
- a total of $257 million if we fail to maintain the minimum unsecured debt ratings specified above;
- a total of $484 million if our unrestricted cash, cash equivalents and short-term investments balance (plus any collateral posted at Chase) falls below $1.4 billion or if our ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities falls below 0.25 to 1.0; and
- a total of $1.1 billion if our unrestricted cash, cash equivalents and short-term investments balance (plus any collateral posted at Chase) falls below $1.0 billion or if our ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities falls below 0.22 to 1.0.

The amounts shown above are incremental to the current collateral we have posted with these companies. We are currently in compliance with all of the covenants under these processing agreements.

Credit Ratings. At September 30, 2010, our senior unsecured debt was rated B3 by Moody's and CCC+ by Standard & Poor's. These ratings are significantly below investment grade. Due to our current credit ratings, our borrowing costs are higher and our financing options are more limited than borrowers with investment grade credit ratings. Downgrades 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, as discussed above, we would have to post additional collateral of approximat ely $257 million under our Chase and American Express processing agreements if our senior unsecured debt rating were to fall below Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. The insurer under our workers' compensation program has the right to require us to post up to $36 million of additional collateral under a number of conditions, including based on our current senior unsecured debt rating, which is currently at the minimum of B3 as rated by Moody's and below the minimum of B- as rated by Standard & Poor's. We could also be required to post a higher amount of collateral with our fuel hedge counterparties if our credit ratings were to fall, or if our unrestricted cash, cash equivalents and short-term investments balance fell below certain specified levels, and our fuel hedges were in a liability position. In such a case, the total amount of the collateral that we might be required to post at any time would be up to the amount of our liability to our respective counterparties under the related derivative instruments. Our fuel hedging agreement with one counterparty also requires us to post additional collateral of up to 10% of the notional amount of our hedging contracts with that counterparty if either of our corporate credit ratings falls below its current level, which is B2 as rated by Moody's or B as rated by Standard & Poor's. Our fuel derivative contracts do not contain any other credit risk-related contingent features, other than those related to a change in control.

Trans-Atlantic Joint Venture. We, United, Lufthansa and Air Canada are implementing a trans-Atlantic joint venture, which remains under review by the European Commission. As part of the trans-Atlantic joint venture, we are in negotiations to implement a revenue-sharing structure amongst the joint venture participants. As currently contemplated, the revenue sharing structure would result in payments among participants based on a formula that compares current period unit revenue performance on trans-Atlantic routes to a historic period or "baseline," which is reset annually. The payments would be calculated on a quarterly basis and subject to a cap. Assuming that revenue sha ring is implemented and that the revenue sharing formula is applied retroactive to January 1, 2010, as currently contemplated, we estimate that our payment for revenue sharing to joint venture carriers that we have relatively outperformed would be approximately $65 million for the nine months ended September 30, 2010. This estimated payment is higher than earlier estimates because our revenues related to the joint venture have exceeded our prior expectations. The estimated revenue sharing payment is substantially less than the additional passenger revenue we receive from the joint marketing, scheduling and pricing efforts of the joint venture. Future results will also be impacted by the current year results, which will serve as the baseline in future years for calculating relative performance in the revenue sharing formula.

Employees. As of September 30, 2010, we had approximately 40,415 employees. Due to the number of part-time employees and adjusting for overtime, we had an average of 38,900 full-time equivalent employees for the three months ended September 30, 2010. Including the fleet service employees discussed below, approximately 63% of our full-time equivalent employees are represented by unions.

On February 12, 2010, the National Mediation Board informed us that our fleet service employees had voted in favor of representation by the International Brotherhood of Teamsters ("Teamsters"). The election covers approximately 7,600 employees, or 6,340 full-time equivalent ramp, operations and cargo agents. We are in the process of negotiating a collective bargaining agreement with the Teamsters covering our fleet service employees.

On March 18, 2010, we announced that we had reached a tentative agreement on a new four-year labor contract with the Transport Workers Union ("TWU"), the union that represents our dispatchers, which agreement our dispatchers ratified on April 20, 2010. On September 10, 2010, we announced that we had reached a tentative agreement on a new labor contract with the International Brotherhood of Teamsters ("IBT"), the union that represents our aircraft maintenance technicians and related employees. The IBT is holding a ratification vote, and is expected to announce the results of the vote on November 4, 2010. On September 30, 2010, we announced that we had reached a tentative agreement on a new labor contract with the International Association of Machinists and Ae rospace Workers ("IAM"), the union that represents our flight attendants. The IAM is holding a ratification vote, and is expected to announce the result of the vote in late October 2010.

Most of our other collective bargaining agreements are currently amendable or become amendable in 2010. The collective bargaining agreements with our pilots became amendable in December 2008 and those with Continental Micronesia, Inc. ("CMI") mechanics became amendable in December 2009. With respect to our workgroups with amendable contracts, prior to the announcement of the Merger Agreement, we had been meeting with representatives of the applicable unions to negotiate amended collective bargaining agreements with a goal of reaching agreements that are fair to us and fair to our employees. We are engaging in discussions with several unions to find the best ways to achieve the future integration of the merged employee groups with the least amount of disrupti on. In July 2010, United and Continental reached agreement with the Air Line Pilots Association International ("ALPA"), the union that represents the pilots of both companies, on a transition and process agreement that provides a framework for conducting pilot operations of the two employee groups until the parties reach agreement on a joint collective bargaining agreement and the carriers obtain a single operating certificate. We began discussions with ALPA regarding a joint collective bargaining agreement to cover all pilots in the merged entity in early August. The integration of Railway Labor Act ("RLA") employee groups is a difficult and sometimes contentious process, and management's role is limited. The process is governed by federal laws, including the RLA and the McCaskill-Bond Amendment, and must be accomplished in accordance with all applicable collective bargaining agreements and company policies. We cannot predict the outcome of these proces ses or of our ongoing negotiations with our unionized workgroups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us. Furthermore, there can be no assurance that our generally good labor relations and high labor productivity will continue.

Environmental Matters. We are continuing environmental remediation of jet fuel contamination on and near our aircraft maintenance hangar leasehold in Los Angeles, which began in 2005 under a work plan approved by the Los Angeles Regional Water Quality Control Board ("LARWQCB") and our landlord, Los Angeles World Airports. Additionally, we could be responsible for environmental remediation costs primarily related to solvent contamination on and near this site. On June 30, 2010, the LARWQCB required us to perform additional investigation of the site in connection with our closure plan. If necessary, we plan to appeal the imposition of certain additional requirements to the California State Water Quality Control Board. At September 30, 2010, we had an accrual for estimated costs of environmental remediation throughout our system of $29 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 September 30, 2010. 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), file d 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 and seek unspecified money damages and certain injunctive relief under the Clayton Act and the Sherman Anti-Trust Act. The pending cases, which involve a total of 90 travel agency plaintiffs, 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 M ultidistrict Litigation to the Northern District of Ohio. 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. On October 2, 2009, the U.S. Court of Appeals for the Sixth Circuit affirmed the trial court's dismissal of the case. On December 18, 2009, the plaintiffs' request for rehearing by the Sixth Circuit *en banc* was denied. On March 18, 2010, the plaintiffs filed a Petition for a Writ of Certiorari with the U.S. Supreme Court, to which the defendants responded on June 16, 2010. The plaintiffs in the Swope lawsuit, encompassing 43 travel agencies, have also alleged that certain claims raised in their lawsuit were not, in fact, dismissed. The tr ial court has not yet ruled on that issue. In the consolidated lawsuit, we believe the plaintiffs' claims are without merit, and we intend to defend vigorously 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.

This quarterly report on Form 10-Q 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 Part II, Item 1A. "Risk Factors" in this quarterly report, in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009 (the "2009 Form 10-K") and in our reports and registration statements filed from time to time with the Securities and Exchange Commissio n ("SEC"), which identify important matters such as risks related to the Merger, the potential for significant volatility in the cost of aircraft fuel, the consequences of our high leverage and other significant capital commitments, our high labor and pension costs, delays in scheduled aircraft deliveries, 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 continuing weakness in the U.S. and global economies, the airline pricing environment, terrorist attacks, regulatory matters, excessive taxation, industry consolidation and airline alliances, the availability and cost of insurance, public health threats 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 2009. Including our wholly-owned subsidiary CMI and regional flights operated on our behalf under capacity purchase agreements with other carriers, we operate more than 2,200 daily departures. As of September 30, 2010, we flew to 117 domestic and 125 international destinations and offered additional connecting service through alliances with domestic and foreign carriers.

On October 1, 2010, we became a wholly-owned subsidiary of UAL. Pursuant to the terms of the Merger Agreement, each outstanding share of Continental common stock was converted into and became exchangeable for 1.05 fully paid and nonassessable shares of UAL common stock with any fractional shares paid in cash. UAL issued approximately 148 million shares of UAL common stock to former holders of Continental common stock. Based on the closing price of $23.66 per share of UAL common stock on NASDAQ on September 30, 2010, the last trading day before the closing of the Merger, the aggregate value of the consideration paid in connection with the Merger to former holders of Continental common stock was approximately $3.5 billion. Upon completion of the Mer ger, Continental stock options were converted into stock options with respect to UAL common stock and Continental convertible debt became convertible into shares of UAL common stock, in each case after giving effect to the exchange ratio.

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 SEC.

We recorded net income of $354 million for the three months ended September 30, 2010, as compared to a net loss of $18 million for the three months ended September 30, 2009. The improvement in our results reflects higher revenue resulting from improving economic conditions. Excluding special items, we recorded net income of $367 million for the three months ended September 30, 2010, compared to net income of $2 million for the three months ended September 30, 2009. Net income excluding special items is significant because it provides management and investors the ability to measure and monitor our performance on a consistent basis. Special items relate to activities that are not central t o our ongoing operations or are unusual in nature. A reconciliation of our net income (loss) to the non-GAAP financial measure of net income (loss) excluding special items is provided at the end of this Item.

Third Quarter Financial Highlights

·Passenger revenue and cargo revenue increased 20.6% and 25.0%, respectively, during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to increasing demand resulting from improving global economic conditions.

·We recorded operating income of $441 million during the third quarter of 2010 as compared to operating income of $61 million in the third quarter of 2009, due primarily to higher passenger revenue.

·Unrestricted cash, cash equivalents and short-term investments totaled a record $4.2 billion at September 30, 2010.

Third Quarter Operational Highlights

·Consolidated traffic increased 1.6% and capacity remained essentially flat during the third quarter of 2010 as compared to the third quarter of 2009, resulting in a record third quarter load factor of 85.9%.

·We recorded a U.S. Department of Transportation ("DOT") on-time arrival rate of 83.2% for Continental mainline flights and a mainline segment completion factor of 99.8% for the third quarter of 2010, compared to a DOT on-time arrival rate of 82.8% and a mainline segment completion factor of 97.9% for the third quarter of 2009.

·We took delivery of two Boeing 777 and nine Boeing 737-800 aircraft during the third quarter of 2010.

·As of September 30, 2010, we had installed flat-bed seats on 14 of our Boeing 777 aircraft and 22 of our Boeing 757-200 aircraft.

RESULTS OF OPERATIONS

The following discussion provides an analysis of our results of operations and reasons for material changes therein for the three and nine months ended September 30, 2010 as compared to the corresponding period in 2009.

Comparison of Three Months Ended September 30, 2010 to Three Months Ended September 30, 2009

Consolidated Results of Operations

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

	2010	2009	% Increase (Decrease)
Passengers (thousands) (1)	16,587	16,795	(1.2)%
Revenue passenger miles (millions) (2)	25,015	24,617	1.6 %
Available seat miles (millions) (3)	29,108	28,933	0.6 %
Passenger load factor (4)	85.9%	85.1%	0.8 pts.
Passenger revenue per available seat mile (cents)	12.21	10.19	19.8 %
Total revenue per available seat mile (cents)	13.58	11.46	18.5 %
Average yield per revenue passenger mile (cents) (5)	14.21	11.97	18.7 %
Cost per available seat miles ("CASM") (cents)	12.06	11.25	7.2 %
CASM excluding special charges, merger-related costs and aircraft fuel and related taxes (cents) (6)	8.64	8.13	6.3 %
Average price per gallon of fuel, including fuel taxes (cents)	221.1	199.0	11.1 %
Fuel gallons consumed (millions)	445	443	0.5 %
Average full-time equivalent employees	38,900	39,930	(2.6)%

(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.
(6) See "Reconciliation of GAAP to non-GAAP Financial Measures" at the end of this Item.

Results of Operations. We recorded net income of $354 million in the third quarter of 2010 as compared to a net loss of $18 million in the third quarter of 2009. We consider a key measure of our performance to be operating income, which was $441 million for the third quarter of 2010, as compared to $61 million for the third quarter of 2009. Significant components of our consolidated operating results for the three months ended September 30 are as follows (in millions, except percentage changes):

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	$ 3,953	$ 3,317	$ 636	19.2%
Operating Expenses	3,512	3,256	256	7.9%
Operating Income	441	61	380	NM
Nonoperating Expense	(87)	(79)	8	10.1%
Net Income (Loss)	$ 354	$ (18)	$ 372	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 September 30, 2010 and period to period comparisons for operating revenue, available seat miles ("ASMs") and passenger revenue per available seat mile ("RASM") by geographic region for our mainline and regional operations:

	Revenue (in millions)	Percentage Increase (Decrease) in Third Quarter 2010 vs Third Quarter 2009		
		Revenue	ASMs	RASM
Passenger revenue:				
Domestic	$ 1,351	14.8%	(1.2)%	16.2%
Trans-Atlantic	848	30.8%	3.9 %	25.8%
Latin America	424	17.4%	0.5 %	16.8%
Pacific	344	34.7%	0.9 %	33.4%
Total Mainline	2,967	21.5%	0.6 %	20.8%
Regional	588	16.4%	0.5 %	15.8 %
Total	3,555	20.6%	0.6 %	19.8%
Cargo	115	25.0%		
Other	283	1.8%		
Operating Revenue	$ 3,953	19.2%		

Passenger revenue increased in the third quarter of 2010 as compared to the third quarter of 2009 due to increased traffic and higher average fares. The increased revenue is a result of the improving economic conditions in the U.S. and globally.

Cargo revenue increased due to increased freight volume. Other revenue increased due to higher fees for checking bags.

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

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Aircraft fuel and related taxes	$ 984	$ 881	$ 103	11.7 %
Wages, salaries and related costs	909	794	115	14.5 %
Aircraft rentals	230	233	(3)	(1.3)%
Landing fees and other rentals	228	222	6	2.7 %
Regional capacity purchase	212	211	1	0.5 %
Distribution costs	193	160	33	20.6 %
Maintenance, materials and repairs	131	159	(28)	(17.6)%
Depreciation and amortization	124	124	-	- %
Passenger services	106	99	7	7.1 %
Special charges	2	20	(18)	NM
Merger-related costs	11	-	11	NM
Other	382	353	29	8.2 %
Total	$ 3,512	$ 3,256	$ 256	7.9 %

Operating expenses increased 7.9% primarily due to the following:

- Aircraft fuel and related taxes increased due to a 11.1% increase in consolidated jet fuel prices and a slight increase in gallons consumed. Our average jet fuel price per gallon including related taxes increased to 221.1 cents in the third quarter of 2010 from 199.0 cents in the third quarter of 2009. Our average jet fuel price includes costs related to our fuel hedging program of four cents per gallon in the third quarter of 2010, compared to costs of nine cents per gallon in the third quarter of 2009.

- Wages, salaries and related costs increased primarily due to $53 million of profit sharing expense, $43 million expense associated with variable incentive compensation and increased wage rates due to additional seniority of work groups in the third quarter of 2010. The increases were partially offset by a 2.6% reduction in the average number of full time equivalent employees and $9 million lower pension expense in the third quarter of 2010.

- Distribution costs increased due to higher credit card discount fees, booking fees and travel agency commissions, all of which resulted from a 20.6% increase in passenger revenue.

- Maintenance, materials and repairs decreased primarily due to the timing of maintenance events and savings from renegotiated rates on certain contracts.

- Special charges and merger-related costs. See Notes 1 and 10 to our consolidated financial statements contained in Item 1 of this report for a discussion of the special charges and Merger-related costs.

- Other operating expenses increased due to higher frequent flyer reward expenses in 2010.

Nonoperating Expense. Net interest expense increased $14 million in the third quarter of 2010 compared to the third quarter of 2009 primarily due to higher debt balances. Foreign currency gains in the third quarter of 2010 were $6 million, compared to losses of $2 million in the third quarter of 2009. Losses related to fuel hedge ineffectiveness were immaterial for the third quarter of 2010 and the third quarter of 2009.

Income Taxes. Our effective tax rates differ from the federal statutory rate of 35% primarily due to changes in the valuation allowance, expenses that are not deductible for federal income tax purposes and state income taxes. We are required to provide a valuation allowance for our deferred tax assets in excess of deferred tax liabilities because we have concluded that it is more likely than not that such deferred tax assets will ultimately not be realized. As a result, our pre-tax losses for the third quarter of 2009 were not reduced by any tax benefit. No federal income tax expense was recognized in the third quarter of 2010 related to our pre-tax income due to the utilization of b ook NOLs for which no benefit had previously been recognized.

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 78 or fewer seats. As of September 30, 2010, flights in our regional segment were 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 and catering.

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 September 30 is as follows:

	2010	2009	Increase (Decrease)
Mainline Operations:			
Passengers (thousands)	11,914	12,181	(2.2)%
Revenue passenger miles (millions)	22,476	22,127	1.6 %
Available seat miles (millions)	25,961	25,803	0.6 %
Cargo ton miles (millions)	277	245	13.1 %
Passenger load factor:			
Mainline	86.6%	85.8%	0.8 pts.
Domestic	87.0%	87.9%	(0.9)pts.
International	86.2%	83.7%	2.5 pts.
Passenger revenue per available seat mile (cents)	11.43	9.46	20.8 %
Total revenue per available seat mile (cents)	12.92	10.84	19.2 %
Average yield per revenue passenger mile (cents)	13.20	11.04	19.6 %
Average fare per revenue passenger	$ 252.23	$ 202.87	24.3 %
CASM (cents)	11.27	10.41	8.3 %
CASM excluding special charges, Merger-related costs and aircraft fuel and related taxes (cents) (1)	8.06	7.51	7.3 %
Average price per gallon of fuel, including fuel taxes (cents)	221.2	199.1	11.1 %

Fuel gallons consumed (millions)	370	369	0.3 %
Aircraft in fleet at end of period (2)	348	338	3.0 %
Average stage length (miles)	1,836	1,783	3.0 %
Average daily utilization of each aircraft (hours)	10:47	11:06	(2.9)%
Regional Operations:			
Passengers (thousands)	4,673	4,614	1.3 %
Revenue passenger miles (millions)	2,539	2,490	2.0 %
Available seat miles (millions)	3,147	3,130	0.5 %
Passenger load factor	80.7%	79.6%	1.1 pts.
Passenger revenue per available seat mile (cents)	18.69	16.14	15.8 %
Average yield per revenue passenger mile (cents)	23.17	20.29	14.2 %
Aircraft in fleet at end of period (2)	252	266	(5.3)%
Average stage length (miles)	527	518	1.7 %

(1) See "Reconciliation of GAAP to non-GAAP Financial Measures" at the end of this Item.

(2) Excludes aircraft that were removed from service. Regional aircraft include aircraft operated by all carriers under capacity purchase agreements, but exclude any aircraft that we sublease to other operators but are not operated on our behalf.

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

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	$ 3,355	$ 2,797	$ 558	19.9 %
Operating Expenses:				
Aircraft fuel and related taxes	819	735	84	11.4 %
Wages, salaries and related costs	865	751	114	15.2 %
Aircraft rentals	153	154	(1)	(0.6)%
Landing fees and other rentals	201	197	4	2.0 %
Distribution costs	167	137	30	21.9 %
Maintenance, materials and repairs	131	159	(28)	(17.6)%
Depreciation and amortization	122	121	1	0.8 %
Passenger services	99	93	6	6.5 %
Special charges	2	13	(11)	NM
Merger-related costs	11	-	11	NM
Other	355	326	29	8.9 %
Total Operating Expenses	2,925	2,686	239	8.9 %
Operating Income (Loss)	$ 430	$ 111	$ 319	NM

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 September 30 are as follows (in millions, except percentage changes):

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	$ 598	$ 520	$ 78	15.0 %
Operating Expenses:				
Aircraft fuel and related taxes	165	146	19	13.0 %
Wages, salaries and related costs	44	43	1	2.3 %
Aircraft rentals	77	79	(2)	(2.5)%
Landing fees and other rentals	27	25	2	8.0 %
Regional capacity purchase	212	211	1	0.5 %
Distribution costs	26	23	3	13.0 %
Depreciation and amortization	2	3	(1)	(33.3)%
Passenger services	7	6	1	16.7 %
Special charges	-	7	(7)	NM
Other	27	27	-	- %
Total Operating Expenses	587	570	17	3.0 %
Operating Income (Loss)	$ 11	$ (50)	$ 61	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 Nine Months Ended September 30, 2010 to Nine Months Ended September 30, 2009

Consolidated Results of Operations

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

	2010	2009	% Increase (Decrease)
Passengers (thousands)	47,422	47,551	(0.3)%
Revenue passenger miles (millions)	69,565	67,573	2.9 %
Available seat miles (millions)	83,365	83,264	0.1 %
Passenger load factor	83.4%	81.2%	2.2 pts.
Passenger revenue per available seat mile (cents)	11.60	10.01	15.9 %
Total revenue per available seat mile (cents)	12.99	11.29	15.1 %
Average yield per revenue passenger mile (cents)	13.90	12.33	12.7 %
CASM (cents)	12.13	11.47	5.8 %
CASM excluding special charges, merger-related costs and aircraft fuel and related taxes (1)	8.70	8.38	3.8 %
Average price per gallon of fuel, including fuel taxes (cents)	220.7	196.5	12.3 %
Fuel gallons consumed (millions)	1,271	1,276	(0.4)%
Average full-time equivalent employees	39,020	40,165	(2.9)%

(1) See "Reconciliation of GAAP to non-GAAP Financial Measures" at the end of this Item.

Results of Operations. We recorded net income of $441 million in the first nine months of 2010 as compared to a $367 million net loss in the first nine months of 2009. We consider a key measure of our performance to be operating income (loss), which was income of $719 million for the first nine months of 2010, as compared to a $147 million loss in the first nine months of 2009. Significant components of our consolidated operating results for the nine months ended September 30 are as follows (in millions, except percentage changes):

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	$ 10,830	$ 9,404	$ 1,426	15.2 %
Operating Expenses	10,111	9,551	560	5.9 %
Operating Income (Loss)	719	(147)	866	NM

Nonoperating Expense	(277)	(220)	57	25.9 %
Income Taxes	(1)	-	1	NM
Net Income (Loss)	$ 441	$ (367)	$ 808	NM

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the nine months ended September 30, 2009 and period to period comparisons for operating revenue, ASMs and RASM by geographic region for our mainline and regional operations:

	Revenue (in millions)	Percentage Increase (Decrease) in September 30, 2010 YTD vs September 30, 2009 YTD		
		Revenue	ASMs	RASM
Passenger revenue:				
Domestic	$ 3,750	9.8%	(1.5)%	11.5%
Trans-Atlantic	2,078	22.2%	(2.3)%	25.1%
Latin America	1,275	13.2%	5.3 %	7.5%
Pacific	899	28.5%	5.7 %	21.6%
Total Mainline	8,002	15.3%	- %	15.3%
Regional	1,667	19.8%	0.8 %	18.9%
Total	9,669	16.1%	0.1 %	15.9%
Cargo	328	26.6%		
Other	833	2.3%		
Operating Revenue	$ 10,830	15.2%		

Passenger revenue increased in the first nine months of 2010 as compared to the first nine months of 2009 due to increased traffic and higher average fares. The increased revenue is a result of the improving economic conditions in the U.S. and globally.

Cargo revenue increased due to increased freight volume.

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

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Aircraft fuel and related taxes	$ 2,806	$ 2,507	$ 299	11.9 %
Wages, salaries and related costs	2,527	2,358	169	7.2 %
Aircraft rentals	689	705	(16)	(2.3)%
Landing fees and other rentals	656	647	9	1.4 %
Regional capacity purchase	625	641	(16)	(2.5)%
Distribution costs	555	467	88	18.8 %
Maintenance, materials and repairs	413	473	(60)	(12.7)%
Depreciation and amortization	380	353	27	7.6 %
Passenger services	299	282	17	6.0 %
Special charges	18	68	(50)	NM
Merger-related costs	29	-	29	NM
Other	1,114	1,050	64	6.1 %
Total	$ 10,111	$ 9,551	$ 560	5.9 %

Operating expenses increased 5.9% primarily due to the following:

- Aircraft fuel and related taxes increased due to a 12.3% increase in consolidated jet fuel prices, partially offset by a decrease in gallons consumed. Our average jet fuel price per gallon including related taxes increased to 220.7 cents in the first nine months of 2010 from 196.5 cents in the first nine months of 2009. Our average jet fuel price includes costs related to our fuel hedging program of two cents per gallon in the first nine months of 2010, compared to costs of 31 cents per gallon in the first nine months of 2009.

- Wages, salaries and related costs increased primarily due to $71 million of profit sharing expense, $48 million expense associated with variable incentive compensation and increased wage rates due to additional seniority of work groups in 2010. These increases were partially offset by a 2.9% reduction in the average number of full time equivalent employees and $28 million lower pension expense in the first nine months of 2010.

- Distribution costs increased due to higher credit card discount fees, booking fees and travel agency commissions, all of which resulted from a 16.1% increase in passenger revenue.

- Maintenance, materials and repairs decreased primarily due to the timing of maintenance events and savings from renegotiated rates on certain contracts.

- Depreciation and amortization expense increased in 2010 due to higher capitalizable project costs and increased deprecation from new aircraft placed in service during 2009. In addition, we recorded $11 million of depreciation expense during the nine months ended September 30, 2010 that relates to prior periods.

- Special charges and merger-related costs. See Notes 1 and 10 to our consolidated financial statements contained in Item 1 of this report for a discussion of the special charges and Merger-related costs.

- Other operating expenses increased due to higher frequent flyer reward expenses in 2010 and the receipt in 2009 of insurance settlements related to Hurricane Ike, which reduced other operating expenses in 2009. These increases in 2010 expense were partially offset by a $10 million credit related to the refund of a portion of Transportation Security Administration security fees assessed from 2005 through 2010.

Nonoperating Expense. Net interest expense increased $26 million in the first nine months of 2010 compared to the first nine months of 2009 primarily due to higher debt balances. Foreign currency losses in the first nine months of 2010 were $15 million, compared to gains of $6 million in the first nine months of 2009. A portion of the 2010 loss related to the Venezuelan currency devaluation in the first quarter of 2010. Additionally, losses related to fuel hedge ineffectiveness were $2 million for the first nine months of 2010 compared to gains of $7 million in the first nine months of 2009.

Income Taxes. Our effective tax rates differ from the federal statutory rate of 35% primarily due to changes in the valuation allowance, expenses that are not deductible for federal income tax purposes and state income taxes. We are required to provide a valuation allowance for our deferred tax assets in excess of deferred tax liabilities because we have concluded that it is more likely than not that such deferred tax assets will ultimately not be realized. As a result, our pre-tax losses for the first nine months of 2009 were not reduced by any tax benefit. No federal income tax expense was recognized in the first nine months of 2010 related to our pre-tax income due to the utilizat ion of book NOLs for which no benefit had previously been recognized.

Segment Results of Operations

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

	2010	2009	Increase (Decrease)
Mainline Operations:			
Passengers (thousands)	34,087	34,619	(1.5)%
Revenue passenger miles (millions)	62,278	60,589	2.8 %
Available seat miles (millions)	74,147	74,119	- %
Cargo ton miles (millions)	825	664	24.2 %
Passenger load factor:			
Mainline	84.0%	81.7%	2.3 pts.
Domestic	85.2%	84.9%	0.3 pts.
International	82.9%	78.8%	4.1 pts.
Passenger revenue per available seat mile (cents)	10.79	9.36	15.3 %
Total revenue per available seat mile (cents)	12.32	10.75	14.6 %
Average yield per revenue passenger mile (cents)	12.85	11.45	12.2 %
Average fare per revenue passenger	$ 237.34	$ 202.62	17.1 %

CASM (cents)	11.29	10.60	6.5 %
CASM excluding special charges, Merger-related costs, and aircraft fuel and related taxes (cents) (1)	8.09	7.70	5.1 %
Average price per gallon of fuel, including fuel taxes (cents)	220.7	196.9	12.1 %
Fuel gallons consumed (millions)	1,054	1,061	(0.7)%
Aircraft in fleet at end of period (2)	348	338	3.0 %
Average stage length (miles)	1,793	1,730	3.6 %
Average daily utilization of each aircraft (hours)	10:43	10:45	(0.2)%
Regional Operations:			
Passengers (thousands)	13,335	12,932	3.1 %
Revenue passenger miles (millions)	7,287	6,984	4.3 %
Available seat miles (millions)	9,218	9,145	0.8 %
Passenger load factor	79.0%	76.4%	2.6 pts.
Passenger revenue per available seat mile (cents)	18.09	15.22	18.9 %
Average yield per revenue passenger mile (cents)	22.88	19.93	14.8 %
Aircraft in fleet at end of period (2)	252	266	(5.3)%
Average stage length (miles)	529	519	1.9 %

(1) See "Reconciliation of GAAP to non-GAAP Financial Measures" at the end of this Item.

(2) Excludes aircraft that were removed from service. Regional aircraft include aircraft operated by all carriers under capacity purchase agreements, but exclude any aircraft operated by ExpressJet outside the scope of our capacity purchase agreement with ExpressJet.

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

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	$ 9,131	$ 7,970	$ 1,161	14.6 %
Operating Expenses:				
Aircraft fuel and related taxes	2,326	2,088	238	11.4 %
Wages, salaries and related costs	2,397	2,233	164	7.3 %
Aircraft rentals	458	469	(11)	(2.3)%
Landing fees and other rentals	575	570	5	0.9 %
Distribution costs	477	400	77	19.3 %
Maintenance, materials and repairs	413	473	(60)	(12.7)%
Depreciation and amortization	371	343	28	8.2 %
Passenger services	278	263	15	5.7 %
Special charges	18	61	(43)	NM
Merger-related costs	29	-	29	NM
Other	1,031	959	72	7.5 %
Total Operating Expenses	8,373	7,859	514	6.5 %
Operating Income	$ 758	$ 111	$ 647	NM

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 nine months ended September 30 are as follows (in millions, except percentage changes):

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	$ 1,699	$ 1,434	$ 265	18.5 %
Operating Expenses:				
Aircraft fuel and related taxes	480	419	61	14.6 %
Wages, salaries and related costs	130	125	5	4.0 %
Aircraft rentals	231	236	(5)	(2.1)%
Landing fees and other rentals	81	77	4	5.2 %
Regional capacity purchase	625	641	(16)	(2.5)%
Distribution costs	78	67	11	16.4 %
Depreciation and amortization	9	10	(1)	(10.0)%
Passenger services	21	19	2	10.5 %
Special charges	-	7	(7)	NM
Other	83	91	(8)	(8.8)%
Total Operating Expenses	1,738	1,692	46	2.7 %
Operating Loss	$ (39)	$ (258)	$ 219	(84.9)%

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 September 30, 2010, we had $4.2 billion in unrestricted cash, cash equivalents and short-term investments, which is $1.3 billion higher than at December 31, 2009. At September 30, 2010, we also had $161 million of restricted cash and cash equivalents, which is primarily collateral for estimated future workers' compensation claims, credit card processing contracts, letters of credit and performance bonds.

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 September 30, 2010, we had approximately $6.9 billion of debt and capital lease obligations, including $818 million that will come due in the next 12 months. In addition, we have substantial non-cancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines.

Sources and Uses of Cash

Operating Activities. Cash flows provided by operations for the nine months ended September 30, 2010 were $1.3 billion compared to $187 million in the same period in 2009. The increase in cash flows provided by operations in 2010 compared to 2009 is primarily the result of an increase in operating income and higher advance ticket sales in 2010.

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

	2010	2009	Cash Increase (Decrease)
Capital expenditures	$ (246)	$ (301)	$ 55
Aircraft purchase deposits refunded, net	10	42	(32)
Proceeds from (purchases) sales of short-term investments, net	(171)	256	(427)
Proceeds from sales of property and equipment	32	46	(14)
Decrease in restricted cash and cash equivalents	3	26	(23)
Expenditures for airport operating rights	-	(22)	22
Other	-	(3)	3
Total	$ (372)	$ 44	$ (416)

Net purchase deposits refunded were lower in the first nine months of 2010 than in the first nine months of 2009 due to differences in the model of aircraft delivered and higher deposits paid in the current year.

The purchase of short-term investments in the first nine months of 2010 reflects the investment of our higher cash balances.

We sold two Boeing 737-500 aircraft to a foreign buyer in the first nine months of 2010 for cash proceeds of $19 million. We sold six Boeing 737-500 aircraft to a foreign buyer in the first nine months of 2009 for cash proceeds of $38 million. In each year, the cash proceeds were in addition to deposits received in 2008 on these aircraft.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. As of September 30, 2010, we had firm commitments to purchase 78 new Boeing aircraft scheduled for delivery from 2010 through 2016, with an estimated aggregate cost of $4.6 billion including related spare engines. In addition to our firm order aircraft, we had options to purchase a total of 94 additional Boeing aircraft as of September 30, 2010.

Projected net capital expenditures for 2010 are as follows (in millions):

Fleet related (excluding aircraft to be acquired through the issuance of debt)	$ 285
Non-fleet	85
Net capital expenditures	370
Aircraft purchase deposits, net	(5)
Projected net capital expenditures	$ 365

Projected fleet expenditures include the portion of the aircraft purchase price in excess of financings and aircraft reconfigurations and other product enhancements including winglet installations, flat-bed BusinessFirst seats and in-seat power installations. Projected non-fleet capital expenditures are primarily for Star Alliance-related costs and technology and terminal enhancements. While some of our projected capital expenditures are related to projects we have committed to, a significant number of projects can be deferred. Should economic conditions warrant, we will reduce our capital expenditures, and expect to be able to do so without materially impacting our operations.

Expenditures for airport operating rights relate to our acquisition of slots at London's Heathrow Airport.

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

	2010	2009	Cash Increase (Decrease)
Proceeds from issuance of long-term debt, net	$ 1,025	$ 295	$ 730
Payments on long-term debt and capital lease obligations	(836)	(542)	(294)
Proceeds from public offering of common stock	-	158	(158)
Proceeds from issuance of common stock pursuant to stock plans	28	6	22
Total	$ 217	$ (83)	$ 300

Cash flows provided by financing activities increased due to higher debt issuances in the first nine months of 2010, partially offset by higher debt payments.

In August 2010, we issued $800 million aggregate principal amount of 6.75% Senior Secured Notes due 2015. The Senior Secured Notes have a maturity date of September 15, 2015 and have an annual interest rate of 6.75%. The notes were sold at 98.938% of par which resulted in our receiving net cash proceeds of $776 million upon issuance, after giving effect to issuance costs.

In conjunction with the issuance of the Senior Secured Notes, we repaid the $350 million senior secured term loan credit facility that was due in June 2011 and bore interest at a rate equal to LIBOR plus 3.375%.

In November 2009, we obtained financing for eight currently-owned Boeing aircraft, nine new Boeing 737-800 aircraft and two new Boeing 777 aircraft. We applied this financing to these aircraft during the first nine months of 2010 and recorded related debt of $644 million. In connection with this financing, enhanced equipment trusts raised $644 million through the issuance of two classes of enhanced equipment trust certificates. Class A certificates, with an aggregate principal amount of $528 million, bear interest at 7.25% and Class B certificates, with an aggregate principal amount of $117 million, bear interest at 9.25%. As we refinanced or took delivery of the aircraft, we issued equipment notes to the trusts, which purchased such notes with pr oceeds from the issuance of the Class A and Class B certificates. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in November 2010 and will end in November 2019 for Class A certificates and in May 2017 for Class B certificates.

We do not have backstop financing or any other financing currently in place for any 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 the backstop financing or any other financing not already in place for our aircraft deliveries will be available to us when needed on acceptable terms or at all. Since the commitments for firm order aircraft are non-cancelable, and assuming no breach of the agreement by Boeing, 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 any resulting losses incurred by the manufacturer.

On December 30, 2009, we entered into an amendment of our Debit Card Marketing Agreement with JPMorgan Chase Bank, N.A. ("JP Morgan Chase") under which JP Morgan Chase purchases frequent flyer mileage credits to be earned by OnePass members for making purchases using a Continental branded debit card issued by JP Morgan Chase. We received a payment of $40 million in January 2010 for the advance purchase of frequent flyer mileage credits beginning January 1, 2016, or earlier in certain circumstances. The purchase of mileage credits has been treated as a loan from JP Morgan Chase with an implicit interest rate of 5.5% and is reported as long-term debt in our consolidated balance sheet. The assets that secure the Senior Secured Notes also secure, on a junior lie n basis, our obligations to JP Morgan Chase with respect to the frequent flier mileage credits and $235 million of other frequent flier mileage credits that we owe to Chase Bank USA, N.A.

In August 2009, we completed a public offering of 14.4 million shares of Class B common stock at a price to the public of $11.20 per share, raising net proceeds of $158 million for general corporate purposes.

Other Liquidity Matters

See the indicated notes to our consolidated financial statements contained in Item 1 of this report for the following other matters affecting our liquidity and commitments.

Investment in student loan-related auction rate securities	Note 6
Fuel hedges	Note 7
Pension obligations	Note 9
Guarantees and indemnifications, credit card processing agreements, credit ratings and environmental liabilities	Note 13

Reconciliation of GAAP to non-GAAP Financial Measures

Non-GAAP financial measures are presented because they provide management and investors the ability to measure and monitor our performance on a consistent basis. Special items relate to activities that are not central to our ongoing operations. A reconciliation of net loss to the non-GAAP financial measure of net loss excluding special items is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income (loss) – GAAP	$ 354	$ (18)	$ 441	$ (367)
Special charges:				
Aircraft-related charges, net	-	6	6	53
Severance	1	5	3	5
Other	1	9	9	10
Merger-related costs	11	-	29	-
Net income (loss) excluding special items – non-GAAP	$ 367	$ 2	$ 488	$ (299)

CASM is a common metric used in the airline industry to measure an airline's unit cost. CASM trends can be influenced by items that are not central to our ongoing operations. Additionally, the cost of fuel is subject to many economic and political factors beyond our control and represents the single largest component of CASM. CASM excluding special charges, Merger-related costs and aircraft fuel and related taxes provides management and investors the ability to measure our core cost performance of items that are more subject to our control. A reconciliation of GAAP operating expenses used to determine CASM to the non-GAAP operating expenses used to determine CASM excluding special charges, Merger-related costs and aircraft fuel and related taxes i s as follows (in millions, except CASM amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Mainline cost per available seat mile excluding special charges, Merger-related costs and aircraft fuel and related taxes:				
Operating Expenses – GAAP	$ 2,925	$ 2,686	$ 8,373	$ 7,859
Special charges:				
Aircraft-related charges, net	-	-	6	47

Severance	1	5	3	5
Other	1	8	9	9
Merger-related costs	11	-	29	-
Aircraft fuel and related taxes	819	735	2,326	2,088
Operating expenses excluding above items – non-GAAP	$ 2,093	$ 1,938	$ 6,000	$ 5,710
Available seat miles – mainline	25,961	25,803	74,147	74,119
CASM – GAAP (cents)	11.27	10.41	11.29	10.60
CASM excluding special charges, Merger-related costs and aircraft fuel and related taxes – non-GAAP (cents)	8.06	7.51	8.09	7.70
Consolidated cost per available seat mile excluding special charges, Merger-related costs and aircraft fuel and related taxes:				
Operating Expenses – GAAP	$ 3,512	$ 3,256	$ 10,111	$ 9,551
Special charges:				
Aircraft-related charges, net	-	6	6	53
Severance	1	5	3	5
Other	1	9	9	10
Merger-related costs	11	-	29	-
Aircraft fuel and related taxes	984	881	2,806	2,507
Operating expenses excluding above items – non-GAAP	$ 2,515	$ 2,355	$ 7,258	$ 6,976
Available seat miles – consolidated	29,108	28,933	83,365	83,264
CASM – GAAP (cents)	12.06	11.25	12.13	11.47
CASM excluding special charges, Merger-related costs and aircraft fuel and related taxes – non-GAAP (cents)	8.64	8.13	8.70	8.38

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Omitted under the reduced disclosure format permitted by General Instruction H(2)(c) of Form 10-Q.

Item 4. Controls and Procedures.

Management's Conclusion on the Effectiveness of Disclosure Controls and Procedures. As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that w e file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2010 at the reasonable assurance level.

Changes in Internal Controls. There was no change in our internal control over financial reporting during the quarter ended September 30, 2010 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 and seek unspecified money damages and certain injunctive relief under the Clayton Act and the Sherman Anti-Trust Act. The pending cases, which involve a total of 90 travel agency plaintiffs, 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 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. On October 2, 2009, the U.S. Court of Appeals for the Sixth Circuit affirmed the trial court's dismissal of the case. On December 18, 2009, the plaintiffs' request for rehearing by the Sixth Circuit *en banc* was denied. On March 18, 2010, the plaintiffs filed a Petition for a Writ of Certiorari with the U.S. Supreme Court, to which the defendants responded on June 16, 2010. The plaintiffs in the Swope lawsuit, encompassing 43 travel agencies, have also alleged that certain claims raised in their lawsuit were not, in fact, dismissed. The trial court has not yet ruled on that issue. In the consolidated lawsuit, we believe the plaintiffs' claims are without merit, and we intend to vigorously defend any appeal. 0; 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.

Stockholder Litigation Related to the Merger. Following our announcement of the Merger Agreement on May 2, 2010, three class action lawsuits were filed against Continental, members of Continental's board of directors and UAL in the Texas District Court for Harris County. The plaintiffs purported to represent a class of Continental stockholders opposed to the terms of the Merger Agreement. The lawsuits made virtually identical allegations that the consideration to be received by Continental's stockholders in the Merger was inadequate and that the members of Continental's board of directors breached their fiduciary duties, by among other things, approving the Merger at an inadequate price under c ircumstances involving certain conflicts of interest. The lawsuits also made virtually identical allegations that Continental and UAL aided and abetted the Continental board of directors in the breach of their fiduciary duties to Continental's stockholders. Each lawsuit sought injunctive relief declaring that the Merger Agreement was in breach of the Continental directors' fiduciary duties, enjoining Continental and UAL from proceeding with the Merger unless Continental implemented procedures to obtain the highest possible price for its stockholders, directed the Continental board of directors to exercise its fiduciary duties in the best interest of Continental's stockholders and rescinded the Merger Agreement. All three lawsuits were consolidated before a single judge.

On August 1, 2010, the parties reached an agreement in principle regarding settlement of the action. Under the terms of the settlement, the lawsuits will be dismissed with prejudice, releasing all defendants from any and all claims relating to, among other things, the Merger and any disclosures made in connection therewith. The settlement is subject to customary conditions, including consummation of the Merger, completion of certain confirmatory discovery, class certification, and final approval by the District Court. In exchange for that release, UAL and Continental provided additional disclosures requested by the plaintiffs in the action related to, among other things, the negotiations between Continental and UAL that resulted in the execution of the Merger Agreement, the method by which the exchange ratio was determined, the procedures used by UAL's and Continental's financial advisors in performing their financial analyses and certain investment banking fees paid to those advisors by UAL and Continental over the past two years. The settlement did not affect any provision of the Merger Agreement or the form or amount of the consideration received by Continental stockholders in the Merger. The defendants have denied and continue to deny any wrongdoing or liability with respect to all claims, events, and transactions complained of in the aforementioned actions or that they have engaged in any wrongdoing. The defendants entered into the settlement to eliminate the uncertainty, burden, risk, expense, and distraction of further litigation.

Antitrust Litigation Related to the Merger. On June 29, 2010, several purported current and future purchasers of airline tickets filed an antitrust lawsuit in the U.S. District Court for the Northern District of California against Continental, as well as UAL and United, in connection with the Merger. The plaintiffs allege, among other things, that Continental and UAL are substantial competitors on routes operated in the United States and that the Merger would harm consumers through higher ticket prices, decreased aircraft capacity, and diminished airline services. The plaintiffs claim that the Merger, if consummated, would substantially lessen competition or create a monopoly in the transportat ion of airline passengers in the United States, and the transportation of airline passengers to and from the United States on international flights, in violation of Section 7 of the Clayton Act. On August 9, 2010, the plaintiffs filed a motion for preliminary injunction pursuant to Section 16 of the Clayton Act, seeking to enjoin the Merger. On September 27, 2010, the Court denied the plaintiffs' motion for a preliminary injunction, which allowed the Merger to close. After the Merger had already closed, the plaintiffs appealed the District Court's ruling and moved for a "hold separate" order pending the appeal, which was denied by the Court. The appeal remains pending. We believe the plaintiffs' claims are without merit, and we intend to defend this lawsuit vigorously.

Item 1A. Risk Factors

Part 1, Item 1A, "Risk Factors," of our 2009 Form 10-K includes a detailed discussion of our risk factors. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may materially adversely affect our business, financial condition and future results.

The business combination transaction between UAL and Continental may present certain risks to the business and operations of Continental and the combined company.

The Merger may present certain risks to the business and operations of the combined company including, among other things, the risks that:

- the combined company may be unable to integrate successfully the businesses and workforces of Continental and United;
- conditions, terms, obligations or restrictions relating to the Merger that may be imposed on the combined company by regulatory authorities may affect the combined company's business and operations;
- the combined company may lose additional management personnel and other key employees and be unable to attract and retain such personnel and employees;
- the combined company may be unable to successfully manage the expanded business with respect to monitoring new operations and associated increased costs and complexity;
- the combined company may be unable to avoid potential liabilities and unforeseen increased expenses or delays associated with the Merger;
- the combined company may be unable to manage the complex integration of systems, technology, aircraft fleets, networks and other assets of United and Continental in a manner that minimizes any adverse impact on customers, vendors, suppliers, employees and other constituencies;

- the combined company's ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes may be limited; and
- launching branding or rebranding initiatives may involve substantial costs and may not be favorably received by customers.

Accordingly, there can be no assurance that the Merger will result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that we currently expect or that these benefits will be achieved within the anticipated time frame.

Union disputes, employee strikes or slowdowns, and other labor-related disruptions, as well as the integration of the United and Continental workforces in connection with the Merger, present the potential for a delay in achieving expected Merger synergies, increased labor costs or additional labor disputes that could adversely affect the combined company's operations and impair its financial performance.

United and Continental are both highly unionized companies. More than 80% of United's 46,000 employees are organized and approximately 63% of Continental's 41,400 employees are organized. United currently has 11 domestic collective bargaining agreements with six different unions, all of which became amendable pursuant to the Railway Labor Act ("RLA") on or about December 31, 2009 or January 7, 2010, and United is currently in negotiations with all of its unions for new agreements. Continental has five collective bargaining agreements with four different unions and most of Continental's agreements became amendable pursuant to the RLA on either December 31, 2008 or December 31, 2009.

The successful integration of United and Continental and achievement of the anticipated benefits of the combination depend significantly on integrating United's and Continental's employee groups and maintaining productive employee relations. Failure to do so presents the potential for delays in achieving expected Merger synergies, increased labor costs and labor disputes that could adversely affect our operations.

In order to fully integrate the pre-Merger represented employee groups, the combined company must negotiate a joint collective bargaining agreement covering each combined group. The process for integrating the labor groups of United and Continental is governed by a combination of the RLA, the McCaskill-Bond Act, and where applicable, the existing provisions of each company's collective bargaining agreements and union policy. Pending operational integration, the Company will apply the terms of the existing collective bargaining agreements unless other terms have been negotiated. Under the McCaskill-Bond Act**,** seniority integration must be accomplished in a "fair and equitable" manner consistent with the process set forth in the Allegheny-Mohawk Labor Protective Provisions ("LPPs") or internal union merger policies, if applicable. Employee dissatisfaction with the results of the seniority integration may lead to litigation that in some cases can delay implementation of the integrated seniority list. The National Mediation Board ("NMB") has exclusive authority to resolve representation disputes arising out of airline mergers.

Following announcement of the Merger, ALPA, which represents pilots at both carriers, opted to pursue negotiations with United and Continental for a joint collective bargaining agreement ("JCBA") that would govern the combined pilot group. In July 2010, United and Continental reached agreement with ALPA on a Transition and Process Agreement that provides a framework for conducting pilot operations of the two employee groups until the parties reach agreement on a JCBA and the carriers obtain a single operating certificate. On August 10, 2010, United and Continental began joint negotiations with ALPA and the negotiations are presently ongoing.

There is a risk that unions or individual employees might pursue judicial or arbitral claims arising out of changes implemented as a result of the Merger. There is also a possibility that employees or unions could engage in job actions such as slow-downs, work-to-rule campaigns, sick-outs or other actions designed to disrupt United's and Continental's normal operations, whether in opposition to the Merger or in an attempt to pressure the companies in collective bargaining negotiations.

Failure to meet our financial covenants would adversely affect our liquidity.

Our credit card processing agreement with Chase (the "Chase processing agreement") contains financial covenants which require, among other things, that we post additional cash collateral if we fail to maintain (1) a minimum level of unrestricted cash, cash equivalents and short-term investments, (2) a minimum ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities of 0.25 to 1.0 or (3) a minimum senior unsecured debt rating of at least Caa3 and CCC- from Moody's and Standard & Poor's, respectively. If a covenant trigger under the Chase processing agreement results in our posting additional collateral under that agreement, we would also be required to post additional collateral under our credit card processing agreement with Am erican Express.

The amount of additional cash collateral that we may be required to post if we fail to comply with the financial covenants described above, which is based on our then-current air traffic liability exposure (as defined in each agreement), could be significant. Depending on our unrestricted cash, cash equivalents and short-term investments balance at the time, the posting of a significant amount of cash collateral could have a material adverse effect on our financial condition. See "Financial Statements, Note 13 - Commitments and Contingencies" included in Part I, Item 1 of this report for a detailed discussion of our collateral posting obligations under these credit card processing agreements.

We are currently in compliance with all of the covenants under these agreements.

The combined company's ability to use NOL carryforwards to offset future taxable income for U.S. federal income tax purposes may be significantly limited due to various circumstances, including the Merger and certain other possible future transactions involving the sale or issuance of UAL common stock, or if taxable income does not reach sufficient levels.

As of December 31, 2009, UAL reported federal NOL carryforwards of approximately $9.3 billion and Continental reported federal NOL carryforwards of approximately $3.7 billion.

The combined company's ability to use its NOL carryforwards may be limited if UAL or Continental experiences an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). An ownership change generally occurs if certain stockholders increase their aggregate percentage ownership of a corporation's stock by more than 50 percentage points over their lowest percentage ownership at any time during the testing period, which is generally the three-year period preceding any potential ownership change.

Based on currently available information, we believe the Merger resulted in an ownership change of Continental under Section 382. It is not yet clear whether the Merger also resulted in an ownership change of UAL under Section 382. If the Merger did not result in an ownership change of UAL under Section 382, the Merger would increase the possibility that UAL will experience an ownership change in the future in connection with potential future transactions involving the sale or issuance of its stock.

As a result, the combined company's ability to use Continental's pre-Merger NOLs is expected to be subject to the limitations imposed by Section 382, and its ability to use UAL's pre-merger NOLs may be or become subject to limitations as well. Under Section 382, an annual limitation applies to the amount of pre-ownership change NOLs that may be used to offset post-ownership change taxable income. This limitation could cause the combined company's U.S. federal income taxes to be greater, or to be paid earlier, than they otherwise would be, and could cause all or a portion of the combined company's NOL carryforwards to expire unused. Similar rules and limitations may apply for state income tax purposes.

The combined company's ability to use its NOL carryforwards will also depend on the amount of taxable income it generates in future periods. Its NOL carryforwards may expire before the combined company can generate sufficient taxable income to use them in full.

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

Omitted under the reduced disclosure format permitted by General Instruction H(2)(b) of Form 10-Q.

Item 3. Defaults Upon Senior Securities.

Omitted under the reduced disclosure format permitted by General Instruction H(2)(b) of Form 10-Q.

Item 4. (Removed and Reserved).

Item 5. Other Information.

Borrowings under November 2009 EETC. During the third quarter of 2010, Continental borrowed a total of $465 million to finance the deliveries of nine new Boeing 737-800 aircraft and two new Boeing 777 aircraft by issuing equipment notes ("Equipment Notes") secured by those aircraft. This amount is in addition to the $179 million borrowed in the period from January 1, 2010 to June 30, 2010 to refinance eight currently-owned Boeing aircraft through the issuance of such Equipment Notes. The funds used to purchase the Equipment Notes were raised in November 2009 through the issuance by enhanced equipment trusts of two classes of enhanced equipment trust certificates in an aggregate principal amount of $644 million. ; Class A certificates, with an aggregate principal amount of $528 million, bear interest at 7.25% and Class B certificates, with an aggregate principal amount of $117 million, bear interest at 9.25%. As Continental refinanced or took delivery of the aircraft, Continental issued Equipment Notes to the trusts, which purchased such notes with proceeds from the issuance of the Class A and Class B certificates. Principal payments on the Equipment Notes and the corresponding distribution of these payments to certificate holders will begin in November 2010 and will end in November 2019 for Class A certificates and in May 2017 for Class B certificates.

The indenture under which the Equipment Notes were issued provides that the 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 are secured by a lien on such aircraft and are also cross-collateralized by the other aircraft financed pursuant to the Note Purchase Agreement.

PBGC Issues. After the May, 2010 announcement of the Merger Agreement, the Pension Benefit Guaranty Corporation (the "PBGC") requested certain information from Continental to assess the Merger's impact on Continental's qualified defined benefit programs (the "PBGC Information Request"). Subsequently, shortly before the closing of the Merger, the PBGC took the position that the Merger would constitute a "Fundamental Change" under the indenture (the "PBGC Indenture") governing UAL's 6% Senior Notes due 2031 held by PBGC (the "PBGC Notes"), which would require UAL to offer to redeem the $597 million outstanding principal amount of PBGC Notes at par, payable in cash or UAL common shares. 0; UAL strongly believes, based on the language of the PBGC Indenture, market practice and relevant statutes and case law, that the Merger did not constitute a "Fundamental Change" under the PBGC Indenture and that PBGC's position is without merit. In the unlikely event that the PBGC were to prevail in its position that the Merger constituted a "Fundamental Change", the redemption of the PBGC Notes could require the prepayment of amounts outstanding under United's Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement, dated as of February 2, 2007, 9.875% Senior Secured Notes due 2013 and 12.0% Senior Second Lien Notes due 2013, which aggregated $2.2 billion principal amount as of September 30, 2010. UAL believes that, if such redemption were required, UAL has adequate liquidity to satisfy such obligations and that new financings could be arranged substantially replacing the amounts prepaid, although potentially on not as favorable terms .

On September 30, 2010, the PBGC, UAL and Continental entered into a standstill agreement providing that, on or before January 31, 2011, they will not initiate any court or administrative proceeding regarding Continental's qualified defined benefit programs or the PBGC Notes, in each case as they relate to the consummation of the Merger, or to assert in any court or administrative proceeding that the Merger did or did not constitute a "Fundamental Change" under the PBGC Indenture. In addition, the PBGC and Continental agreed on a schedule for providing the information requested by the PBGC relating to Continental's qualified defined benefit programs. The parties also agreed to use commercially reasonable efforts to resolve their disagreements with respect to the PBGC Indenture and the production of information by Continental. Continental cannot predict any further action that may be taken

by the PBGC after Continental has responded to the PBGC Information Request. Although there can be no assurance as to any particular outcome, UAL and Continental believe that these matters will be resolved in a manner that will not have a material adverse effect on Continental's consolidated financial position or results of operations.

Item 6. Exhibits.

2.1	Agreement and Plan of Merger among Continental Airlines, Inc., UAL Corporation and JT Merger Sub Inc., dated as of May 2, 2010 (the annexes, schedules and certain exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) - incorporated by reference to Exhibit 2.1 to Continental's Current Report on Form 8-K dated May 3, 2010 (File no. 1-10323).
3.1	Amended and Restated Certification of Incorporation of Continental - incorporated by reference to Exhibit 3.1 to Continental's Current Report on Form 8-K dated October 1, 2010 (File no. 1-10323).
3.2	Amended and Restated Bylaws of Continental - incorporated by reference to Exhibit 3.2 to Continental's Current Report on Form 8-K dated October 1, 2010 (File no. 1-10323).
10.1*	First Amendment to the Continental Airlines, Inc. Profit Sharing Plan (as adopted on February 17, 2010) dated as of September 9, 2010.
10.2*	First Amendment to the Continental Airlines, Inc. Incentive Plan 2010 (as amended and restated through February 17, 2010) dated as of September 27, 2010.
10.3	Supplemental Agreement No. 26, dated as of July 10, 2010, to Agreement of Lease dated as of January 11, 1985 between Continental and the Port Authority of New York and New Jersey regarding Terminal C at Newark Liberty International Airport.
10.4	Supplemental Agreement No. 56, dated August 12, 2010, 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)
10.5	Supplemental Agreement No. 20, dated August 12, 2010, to Purchase Agreement No. 2061, dated October 10, 1997, between Continental and Boeing relating to the purchase of Boeing 777 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.
101	Interactive data files pursuant to Rule 405 of Regulation S-T. (2)

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

(1) Continental has applied to the SEC for confidential treatment of a portion of this exhibit.
(2) Furnished, not filed.

SIGNATURES

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

CONTINENTAL AIRLINES, INC.
Registrant

Date: October 21, 2010 by: /s/ Chris Kenny
Chris Kenny
Vice President and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS
OF
CONTINENTAL AIRLINES, INC.

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(1) Continental has applied to the SEC for confidential treatment of a portion of this exhibit.
(2) Furnished, not filed.

Exhibit 10.1

FIRST AMENDMENT TO
CONTINENTAL AIRLINES, INC.
PROFIT SHARING PLAN
(As adopted on February 17, 2010)

WHEREAS, the Continental Airlines, Inc. Profit Sharing Plan (the "PSP") has heretofore been adopted by the Board of Directors (the "Board") of Continental Airlines, Inc. (the "Company"); and

WHEREAS, the Human Resources Committee (the "Committee") of the Board has authority pursuant to Section 8.1 of the PSP to amend, modify, revise or terminate the PSP; and

WHEREAS, the Committee desires to amend the PSP as set forth below;

NOW, THEREFORE, the PSP shall be amended as follows, effective as of January 1, 2010:

1. Clause (a) of Section 4.1 of the PSP shall be deleted and the following shall be substituted therefor:

"4.1 Participation.

(a) Subject to the other provisions of this Section 4.1, for any Year, each Employee who, as of the last day of the Year, remains in Employment (or who has Retired from Employment or died while an Employee during such Year) shall be a "Participant" with respect to such Year. Each Employee who is a member of a workgroup that is not collectively bargained as of the last day of a Year shall be a Participant in the Plan as of January 1st of such Year. Each Employee who is a member of a workgro up that is collectively bargained as of the last day of a Year shall be a Participant in the Plan with respect to such Year only if specifically provided pursuant to the terms of a ratified collective bargaining agreement between the Company (or a Subsidiary, as applicable) and the union representing such workgroup (a "CBA"), with participation to be effective solely for the period provided in the CBA. If a workgroup is represented by a union but has a CBA that has become amendable prior to or during a Year and the successor CBA has not been ratified by the last day of such Year, then Employees in that workgroup are Excluded Persons (as defined below) for such Year, unless the terms of the CBA specifically provide for participation during the amendable period. Notwithstanding the foregoing, (i) as a result of the Transition and Process Agreement by and between Continental Airlines, Inc., UAL Corporation, United Air Lines, Inc., and the Airline Pilots in the service of Contin ental Airlines, Inc. and United Air Lines, Inc., respectively, as represented b the Air Line Pilots Association by and through the ALPA Master Executive Councils of the Continental and United Pilots (the "Transition Agreement"), subject to final execution of the Transition Agreement by the parties, each Employee who is a member of the Company pilot workgroup shall be a Participant in the Plan for the full calendar year 2010, and (ii) a workgroup may be designated by the Committee to participant in the Plan with respect to a Year if deemed necessary by the Committee to facilitate the merger transition process arising pursuant to that certain Agreement and Plan of Merger among UAL Corporation, the Company and JT Merger Sub Inc. dated May 2, 2010, as the same may be amended from time to time (the "Merger Agreement"). The participation of an international Employee shall be subject to the terms the CBA, if any, local work rules and legal requirements applicable to each such Empl oyee."

2. The period at the end of clause (iii) of Section 4.1(b) shall be replaced with "; and" and the following new clause (iv) shall be added at the end of Section 4.1(b) of the PSP:

"(iv) for the avoidance of doubt, any person who is an employee of UAL Corporation or United Air Lines, Inc. shall not be a Participant in the Plan as a result of the Merger Agreement."

3. As amended hereby, the Program is specifically ratified and reaffirmed.

Exhibit 10.2

FIRST AMENDMENT TO
CONTINENTAL AIRLINES, INC.
INCENTIVE PLAN 2010
(as amended and restated through February 17, 2010)

WHEREAS, Continental Airlines, Inc. (the "Company") has heretofore adopted the Continental Airlines, Inc. Incentive Plan 2010 (as amended and restated through February 17, 2010) (the "Plan"); and

WHEREAS, the Company has heretofore entered into that certain Agreement and Plan of Merger among UAL Corporation, the Company and JT Merger Sub Inc. dated May 2, 2010, as the same may be amended from time to time (the "Merger Agreement"); and

WHEREAS, the Company is required to amend the Plan, pursuant to Section 6.4(a)(v) of the Merger Agreement, to ensure that, after the Effective Time (as such term is defined in the Merger Agreement), no Continental Stock Options or Continental Stock-Based Awards (each such term as defined in the Merger Agreement) may be granted under the Plan and that from and after the Effective Time, awards under the Plan shall be granted with respect to United Common Stock (as such term is defined in the Merger Agreement);

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

I. Effective as of the Effective Time and for the sake of clarity:

The following shall be added as a new Section 5(e) of the Plan:

"(e) Notwithstanding any provision of the Plan or in any Grant Document to the contrary, effective as of the Effective Time (as defined in the Agreement and Plan of Merger among UAL Corporation, the Company and JT Merger Sub Inc. dated May 2, 2010, as the same may be amended from time to time):

(i): Immediately following the Effective Time, the following Awards may no longer be granted under the Plan with respect to the Common Stock of Continental Airlines, Inc.: (A) Options, Restricted Stock Awards, or Other Stock Awards, and (B) SARS, Performance Awards, or Incentive Awards that may be settled in shares of Common Stock; and

(ii) From and after the Effective Time, any of the following Awards granted under the Plan shall be granted with respect to the common stock, par value $0.01 per share, of UAL Corporation, a Delaware corporation, or any successor thereto: (A) Options, Restricted Stock Awards, or Other Stock Awards, and (B) SARS, Performance Awards, or Incentive Awards that may be settled in shares of Common Stock."

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

IN WITNESS WHEREOF, the undersigned officer of the Company acting pursuant to authority granted to him by the Board of Directors of the Company has executed this instrument on this 27th day of September, 2010.

CONTINENTAL AIRLINES, INC.

By: **/s/ Jeffery A. Smisek**
Jeffery A. Smisek
Chairman of the Board, President and Chief Executive Officer

THIS AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

Lease No. ANA-170
Supplement No. 26
Newark Liberty International Airport

THIS SUPPLEMENTAL AGREEMENT (this "Agreement" or this "Supplemental Agreement"), made as of the 10th day of July, 2010 by and between the **PORT AUTHORITY OF NEW YORK AND NEW JERSE**Y (hereinafter referred to as the "Port Authority"), and **CONTINENTAL AIRLINES, INC.** (hereinafter called the "Lessee"),

WITNESSETH, That:

WHEREAS, the Port Authority and the Lessee heretofore entered into an agreement of lease dated January 11, 1985, bearing Port Authority Lease number ANA-170 and covering the letting by the Port Authority to the Lessee of certain premises at the Newark Liberty International Airport (the "***Airport***"), as more fully described therein, (said agreement of lease as amended, supplemented and extended referred to herein as the "***Lease***" or the "***Terminal C Lease***;" and said premises referred to herein as "***Terminal C< /font>" or the "Premises").***

WHEREAS, the Port Authority and the Transportation Security Administration (the "***TSA***") entered into a Memorandum of Agreement Relating to Baggage Screening Projects for Newark Liberty International Airport ("***EWR***") effective September 10, 2008 [Reference No. HSTS04-08-H-CT1235] (the "***MOA***") (a copy of which MOA is attached hereto as Exhibit A), setting forth the terms and establishing the respective cost-sharing obligations and responsibilities of the TSA and the Port Authority with respect to the performance of the engineering, design and integration of baggage Expl osive Detection Systems ("***EDS***") projects and baggage screening system improvements at EWR (the "***EWR TSA Project***").

WHEREAS, the Port Authority and the TSA also entered into a (i) Memorandum of Agreement Relating to Baggage Screening Projects for John F. Kennedy International Airport ("***JFK***") on or about September 10, 2008 (Reference No.HSTS04-08-H-CT1236), setting forth the terms and establishing the respective cost-sharing obligations and responsibilities of the TSA and the Port Authority with respect to the performance of EDS projects and baggage screening system improvements at JFK (the "***JFK TSA Project***"), and (ii) Memorandum of Agreement Relating to Baggage Screening Projects for LaGuardia Airport ("***LGA***") on or about September 10, 2008 (Reference No.HSTS04-08-H-CT1094), setting forth the terms and establishing the respective cost-sharing obligations and responsibilities of the TSA and the Port Authority with respect to the performance of EDS projects and baggage screening system screening improvements at LGA (the "***LGA TSA Project***").

WHEREAS, since the Lessee is responsible for the operation, maintenance and management of Terminal C pursuant to the Terminal C Lease, the EWR TSA Project, as it relates to Terminal C (the "***Project***") will require the Lessee, and the Lessee hereby agrees, to perform the scope of work, as it relates to Terminal C, as set forth in the MOA subject to and in accordance with all of the terms and provisions and conditions of the MOA, the Terminal C Lease and of this Supplemental Agreement.

WHEREAS, it is hereby acknowledged and agreed that the Lessee shall perform the Work (as defined in Paragraph 5 below) at its sole cost and expense, subject to the terms and conditions set forth in the MOA for payment by TSA to the Port Authority and subject to the terms and conditions of this Supplemental Agreement covering, among other matters, the release by the Port Authority to the Lessee of sums, if any, paid to the Port Authority by the TSA for the Work.

WHEREAS, the Port Authority and the Lessee desire to add to the premises under the Lease and to amend the Lease in certain other respects.

WHEREAS, unless the context clearly indicates otherwise, any term not defined herein shall have the same meaning given to it in the Lease.

NOW, THEREFORE, the Port Authority and the Lessee, for and in consideration of the covenants and mutual agreements hereinafter contained, hereby covenant and agree effective as of the date hereof, as follows:

1. (a) Effective as of the date hereof, (which date is sometimes hereinafter referred to as the "***Additional Premises Effective Date***"), in addition to the premises heretofore let to the Lessee under the Lease, as to which the letting shall continue in full force and effect subject to all of the terms and conditions of the Lease, as amended, the Port Authority hereby lets to the Lessee and the Lessee hereby hires and takes from the Port Authority at the Airport, for and during the remainder of the term of the letting of Area C-3 under the Lease, as herein amended, the space as shown in stipple on th e drawing attached hereto, hereby made a part hereof and marked "Exhibit A-2", together with all the structures, fixtures, improvements and other property of the Port Authority located or to be located or to be constructed therein, thereon or thereunder, to be and become a part of the premises under the Lease, the said spaces, areas, structures, fixtures, improvements and other property being hereinafter referred to as the "***Additional Premises***" or "***Area C-AP***". The Additional Premises shall and do hereby become a part of Area C-3 (as defined in the Lease) of the premises for and during the residue and remainder of the term of the letting of Area C-3 under the Lease, as herein amended, subject to and in accordance with all of the terms, covenants, provisions and conditions of the Lease, as herein amended . The parties hereto hereby acknowledge that the Additional Premises constitute non-residential real property.

(b) The Lessee shall use the Additional Premises for the purpose of performing the Work, as hereinafter defined in Paragraph 5 and for such other purposes for which the premises may be used, as provided in the Terminal C Lease, and for no other purpose whatsoever.

2. The Port Authority shall deliver the Additional Premises to the Lessee in its respective presently existing "as is" condition as of the date of this Supplemental Agreement. The Lessee acknowledges that prior to the execution of this Supplemental Agreement, it has thoroughly examined and inspected Additional Premises and has found them in good order and repair and has determined them to be suitable for the Lessee's operations therein under the Lease. The Lessee agrees to assume all responsibility for any and all risks, costs and expenses of any kind whatsoever, caused by, arising out of or in connection with, the condition of the Additional Prem ises whether any aspect of such condition existed prior to, on or after the Additional Premises Effective Date, including without limitation all Environmental Requirements and Environmental Damages, and to indemnify and hold harmless the Port Authority for all risks, requirements, costs and expenses imposed upon or required of the Port Authority. All the obligations of the Lessee under the Lease as hereby amended with respect to the aforesaid responsibilities, risks, costs and expenses assumed by the Lessee shall survive the expiration or termination of the Lease. The Port Authority shall have no obligation under the Lease, as herein amended, for finishing work or preparation of any portion of the Additional Premises for the Lessee's use.

3. The Lessee acknowledges that it has not relied upon any representation or statement of the Port Authority or its Commissioners, officers, employees or agents as to the suitability of the Additional Premises for the operations permitted thereon by the Lease, as herein amended. Without limiting any obligation of the Lessee to commence operations under this Supplemental Agreement, at the time and in the manner stated elsewhere in this Agreement, the Lessee agrees that no portion of the Additional Premises will be used initially or at any time during the term of the letting under the Lease, which is in a condition unsafe or improper for the conduct of the Lessee's operations therein under the Lease so that there is possibility of injury or damage t o life or property, and the Lessee further agrees that before any use of the Additional Premises, it will immediately correct any such unsafe or improper condition. It is hereby understood and agreed that whenever reference is made in this Supplemental Agreement to the condition of the Additional Premises as of the Additional Premises Effective Date, the same shall be deemed to mean the condition of the Additional Premise as of the date of this Supplemental Agreement, and as to the improvements made and the alteration work performed during the term of the Lease in the condition existing after the completion of the same. Without limiting the generality of any of the provisions of the Lease, as herein amended, or this Supplemental Agreement, the Port Authority shall not be liable to the Lessee for any claims for loss, theft or damage involving any property stored or placed in the Additional Premises. All of the obligations of the Lessee under the Lease, as herein amended with respect to t he aforesaid responsibilities, risks, costs and expenses assumed by the Lessee shall survive the expiration or termination of the Lease.

4. (a) In addition to all other rentals and charges provided for under the Lease, as herein amended, from and after the Additional Premises Rental Commencement Date, as hereinafter defined, the Lessee shall pay to the Port Authority a rental for Area C-AP at an annual rate consisting of (i) a Facility Factor consisting of the sum of Twenty Four Thousand One Hundred Thirty Seven Dollars and No Cents ($24, 137.00), plus (ii) the Airport Services Factor/Phase 1A Roadway, as the same shall have been adjusted in accordance with Schedule A attached to the Lease, based upon a 2008 final Airport Services Factor/Phase 1A Roadway in the amount of Fifty Four Thousand Seven Hundred Seventy Two Dollars and No Cents ($54, 772.00), which annual rate shall be increased in accordance with the provisions of Subdivision II appearing in Section 3 of Supplement No. 17 of the Lease and Schedule A.

(b) The Lessee shall pay the rental for Area C-AP, as the same shall have been determined based upon the aforesaid adjustments, monthly in advance on the Additional Premises Rental Commencement Date and on the first day of each and every succeeding month in equal installments until such time as the said rentals for Area C-AP have been further adjusted in accordance with paragraph (a) of this Section and Schedule A, as amended, which adjusted rentals shall remain in effect until the next adjustment and the monthly installments payable after each such adjustment shall be equal to one-twelfth (1/12th) of said total annual rentals as so adjusted. If any installment of Area C-AP rental payable hereunder shall be for less than a full calendar month, then the Area C-AP re nt payment for the portion of the month for which said payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in that said month.

(c) In the event the term of the letting of Area C-AP shall expire on a day other than the last day of a month, for said month shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

(d) As used herein, Additional Premises Rental Commencement Date shall mean, the earlier of: (i) the date appearing on the certificate issued by the Port Authority pursuant to Section 93(n)(1) of Supplement No. 17 of the Lease; or (ii) the last day of the thirtieth month following the date upon which the Port Authority approved the Tenant Alteration Application submitted by the Lessee for the Project. It is hereby understood and agreed that for purposes of this Paragraph 4(d), any reference to “Expansion Construction Work” in Section 93(n)(1) of Supplement No. 17 to the Lease shall be deemed to be a reference to the Work, as defined below.

(e) (i) In the event the Lessee shall at any time by the provisions of this Agreement become entitled to an abatement of the annual rental payable pursuant to subparagraph (a) of this paragraph, the Facility Factor of the annual rental for each square foot of the premises the use of which is denied the Lessee, shall be reduced for each calendar day or major fraction thereof the abatement remains in effect at the daily rate of $0.0029.

(ii) In addition, the Airport Services Factor of the annual rental shall be reduced for each calendar day or major fraction thereof the abatement remains in effect, for each square foot of land the use of which is denied the Lessee at the daily rate of $0. 0065.

5. The Lessee hereby agrees to perform the entire scope of the Project as set forth in Article III of the MOA, (as more particularly defined in the Conceptual Drawings and General Scope of Work attached hereto as Exhibit B, the "***Work").*** The Lessee shall perform the Work in accordance with the Tenant Alteration Application(s), as approved by the Port Authority and in accordance with the Port Authority's Tenant Alteration Application requirements as they exist as of the date hereof. The Work shall be performed and completed by the Lessee strictly in accordance with the Terminal C Lease, the MOA an d with the following further terms and conditions contained herein.

6. The Lessee hereby assumes, and shall indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees, against the following distinct and several risks, whether such risks arise from acts or omissions of the Lessee, of any contractors of the Lessee, of the Port Authority, or of third persons, or from acts of God or of the public enemy, or otherwise, excepting only claims and demand which result solely from the willful misconduct, or the sole negligence of the Port Authority, ***provided***, ***however***, that the foregoing except ion for "sole negligence" as used herein shall not include any instance in which the Port Authority shall have relied on information or documents provided by the Lessee or any of its contractors or subcontractors in connection with this Supplemental Agreement or the MOA:

(a) The risk of loss or damage to all such Work prior to the completion thereof and the risk of loss or damage of any property of the Port Authority or others arising out or in connection with the performance of the Work. In the event of such loss or damage, the Lessee shall forthwith repair, replace and make good the Work and the property of the Port Authority or others without cost or expense to the Port Authority;

(b) The risk of death, injury or damage, direct or consequential, to the Port Authority, its Commissioners, officers, agents and employees, and to its or their property, arising out of or in connection with the performance of the Work. The Lessee shall indemnify the Port Authority, its Commissioners, officers, agents and employees for all such injuries and damages, and for all loss suffered by reason thereof;

(c) The risk of all claims and demands, just or unjust, by the TSA, the Government of the United States of America and third persons (including employees, officers and agents of the Port Authority) against the Port Authority, its Commissioners, officers, agents and employees arising or alleged to arise out of the performance of the Work or out of any breach or other default by Lessee of this Supplemental Agreement as it relates to the Work, or out of any payment made or requested to be made under this Supplemental Agreement, as it relates to the Work, or the MOA. The Lessee shall indemnify the Port Authority, its Commissioners, officers, agents and employees against and from all such claims and demands, and for all loss and expenses incurred by it and by them in the defense, settlement or satisfaction thereof, including without limitation thereto, claims and demands for death, for personal injury or for property damage, direct or consequential. If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provision of any statutes respecting suits against the Port Authority.

(d) The duties, responsibilities and obligations of the Lessee set forth in sub-subparagraphs (a) through (c) of this Paragraph 6 shall survive termination or expiration of the Terminal C Lease, as herein amended.

7. The Lessee shall submit to the Port Authority for its approval one or more Tenant Alteration Application or Applications, in the form supplied by the Port Authority and containing such terms and conditions as the Port Authority may include, setting forth in detail and by appropriate plans and specifications the Work, and the manner of and time periods for performing the same. In the event of any inconsistency between the terms of any Tenant Alteration Application covering the Work (or portion thereof) and the terms of this Supplemental Agreement, the terms of the Terminal C Lease, as herein amended shall prevail and control. The Lessee shall also comply with all applicable governmental laws, ordinances, orders, enactments, resolutions, rules an d directives including, but not limited to, all requirements of the TSA. The data to be supplied by the Lessee shall describe in detail the Work. The Lessee shall be responsible at its sole cost and expense for retaining all architectural, engineering and other technical consultants and services as may be directed by the Port Authority and for developing, completing and submitting detailed plans and specifications for the Work, including but not limited to the Design Documents. The plans and specifications to be submitted by the Lessee to the Port Authority shall bear the seal of a qualified architect or professional engineer and shall be in sufficient detail for a contractor to perform the work. The Lessee shall not engage any contractor or permit the use of any subcontractor; unless and until each such contractor or subcontractor has been approved by the Port Authority and the Lessee upon request will furnish the Port Authority with a copy of each of its proposed contracts with its contractors. The Lessee shall include in any such contract or subcontract such provisions as required by this Supplemental Agreement and also such other provisions as the Port Authority may reasonably require. Upon the request of the Port Authority, the Lessee shall provide the Port Authority a copy of its contracts and subcontracts covering the Work or any portion thereof. The Lessee or its contractors and subcontractors shall obtain and maintain in force such insurance coverages and performance bonds in such amounts as the Port Authority may specify. All of the Work hereunder shall be done in accordance with the said Tenant Alteration Application(s) and final plans and specifications approved by the Port Authority and reviewed by the TSA; shall be subject to inspection by the Port Authority and the TSA during the progress of the said Work and after the completion thereof; and the Lessee shall redo or replace at its own expense any of said work not done in accordance therewith, or as otherwise required to be redone or replaced by the TSA. Upon approval of such plans and specifications by the Port Authority, and review thereof by the TSA, the Lessee shall proceed diligently at is sole cost and expense to perform and complete the Work. Notwithstanding the foregoing or anything contained herein to the contrary, the Port Authority shall not require Lessee to (x) make modifications to the plans and specifications for the Project (i) so long as the plans and specifications are comparable in size, location and general scope as established by the Conceptual Drawings and General Scope of Work, approved by the Port Authority, TSA and the Lessee and attached hereto as Exhibit B or (ii) if the costs of the Project, other than Allowable Costs reimbursable to Lessee, taking into account such modifications, would exceed $1,000,000.00, or (y) engage technical consultants and services for developing, completing and submi tting detailed plans and specifications for the Work if the costs of the Project, other than Allowable Costs reimbursable to Lessee, taking into account the Port Authority’s requirement for Lessee to engage such consultants and services, would exceed $100,000.00.

8. (a) Without limiting any other terms, provisions and conditions of the Terminal C Lease, as herein amended, the Lessee understands and agrees that it shall put into effect prior to the commencement of the Work an affirmative action program and Minority Business Enterprise (MBE) program and Women-owned Business Enterprise (WBE) program in accordance with the provisions of Schedule E attached hereto and hereby made a part hereof (hereinafter "Schedule E"); as used in Schedule E the term "construction work" shall apply to the Work. The provisions of said Schedule E shall be applicable to the Lessee's contractor or contractors and subcontractor s at any tier of construction as well as to the Lessee itself and the Lessee shall include the provisions of said Schedule E within all of its construction contracts so as to make said provisions and undertakings the direct obligation of the construction contractor or contractors and subcontractors at any tier of construction. The Lessee shall and shall require its said contractor, contractors and subcontractors to furnish to the Port Authority such data, including but not limited to compliance reports relating to the operation and implementation of the affirmative action, MBE and WBE programs called for hereunder as the Port Authority may request at any time and from time to time regarding the affirmative action, MBE and WBE programs of the Lessee and its contractor, contractors, and subcontractors at any tier of construction, and the Lessee shall and shall also require that its contractor, contractors and subcontractors at any tier of construction make and put into effect such modifications and additions thereto as may be directed by the Port Authority pursuant to the provisions hereof and said Schedule E to effectuate the goals of affirmative action and MBE and WBE programs.

(b) In addition to and without limiting any terms and provisions of this the Terminal C Lease, as herein amended, the Lessee shall provide in its contracts and all subcontracts covering the Work or any portion thereof that:

(i) The contractor shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, and shall undertake or continue existing programs of affirmative action to ensure that minority group persons are afforded equal employment opportunity without discrimination. Such programs shall include, but not be limited to, recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selections for training or retraining, including apprenticeships and on-the-job training;

(ii) At the request of either the Port Authority or the Lessee, the contractor shall request such employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding and which is involved in the performance of the contract with the Lessee to furnish a written statement that such employment agency, labor union or representative shall not discriminate because of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will cooperate in the implementation of the contractor's obligations hereunder;

(iii) The contractor will state, in all solicitations or advertisements for employees placed by or on behalf of the contractor in the performance of the contract, that all qualified applicants will be afforded equal employment opportunity without discrimination because of race, creed, color, national origin, sex, age, disability or marital status;

(iv) The contractor will include the provisions of subparagraphs (b)(i) through (b)(iii) of this Paragraph 8 in every subcontract or purchase order in such a manner that such provisions will be binding upon each subcontractor or vendor as to its work in connection with the contract;

(v) "contractor" as used herein shall include each contractor and subcontractor at any tier of construction.

(c) Notwithstanding anything to the contrary contained in the foregoing, nothing contained in this Paragraph 8 shall be or be deemed to operate as a waiver or release of the obligation of the Lessee to fully comply with all of the provisions of subparagraphs (a) and (b) of this Paragraph 8 and all of the portions of Schedule E attached to this Supplemental Agreement with respect to the Work and with respect to any and all Tenant Alteration Applications that are submitted by the Lessee relating to the Work or any portion thereof subsequent to the date of this Supplemental Agreement. The Lessee hereby expressly agrees to comply with all of the provisions of subparagraphs (a) and (b) of this Paragraph 8 and all of the provisions (both Part I and Part II) of Schedule E with respect to all of the Work and all TAAs and all contracts relating to the same.

(d) Nothing contained herein shall release or relieve the Lessee from any of its duties, responsibilities or obligations otherwise set forth in the Terminal C Lease, and neither the foregoing nor anything in this Supplemental Agreement shall be deemed to limit, diminish, waive or impair the rights and remedies of the Port Authority, and the Port Authority shall continue to have all rights and remedies, legal, equitable and otherwise, with respect to the Terminal C Lease, as herein amended.

9. All of the Work, including workmanship and materials, shall be of first class quality.

10 Upon completion of the Work, including successful completion of the TSA EDS systems test under Article VII of the MOA and acceptance by the TSA pursuant thereto, the Lessee shall supply the Port Authority with (i) as-built plans and drawings in form and number requested by the Port Authority, and (ii) an additional duplicate set of such "as built" drawings to be attached to the final Certificate, as hereinafter defined, in accordance with the provisions of Paragraph 18(a)(xv) of this Supplemental Agreement. Notwithstanding the submission by the Lessee to the Port Authority of the contracts to be entered into by the Lessee or the incorporation therein of Port Authority requirements or recommendations, and notwithstanding any rights the Por t Authority may have reserved to itself hereunder, the Port Authority shall have no liabilities or obligations of any kind to the Lessee or to any contractors engaged by the Lessee or to others in connection with any proposed or actual contracts entered into by the Lessee for the Work or for any other matter in connection therewith and the Lessee hereby releases and discharges the Port Authority, its Commissioners, officers, representatives and employees of and from any and all liability, claim for damages or losses of any kind, whether legal or equitable, or from any action or cause of action arising or alleged to arise out of the performance of any of the Work by the Lessee or pursuant to the contracts between the Lessee and its contractors.

11. The Lessee shall pay all claims lawfully made against it by its contractors, subcontractors, materialmen and workmen, and all claims lawfully made against it by other third persons arising out of or in connection with or because of the performance of the Work; and shall cause its contractors and subcontractors to pay all such claims lawfully made against them. The Lessee shall indemnify the Port Authority against all claims, damages or losses that may arise or result therefrom, including interest thereon, and costs and expenses including attorneys' fees and penalties or fines. Nothing herein contained shall be deemed to constitute consent to the creation of any lien or claim against the Work, the Premises or the Airport, or any portion the reof, nor to create any rights in said third persons against the Port Authority.

12. The Lessee shall be solely responsible for obtaining the acceptance of the TSA of the Work pursuant to Article VII of the MOA. The Lessee shall be solely responsible for the plans and specifications used by it, and for the adequacy or sufficiency of such plans, specifications and all the improvements, alterations, installations and decorations depicted thereon or covered thereby, regardless of the consent thereto or approval thereof by the Port Authority or the incorporation therein of any Port Authority requirements or recommendations. The Port Authority shall have no obligations or liabilities in connection with the performance of the improvements, alterations, decorations and installations constituting the Work, whether performed by the Lessee or on its behalf, or the contracts for the performance thereof entered into by the Lessee. Any warranties extended or available to the Lessee in connection with the Work shall be for the benefit of the Port Authority as well as the Lessee.

13. (a) The Port Authority hereby represents that the TSA has appropriated a total sum of Four Hundred Million Dollars and No Cents ($400,000,000.00) (the "***Total TSA Funding***") for the EWR TSA Project, the JFK TSA Project, and the LGA TSA Project, of which, One Hundred Twenty Eight Million Dollars and No Cents ($128,000,000.00) of the Total TSA Funding has been allocated by the TSA for the EWR TSA Project at this time. The Port Authority agrees that it shall not agree to an allocation or reallocation of the Total TSA Funding such that less than Eighty Million Dollars and No Cents ($80,000,000.00) would b e available to Lessee for the TSA's portion of the Allowable Costs hereunder, unless the Port Authority and the Lessee, acting reasonably, agree, in writing, that such funds would not be required to complete the Project.

(b) In accordance with and pursuant to the provisions of Paragraph 18 of this Agreement, and provided that the Cost of the Work, as hereinafter defined in Paragraph 17, below, performed by the Lessee is in excess of Two Hundred Fifty Thousand Dollars and No Cents ($250,000.00) ("the Invoice Threshold Amount") during one or more months, the Lessee hereby agrees and acknowledges that it shall have the right to submit with respect to such Work, Invoices, as defined in subparagraph (a) of said Paragraph 18, for each month (or combination of months) for which the amount of such Work exceeds the Invoice Threshold Amount; provided, however, with respect to the last Invoice for the Work, the Invoice Threshold Amount shall not apply and the LesseeR 17;s last Invoice for the Work may be less than the Invoice Threshold Amount.

(c) When a portion of the Work for which the Lessee is submitting an Invoice, as defined in said Paragraph 18(a), has been completed, the Lessee shall deliver to the Port Authority the Invoice, as hereinafter defined in Paragraph 18(a), to such effect signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that each such portion of the Work has been performed substantially in accordance with the approved Tenant Alteration Application(s) and the approved plans and specifications, data and materials forming a part thereof, and the Design Documents. Within 30 days after the Port Authority's receipt of an invoice, each such portion of the Work will be inspected by the Port Authority and if the same has been completed as certified by the Lessee and the Lessee's licensed architect or engineer, as aforesaid, an invoice to such effect shall be delivered to the TSA by the Port Authority subject to the condition that, as between the Port Authority and the Lessee, all risks thereafter with respect to each such portion of the Work and any liability therefor for negligence or other reason shall be borne by the Lessee, as herein provided.

(d) When the final Invoice has been submitted by the Lessee, the Project shall be deemed complete only upon the successful completion of the TSA EDS systems test conducted by the TSA under Article VII of the MOA, and acceptance of the TSA in accordance therewith.

14. Without limiting Paragraph 15 hereof or any other term or provision of this Agreement or of the Terminal C Lease or the MOA, the Lessee hereby expressly acknowledges and agrees:

(a) that the total maximum of the costs of the Work eligible for reimbursement to the Lessee under the MOA for federal funds is that amount equivalent to the Project Reimbursement Amount, as hereinafter defined, paid to the Port Authority by the TSA for Work accepted by the TSA pursuant to Articles IV and IX of the MOA, all of which shall be computed based on the eligibility of the project costs as set forth in Article IV of the MOA and Paragraph 16 hereof; that said amount includes the costs of acquisition, delivery and installation of a Checked Baggage Inspection System ("CBIS") in Terminal C and/or modifications to existing CBISs as well as the items listed in Article III (2) of the MOA that the TSA will not be responsible for under the MOA. The TSA has agreed to reimburse the Port Authority ninety percent (90%) of the actual allowable, allocable and reasonable costs of the Work incurred by the Lessee in the performance and completion of the Work, including the cost of all necessary design, supervision and construction management associated therewith, (the "***Project Reimbursement Amount***") but such Project Reimbursement Amount shall not exceed the eligible cost of the TSA's Performance Guidelines and Design Standards, as reviewed and approved by the TSA. The determination of allowable and allocable costs will be made by the TSA in accordance with the Common Rule and 49 CFR Part 18, and that the TSA will determine the costs that will be eligible for reimbursement in accordance with the Common Rule and 49 CFR Part 18; that the TSA will reimburse the Port Authority on an actual expense basis supported by one or more invoices submitted by the Port Authority in accordance with the MOA; that all costs in excess of the Project Reimbursement Amount as well as any costs that do not comply with the Common Rule, shall not be borne by the TSA, unless otherwise agreed by the TSA in a modification to the MOA in accordance with Article XII; and that should the TSA contributions of the total amount represent more than the Project Reimbursement Amount the Port Authority will refund TSA the difference to achieve the Project Reimbursement Amount and to the extent such amount in excess of the Project Reimbursement Amount has been remitted to the Lessee by the Port Authority, the Lessee shall have the obligation to refund such difference to the Port Authority;

(b) that the TSA will provide maintenance, repair, and refurbishment of EDS and ETD equipment throughout its life cycle at no cost to the Port Authority or the Lessee; that to the extent that equipment can no longer be used at the end of its life cycle, the TSA will provide for the removal and disposition of the equipment at no cost to the Port Authority or the Lessee, subject to the availability of funds; that the Lessee shall, subject to the Agreement and the Terminal C Lease, have the obligation to provide full ingress and egress to the TSA and its contractors for the installation, operation, testing, maintenance, and repair of EDS and Explosives Trace Detection ("***ET D***") equipment at all times during the term of the letting under the Terminal C Lease;

(c) that except for the EDS and ETD security equipment owned by the TSA and separately provided for use at the Airport (the "***Security Equipment***"), the City of Newark or the Port Authority, as applicable, shall own and have title to all personal property, improvements to real property, or other assets which are acquired under the MOA, subject to and in accordance with the provisions of the Terminal C Lease, and that it shall be the responsibility of the Lessee, pursuant to and in accordance with the provisions of this Supplemental Agreement and the Terminal C Lease, to operate, maintain, and if it becomes necessary, replace, such property to support the efficient use of the Secur ity Equipment;

(d) that title to the non-security equipment such as ancillary equipment or infrastructure that was purchased or reimbursed using Federal funds, or installed by the TSA, or its agents or contractors at the TSA's expense, or by the Port Authority or its agents or contractors, or the Lessee or its agents or contractors, will vest in the City of Newark or the Port Authority, as applicable, upon acceptance in accordance with Article VII of the MOA, and Paragraph 13 of this Agreement, subject to and in accordance with the provisions of the Terminal C Lease;

(e) that except for the responsibilities of the TSA as outlined in Article V(A) of the MOA, the Project will be managed by the Lessee, who will oversee, perform and complete the Work, including, but not limited to, the responsibilities outlined in Article V(B) of the MOA as they relate to the Project, subject to the provisions of the MOA, the Terminal C Lease and of this Supplemental Agreement;

(f) that the Lessee shall have the obligation to use its commercially reasonable efforts to have the Work completed within the prescribed costs and schedule contained in the MOA.

15. Without limiting any term or provision hereof, it is expressly understood and agreed that certain obligations, duties, requirements, and responsibilities recited, stated or otherwise described or deemed to be included in the MOA are incorporated herein as obligations, duties, requirements and responsibilities of the Lessee under this Supplemental Agreement, and the Lessee hereby accepts and agrees to the same, including but not limited to the following: the obligation to perform the obligations set forth in Article V(B) of the MOA; the obligation to refund to the Port Authority the amount of any and all payments required by the TSA to be refunded to the TSA by the Port Authority pursuant Article IX of the MOA; the obligation to comply with the audit and record- keeping provisions of Article X of the MOA; the obligation under Article VIII of the MOA to contact the TSA Contracting Officer immediately in the event the Lessee receives, or the Port Authority advises the Lessee that the Port Authority has received, any communication which it interprets as a direction to change the work addressed by the MOA, or to incur costs not covered by funding obligated at that time and to refrain from taking any action as a result of that communication as described in said Article VIII of the MOA; and the obligation pursuant to Article VIII A of the MOA to inform the TSA "Contracting Officer" (as named in the MOA) in the event the Contracting Officer Technical Representative (the "COTR" as defined in the MOA) takes any action which is interpreted by the Lessee, or which the Port Authority has advised the Lessee that the Port Authority has interpreted, as a change in scope or liability of the Port Authority or the TSA.

The foregoing references to specific sections or provisions of the MOA shall not limit, or be construed as limiting, the obligations, duties, responsibilities and liabilities of the Lessee under this Supplemental Agreement or the Terminal C Lease.

16. As used herein the term "***Allowable Costs***" shall mean the sum of all Project Costs, as defined in Article IV of the MOA, allowable for reimbursement by the TSA under the MOA, (which Allowable Costs, will be determined by the TSA in accordance with the provisions of Article IV (D) of the MOA) and shall include those costs set forth in sub-paragraphs (a) through (c) below. The form of payment application submitted by the Lessee to the Port Authority for payment shall be subject to the approval of both the Port Authority and the TSA. In the event the TSA provides an application form, such form will be provided to the Lessee.

(a) Engineering costs (to include design, specifications, bid documents and contract documents) and construction supervision costs (to include project management) and Port Authority Letter of Intent Administration Costs (hereinafter collectively "Project Soft Costs") and which shall not exceed 16% of the Project Costs, unless the TSA increases such ceiling for reimbursement of all Project Soft Costs, in which case, the Project Soft Costs shall not exceed such increased ceiling of the Project Soft Costs;

(b) Design costs incurred on or after October 1, 2007;

(c) EDS in-line checked baggage construction costs, which include, but shall not be limited to:

(i) demolition (infrastructure or baggage system related, including demolition of the existing system)
(ii) Baggage Handling System ("BHS") infrastructure upgrades, platforms, catwalks located within the EDS screening matrix area;
(iii) BHS: that portion located within the EDS screening matrix area, including redesign and upgrading of conveyors to support the integration of the screening matrix only;
(iv) on-screen resolution (OSR) Room, Checked Baggage Resolution Area (CBRA);
(v) acoustical treatment in OSR and CBRA;
(vi) electrical infrastructure (cabling, control panels) and basic lighting fixtures for the CBIS, CBRA, and OSR:
(vii) telephone systems/pager systems for the TSA, CBRA and OSR only;
(viii) heating, ventilation, air conditioning (HVAC) environmental requirements for CBIS, OSR Room, CBRA and EDS Network equipment room.

(d) Project costs not considered reimbursable under the MOA include:

(i) employee break rooms, administrative office space and restrooms;
(ii) aesthetic architecture enhancements;
(iii) maintenance, repair parts or spare parts for Airport Terminal improvements include the baggage handling conveyor components installed under this Project;
(iv) extended warranties beyond one (1) year;
(v) maintenance of baggage conveyor system;
(vi) profit or corporate G&A costs to the PANYNJ.
(viii) costs incurred by the PANYNJ and/or designee, its contractors or agents to perform work not allocable with the TSA approved design or TSA's Planning Guidelines and Design Standards for CBIS.

Notwithstanding anything contained in Paragraph 16(d) above or elsewhere in this Agreement to the contrary, the Port Authority shall not agree with the TSA or another party that costs which are not Allowable Costs hereunder (or costs similar to those listed in Paragraph16(d)) are reimbursable to a party with whom the Port Authority may enter into an agreement for the performance of the work related to any portion of the EWR TSA Project, the JFK TSA Project, or the LGA TSA Project, unless the Port Authority also agrees, at such time, to allow for such costs to be reimbursable to the Lessee under the terms of this Agreement, in which case such costs shall be considered Allowable Costs under this Agreement and deleted from Paragraph 16(d) above. Further, if the Port Authority and the TSA agree that additional costs not listed in Paragraph 16(a)-(c) above are Allowable Costs, then such costs shall be reimbursable to the Lessee and considered "Allowable Costs" under this Agreement.

17. It is specifically understood and agreed that notwithstanding anything to the contrary herein, all costs and expenses of the Work (the "***Cost of the Work***") shall be borne fully and solely by the Lessee without reimbursement or payment by the Port Authority except to the extent federal funds have been paid to the Port Authority by the TSA and except to the extent provided for herein with respect to, and properly includable in, the Cost of the Work, and also subject to the limitations set forth in Paragraph 18 of this Supplemental Agreement, and Articles IV and IX of the MOA.

18. Except as hereinafter provided in Paragraph 18(f), if, and only if, and to the extent the Port Authority receives payment from the TSA for the Work, or a portion or portions thereof, pursuant to Article IX of the MOA, the Port Authority shall reimburse the Lessee for the Cost of the Work for the applicable portion of the Work from the federal funds paid by TSA pursuant to the MOA in accordance with the following:

(a) After completion of each portion the Work for which the Lessee is seeking reimbursement in excess of the Threshold Invoice Amount, the Lessee shall deliver to the Port Authority an invoice with respect to each such portion of the Work, and each such invoice shall be signed by a responsible fiscal officer of the Lessee, sworn to before a notary public and which shall set forth a representation by the Lessee that it will apply the reimbursement payment made by the Port Authority from the federal funds received by the Port Authority from the TSA only to the Cost of the Work applicable to that portion of the Work, and for no other purpose or purposes whatsoever, and shall contain and have attached thereto all of the invoices and other documentation and items requir ed to be attached thereto as described in this Paragraph 18, and under Article IX of the MOA (each such invoice being hereinafter referred to as the "***Invoice***"). In addition, and without limiting any other requirements of this Paragraph 18, each Invoice,

(i) shall contain the Lessee’s certification as to each of the amounts, payments and expenses and costs contained therein and that the same constitute the final statement of the Cost of the Work with respect to the portion of the Work covered by such Invoice in accordance with and as described and defined in Paragraph 12 above;

(ii) shall also have attached thereto reproduction copies or duplicate originals of the invoices of the independent contractors of the Lessee for the Cost of the Work that has been incurred and paid by the Lessee, and for such invoices an acknowledgment by the said independent contractors of the receipt by them of such amounts and payments, and such invoices shall also conform with all of the requirements set forth in Article IXof the MOA;

(iii) shall contain the Lessee's certification that the Work or portion of the Work for which payment is requested has been accomplished and that the amounts requested have been paid to the Lessee's contractors, and, subject to the concurrence of the Port Authority, that said work is in place and has a value of not less than the amount(s) requested to be paid to the Lessee by the Port Authority;

(iv) shall set forth the total cumulative payments made by the Lessee as aforesaid from the commencement of the Work to the date of the Invoice;

(v) shall set forth by itemization and reference to each contract, and cumulatively the amounts of retainage, if any with specific identification as to the applicable contract;

(vi) shall contain the Lessee’s certification that the entire and complete Cost of the Work for the portion of the Work covered by such Invoice has been paid by the Lessee; that there are no outstanding liens, mortgages, conditional bills of sale, or other encumbrances of any kind with respect to the Work; and that to Lessee’s knowledge there are no unpaid claims of any kind whatsoever with respect thereto, except any unpaid claims being contested by the Lessee or its contractors in good faith and by appropriate proceedings.

(vii) shall contain a certification by the Lessee that the portion of the Work covered by the Invoice has been performed and completed strictly in accordance with the terms of this Supplemental Agreement, the Terminal C Lease, the Tenant Alteration Applications and the MOA;

(viii) shall have attached thereto accurate, readable and complete copies of all change estimates, change orders, extra work authorizations, design change authorizations, purchase orders in connection with the Work or portion of the Work, as applicable;

(ix) shall have attached thereto true copies of any and all reports and schedules of any type submitted or kept, or required to be submitted or kept, by the Lessee or any contractor, architect, engineer or other consultant of the Lessee;

(x) shall also contain such further information and documentation with respect to the Cost of the Work, as the TSA at any time and from time to time may require;

(xi) shall have attached thereto true copies of the items described in subparagraph (b) below and required under the last sentence of subparagraph (b),

(xii) only as it relates to Lessee's last and final Invoice for the Work, shall contain the Lessee's certification that the portion of the Work covered by the Invoice, together with the portions of the Work previously covered by all previous Invoices, have been successfully completed and accepted by the TSA pursuant to Article VII of the MOA, as applicable, and Paragraph 13 above and has been installed in accordance with the TSA Checked Baggage Inspection system Performance Criteria and technical specifications for the EDS baggage screening equipment;

(xiii) shall contain the Lessee's certification that the Invoice conforms with the Common Rule and 49 CFR Part 18; and

(xiv) shall contain the Lessee's certification and warranty that the Invoice is complete and proper for delivery by the Port Authority to TSA for purposes of payment by TSA to the Port Authority of federal funds under Article IX of the MOA, and that the Invoice is in accordance with all of the requirements and provisions of the MOA and all applicable governmental regulations.

(xv) shall have attached thereto a duplicate set of "as built" drawings for the entire work, in accordance with Paragraph 10 above, when the portion of the Work covered by the final Invoice submitted by the Lessee has been successfully completed and accepted by the TSA and the Port Authority pursuant to Article VII of the MOA and Paragraph 10 above.

(b) In addition to and without limiting any term or provision of the Terminal C Lease, it is hereby expressly agreed that the Port Authority shall have, and the Lessee hereby conveys to the Port Authority all rights, titles or interests of the Lessee in and to the full and unrestricted ownership, free and clear of any and all security interests, liens, or other encumbrances, and all proprietary rights and interests in and to all documents produced for the design and construction of the Work; and each and every portion thereof, including without limitation drawings and specifications, work product, and the like, (including such which are or are to become the property of any "Owner" named as such in such a contract or other agreements), upon any payment m ade hereunder or otherwise therefor, or upon such earlier time or times as may be provided under the applicable contract(s)or other agreement(s), by the Port Authority for any item of the Work or applicable portion thereof, and each contract, purchase order, consultant agreement, architectural agreement, or any other type of agreement entered into by or on behalf of the Lessee for the Work, or of any portion thereof, shall reflect and or provide for the foregoing, except for any contract, purchase order, consultant agreement, architectural agreement, or any other type of agreement entered into by or on behalf of the Lessee for the Work, prior to the date of this Supplemental Agreement. It is further hereby expressly agreed that if the applicable contract or other agreement gives to the Lessee any such rights of ownership that the same shall be deemed given to the Port Authority automatically without the requirement for any execution of any further documentation. The Lessee shall and her eby agrees, without limiting the foregoing, to execute any and all documents which may be required by the Port Authority to transfer or evidence such ownership and proprietary rights of the Port Authority.

(c) In addition to and without limiting the foregoing, and in addition to any and all other information required to be submitted pursuant to Section 2, as applicable, and to Section 23 of the Terminal C Lease, as herein amended, the Lessee shall immediately furnish to the Port Authority information concerning budget, costs, costs estimates, timing and scheduling of construction of the Work and each portion of the Work (and any other information concerning the Work or any Invoice given in respect thereof), as may be reasonably requested by the Port Authority at any time and from time to time with respect to the Cost of the Work, including, but not limited to, the following:

(i) Reports of the construction manager hired by the Lessee and reports of the Lessee's architect, which reports must contain reports as to activity conducted in connection with the Work on a continuing basis from the commencement of the Work to the date of submission;

(ii) A certification signed by the Lessee's licensed architects or licensed professional engineers that each portion of the Work is in compliance with the plans and specifications therefor as approved by the TSA and the Port Authority;

(iii) Accurate, readable and complete copies of all change estimates, change orders, extra work authorizations, design change authorizations, and purchase orders in connection with the Work,

(iv) True copies of any and all reports and schedules of any type submitted or kept, or required to be submitted or kept, by the Lessee or any contractor, architect, engineer or other consultant of the Lessee; and

(v) True copies of any and all of the items described in and required under subparagraph (c) above.

(d) (i) Within thirty (30) days after the delivery by the Lessee to the Port Authority of a duly and properly submitted Invoice, provided that such Invoice is complete and proper in form and content for submission to TSA in accordance with Article IX of the MOA the Port Authority will use commercially reasonable efforts to submit the Invoice to TSA, accompanied by the appropriate Port Authority invoices based on the Invoice pursuant to the MOA, and with respect to the final Invoice, together with the "as built" drawings and documentation to be provided by the Lessee. In the event the Port Authority determines that the Invoice is not in form and content complete or proper f or delivery to TSA, the Port Authority shall promptly so notify the Lessee.

(ii) Within thirty (30) days) after the Port Authority has received payment from TSA of federal funds for the portion of the Work covered by the Invoice pursuant to Article IX of the MOA, the Port Authority will make payment to the Lessee of the amounts paid by the Lessee for the Cost of the Work as certified in, and for the portion of the Work covered by, such Invoice, subject to the limitations stated in Article IX of the MOA including, but not limited to the retainage by the TSA of Ten Percent (10%) of each Invoice submitted by the Lessee until the baggage screening system has successfully passed the TSA EDS systems test and defects, if any, have been corrected, as set forth in Article VII of the MOA, and including, but not limited to, the limitations and conditions set forth in subparagraphs (a) through (c) above, in this subparagraph (d), and subparagraphs (e) and (f) below (each such amount for each portion of the Work for which an Invoice is submitted, the "***Reimbursement Amount***"). It is understood that in the event the Port Authority receives any notice or instruction from the TSA directing against all or a portion of a payment to the Lessee, the Port Authority shall not make all or a portion, as applicable, of such payment to the Lessee, of the Cost of the Work. For the avoidance of doubt, only the TSA shall withhold retainage in respect of the Invoices; provided, however, nothing contained herein shall preclude the Lessee from withholding retainage from its contractor(s).

(iii) It is hereby agreed and understood that in paying the Reimbursement Amount the Port Authority shall be relying on the truth and accuracy of each of the Invoices and the Lessee's certifications and representations therein. No such payment by the Port Authority of the Reimbursement Amount shall constitute any waiver of claims or release by the Port Authority against the Lessee or any of its contractors, subcontractors, architects or others, nor any waiver of the Port Authority's rights of audit and inspection, nor any waiver of any other rights or remedies, legal or equitable, of the Port Authority.

(e) (i) Notwithstanding anything to the contrary contained herein, in the event the Lessee shall be in default under any term or provision of this Supplemental Agreement with respect to the Project, the Port Authority shall have the right, in its discretion, which shall not be exercised in an arbitrary or capricious manner, to withhold payment to the Lessee until such default is fully cured to the satisfaction of the Port Authority, unless such withholding is prohibited by federal law or by the TSA, in which case the Port Authority shall not exercise such right to withhold; provided, that, if the amount to be withheld is associated with the default, such amount shall be based on a good faith est imate by the Port Authority of its exposure resulting from such default; provided, further, no payment or withholding of a payment shall be or be deemed to have waived any rights of the Port Authority with respect to the termination of the Terminal C Lease or to a default by the Lessee under any term or provision thereof or to the withholding or payment of future payments.

(ii) In addition to and without limiting the foregoing provisions and without limiting or impairing or waiving any other right or remedy of the Port Authority under this Supplemental Agreement or the Terminal C Lease, or otherwise, the Port Authority shall have the right, in its discretion, which shall not be exercised in an arbitrary or capricious manner, to withhold from the Reimbursement Amount the amounts of any or all items contained in the Invoice in any one or more of the following events or upon any of the following bases relating to the Work (it being agreed, however, that the amount of any such withholding shall be estimated in good faith by the Port Authority to be the exposure to the Port Authority associated with such item or items and that any amount withheld shall be released to the Lessee when such item or items have been resolved to the satisfaction of the Port Authority, which determination shall not be exercised in an arbitrary or capricious manner), and the Port Authority shall notify the Lessee of the same and the basis therefor:

(1) Any contractor or other person included or covered by the Invoice is in default or under a notice of termination with respect to its contract or agreement, or has not complied with all of the applicable terms or provision of its contract or agreement;

(2) The Invoice, or any of the certifications and documentation and other items required to be contained therein, attached thereto or submitted therewith is not in accord with the terms of this Supplemental Agreement, the Terminal C Lease, or the applicable contract, or is not complete or is otherwise improper or inadequate, or the same fails to include or omits required items;

(3) Inadequate or defective work or work not in accordance with this Supplemental Agreement, the Terminal C Lease or the approved Tenant Alteration Applications or the approved plans and specifications, or materials and equipment are not properly stored or protected;

(4) Claims related to the Work made by the Port Authority, the TSA, the Government of the United States of America or a *qui tam* person (as defined in Paragraph 36(a)(2)(i) of this Supplemental Agreement) against a contractor included in such Invoice which are outstanding;

(5) Failure of the Lessee to make payments to the contractor in connection with the Work;

(6) Work not performed but which was included in the Invoice;

(7) Any notice, claim or allegation made by any governmental authority of violation or non-compliance by the Lessee of any Environmental Requirements with respect to the Work or any portion thereof;

(8) Materials or supplies delivered to Terminal C but not incorporated in the realty; and

(9) Any contents of the Certificate not substantiated by any Port Authority inspection or audit (but the Port Authority shall have no obligation to conduct any such inspection or audit).

(f) The entire obligation of the Port Authority under this Supplemental Agreement to reimburse the Lessee for the Cost of the Work is conditioned upon the payment to the Port Authority by TSA pursuant to the MOA of the Cost of the Work and conditioned upon the prior payment to the Port Authority of the Cost of the Work or portion of the Work to be reimbursed, and shall be limited in amount to the actual amount received by the Port Authority from the TSA under Article IV of the MOA; and the total Reimbursement Amount for the Work and all portions of the Work shall not in any event exceed the Project Reimbursement Amount. The said obligation of the Port Authority to pay each Reimbursement Amount and the Project Reimbursement Amount to the Lessee is also expressly conditioned on the authorization by the Lessee, hereby given, to the Port Authority for the submission by the Port Authority to the TSA of each Invoice for purposes of payment by the TSA of federal funds for the Cost of the Work and as to each portion of the Work, and on the warranty by the Lessee to the Port Authority that each such Invoice is proper and complete for such purposes. Notwithstanding anything to the contrary contained in this Agreement, other than with respect to the terms and conditions set forth in this Paragraph 18, the Port Authority shall not have any responsibility or liability to the Lessee or any other person, and the Lessee shall not have any claim against the Port Authority for any cost or expense of or relating to the Work, or any part thereof, or for any failure or refusal of the TSA to make payment for the Work or any part thereof, or any failure of the TSA to perform or complete the Projec t or any portion thereof. The Port Authority and the Lessee agree to work in good faith in the performance of their respective obligations under this Supplemental Agreement.

Without in any way limiting the foregoing, the Port Authority shall work cooperatively with the Lessee in connection with the payment by the TSA of the Reimbursement Amounts. Further, the Port Authority shall not agree to an amendment to the MOA that would materially, adversely affect the Lessee's Work or the TSA's reimbursement obligation, as it relates to the Lessee's Work, it being agreed that amendments to the MOA that affect projects other than the Project, are not covered by this provision.

Prior to exercising its right of termination under Article XV of the MOA, the Port Authority hereby agrees that it shall resolve all disputes affecting the Lessee's right to receive payments for the Project with the TSA pursuant to the dispute resolution provision set forth in Article XIV of the MOA. If a dispute between the TSA and the Port Authority can not be resolved through such negotiations, the Port Authority shall, immediately upon conclusion of such negotiations, submit the dispute to the Office of Dispute Resolution for Acquisition ("ODRA"). Following the final decision by ODRA, and, if the Lessee so requests, the Port Authority shall submit such final agency action to judicial review in accordance with 49 U.S.C. 46110. The Lessee hereby agrees to pay the Port Authority's reasonable out-of pocket expenses for such judicial review, including the reasonable costs for the Port Authority's attorneys and outside counsel, as appropriate. The Port Authority shall not terminate the MOA during the pendency of the proceedings described in this subparagraph. In the event, upon the conclusion of such proceedings, the Port Authority shall elect to terminate the MOA, pursuant to Article XV of the MOA, the Port Authority shall provide the Lessee no less than ninety (90) days' prior written notice of its intent to terminate the MOA for cause.

Without limiting the other provisions of this Section 18(f), if the MOA is terminated for any reason prior to the completion of the Project, or the Lessee and the Port Authority, together, reasonably expect that sufficient federal funding would not be available for completion of the Project, then at the Lessee's option, the Lessee may cease the performance of the Work, or proceed with the Work at Lessee's sole risk, cost and expense. In the event that the Lessee elects to cease the performance of the Work, the Lessee shall: (i) take such steps in winding down the Work as may be required by the MOA, to ensure that the Work already in place, as well as any areas affected by such Work, shall not be left in a condition unsafe so that there is possibility of injury or damage to life or property, and (ii) have the option to: (x) continue in occupancy of the Additional Premises, subject to the approval of the Port Authority for any new or additional use of said premises, or (y) enter into a surrender agreement, reasonably acceptable to the Lessee and the Port Authority, pursuant to which the Lessee shall surrender the Additional Premises to the Port Authority, and in such case, the Lessee shall have the right, at its option, to remove all improvements made to the Additional Premises or surrender the Additional Premises with improvements constructed thereon. If the Lessee elects to remove the improvements made to the Additional Premises prior to surrendering the Additional Premises, the Port Authority shall not be responsible for the cost of removal of any improvements made by the Lessee at the Additional Premises.&# 160; Further, the Port Authority shall not be responsible for any costs associated with winding down the Work.

If the Lessee chooses to proceed with the Work, as provided above, it shall notify the TSA of its intention to do so, and seek the TSA's approval, if so required, to proceed with the Work. In such case, unless otherwise directed by the TSA, the Lessee shall continue to perform the Work in accordance with the requirements set forth herein as well as with the terms and conditions of the MOA The Port Authority shall have no further responsibilities to the Lessee in connection with the payment by the TSA of Reimbursement Amounts to the Lessee, if any, or otherwise.

(g) The foregoing provisions with respect to submissions by the Port Authority to the TSA shall extend and apply only to Invoices submitted to the Port Authority by the Lessee prior to any expiration or termination of the Terminal C Lease.

19. In addition to and without limiting any other right or remedy of the Port Authority or of TSA under this Supplemental Agreement, the Terminal C Lease, the MOA or otherwise, the Port Authority shall have the right by its agents, employees and representatives to audit and inspect during regular business hours after the submission of each Invoice called for in Paragraph 18 hereof, the books and records and other data of the Lessee relating to the Cost of the Work, as aforesaid, or any portion thereof, and any and all invoices covering or relating to the Work or any portion thereof and the actual, original cancelled checks of the Lessee, or microfiche copies (front and back) of said cancelled checks as supplied to the Lessee by the drawee bank(s) covering the Work or any portion thereof or any invoice or invoices with respect thereto; it being specifically understood that the Port Authority shall not be bound by any prior audit or inspection conducted by it or the TSA. The Lessee agrees to keep such books, records and other data within the Port of New York District, or, on the condition that the Lessee shall pay to the Port Authority all travel costs and expenses as determined by the Port Authority for the Port Authority auditors and other representatives in connection with any audit at locations outside the Port of New York District, the Lessee may maintain said records and books and make them available to the Port Authority at the Lessee's principal office, which currently is located at 1600 Smith Street, Department HQS VP Houston, Texas 77002. The Lessee shall not be required to maintain any such books, records and other data for more than seven (7) years after it has delivered the Invoice called for under subparagraph (c) above; unless they are material to litigation initiated within that time, in which event they shall be preserved until the final determination of the controversy.

20. If the Lessee has included in any portion of the Cost of the Work any item as having been incurred, but which in the opinion of the Port Authority, which opinion shall not be exercised in a capricious or arbitrary manner, was not so incurred, or which in the opinion of the Port Authority, which opinion shall not be exercised in a capricious or arbitrary manner, if so incurred is not an item properly chargeable to such element of cost under sound accounting practice or to the Cost of the Work, or does not represent an appropriate division of the costs of a particular contract which are required to be designated according to time of performance or delivery, and the parties have been unable to resolve their differences within ninety (90) days after Port Authority gave its notice objecting to the same, the Port Authority's decision as to the nature of the item of construction cost shall be final. The Port Authority hereby agrees that it shall not act in an arbitrary or capricious manner when rendering its final decision with respect to such unresolved differences.

21. (a) In the event that a Port Authority audit, or an audit by the TSA or any agency of the Government of the United States of America, shall disclose that amounts paid by the Port Authority exceed the Cost of the Work, or are otherwise improper or not in accord with the MOA or this Supplemental Agreement, based upon certificates or otherwise, then, upon ten (10) days demand, the Lessee shall immediately pay to the Port Authority an amount equal to the excess amount paid by the Port Authority; and from and after the date of such payment to the Port Authority the Reimbursement Amount shall be reduced by the amount of such payment. The foregoing shall not be or be deemed to be any limitatio n, impairment or waiver of any other right or remedy of the Port Authority under this Supplemental Agreement, the Terminal C Lease, the MOA or otherwise.

(b) In the event that a Port Authority audit, or an audit by the TSA or any agency of the Government of the United States of America, shall disclose that the Lessee has expended in the Cost of the Work under Paragraph 16 hereof amounts which total less than the amounts that the Lessee has been paid hereunder, then, upon demand of the Port Authority, the Lessee shall immediately pay to the Port Authority an amount equal to the difference between the amounts expended by the Lessee as disclosed by the Port Authority audit, or an audit by the TSA or any agency of the Government of the United States, as the case may be, and the amount previously paid hereunder to the Lessee, less any such amount, or portion thereof, which the Lessee shall have already repaid to the Port Authority, and effective from and after such date of repayment the Project Reimbursement Amount shall be reduced by the amount of such repayment.

22. It is hereby understood and agreed that nothing herein shall or shall be deemed to be for the benefit of any contractor of the Lessee, or any other person or entity not a signatory to this Supplemental Agreement.

23. No Commissioner, director, officer, agent or employee of either party shall be charged personally or be held contractually liable by or to the other party under any term or provision of this Supplemental Agreement or because of any breach thereof or because of its or their execution or attempted execution.

24. (a) (i) In addition to its obligations under Paragraph 6, hereof, the Lessee in its own name as insured and also including the Port Authority as an additional insured including without limitation for premises-operations and products-completed operations, shall procure and maintain Commercial General Liability insurance including coverage for premises operations, products completed operations, independent contractors, explosion, collapse and underground property damage, with a broad form property damage endorsement, and with said insurance to contain a contractual liability endorsement covering the risks set forth in Paragraph 6 hereof. The Commercial General Liability Insurance policy shall have a limit of not less than $10,000,000 combined single limit per occurrence for bodily injury liability and property damage liability. The Lessee may provide such insurance by requiring each contractor engaged by it for the Work to procure and maintain such insurance including such contractual liability endorsement, said insurance, whether procured by the Lessee or by a contractor engaged by it as aforesaid, not to contain any care, custody or control exclusions, and not to contain any exclusion for bodily injury to or sickness, disease or death of any employee of the Lessee or of any of its contractors which would conflict with or in any way impair coverage under the contractual liability endorsement. The said policy or policies of insurance shall not be limited to the obligations of the Lessee and of its contractors pursuant to Paragraph 6 of this Supplemental Agreement but shall cover all claims and demand s, just or unjust, of third parties (including employees, officers and agents of the Port Authority) arising or alleged to arise out of or in connection with the performance of the Work or based upon any of the risks assumed by the Lessee in this Supplemental Agreement or any breach of this Supplemental Agreement by the Lessee and for the defense of all such claims and demands.

(ii) The Lessee, or its contractors, shall procure and maintain Commercial Automobile Liability Insurance covering owned, non-owned and hired vehicles, in limits not less than $2,000,000 combined single limit per accident for death, bodily injury and property damage.

(iii) Without limiting the provisions hereof, in the event the Lessee maintains, or its contractors maintain, the foregoing insurance in limits greater than aforesaid, the Port Authority shall be included therein as an additional insured to the full extent of all such insurance in accordance with all the terms and provisions hereof.

(b) In addition to the foregoing, the Lessee shall procure and maintain Worker's Compensation and Employer's Liability Insurance as required by law.

(c) The insurance required hereunder shall be maintained in effect during the performance of the proposed Work. A certified copy of each of the policies or a certificate or certificates evidencing the existence thereof, or binders, shall be delivered to the Port Authority upon the execution of this Supplemental Agreement by the Lessee and delivery thereof to the Port Authority. In the event any binder is delivered it shall be replaced within thirty (30) days by a certified copy of the policy or a certificate. Each such copy or certificate shall contain a valid provision or endorsement that the policy may not be cancelled or terminated, or changed or modified as it applies to the Port Authority, without giving thirty (30) days w ritten advance notice thereof to the Port Authority. Each such copy or certificate shall contain an additional endorsement providing that the insurance carrier shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority. The aforesaid insurance shall be written by a company or companies approved by the Port Authority, the Port Authority agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority agreeing not to act unreasonably hereunder.

25. Without limiting any term or provision hereof, the Lessee hereby acknowledges that portions of Terminal C upon which the Work is to be performed may involve active roadway areas and/or operations areas at the Airport, and, accordingly the Lessee in its performance of the Work shall at all times use its best efforts to complete the Work as quickly as possible and, further, shall use its best efforts and take all necessary precautions, including without limitation, compliance with all requirements, if any, of the applicable governmental authorities and all requirements of the Port Authority, to ensure the safety of operations on said areas to protect all persons and property at the Airport and to ensure that the Lessee and its contractors shall not disrupt or int erfere with normal Airport operations.

26. The Lessee, in its operations under this Supplemental Agreement and in the performance of the Work, shall not exacerbate the environmental condition of the Premises or the Airport or interfere with any environmental clean-up or remediation work being performed at the Premises whether by the Port Authority or others. Performance by the Lessee of the Work and use by the Lessee of the EDS, the ETD and the CBIS shall be subject to the terms and conditions of this Supplemental Agreement and the Terminal C Lease, and without limiting the foregoing, in conformance with all Environmental Requirements.

27. (a) The Lessee shall be fully responsible, at its sole cost and expense and in accordance with all applicable Environmental Requirements, as hereinafter defined in Paragraph 34, for the disposition of any Hazardous Substance in soils, waters or other material excavated or removed in the performance of the Work.

(b) Title to any soil, dirt, sand, asbestos or other material on the Premises or the Airport removed or excavated by the Lessee during the course of the Work shall vest in the Lessee upon the removal or excavation thereof and shall delivered and deposited by the Lessee at the Lessee's sole cost and expense to a location off the Airport in accordance with the terms and conditions of this Supplemental Agreement, the Terminal C Lease and the MOA, and all applicable Environmental Requirements (including, if required, disposal of asbestos in a long-term disposal facility at the Lessee's sole cost and expense) and all in a manner reasonably satisfactory to the Port Authority.

(c) In the event any Hazardous Substance is discovered in the performance of the Work, the Lessee in reporting such Hazardous Substance shall direct such report to the attention of such individual at the subject governmental authority as the General Manager of the Airport shall require in order to assure consistency in the environmental management of the Airport, provided, however, notwithstanding the foregoing in no event shall the Lessee be required by this subparagraph (c) to violate any Environmental Requirement.

(d) Promptly upon final disposition of any Hazardous Substance in the performance of the Work, the Lessee shall submit to the Port Authority a "***Certification of Final Disposal***" stating the type and amount of material disposed, the method of disposal and the owner and location of the disposal facility. The format of such certification shall follow the requirements, if any, of governmental agencies having jurisdiction as if the Port Authority were a private organization and the name of the Port Authority shall not appear on any certificate or other document as a generator or owner of such material.

28. The Lessee shall not dispose of, release or discharge nor permit anyone to dispose of, release or discharge any Hazardous Substance on the Premises or at Airport in connection with its operations under this Supplemental Agreement or in the performance of the Work. Any Hazardous Substance disposed of, released or discharged by the Lessee or permitted by the Lessee to be disposed of, released or discharged at the Premises or at the Airport in connection with its operations under this Supplemental Agreement or in the performance of the Work shall be completely removed and/or remediated by the Lessee by methods and procedures satisfactory to and approved by the Port Authority.

29. In the performance of the Work the Lessee shall not employ any contractor nor shall the Lessee or any of its contractors employ any persons or use or have any equipment or materials or allow any condition to exist if any such shall or, in the opinion of the Port Authority, may cause or be conducive to any labor troubles at the Airport which interfere, or in the opinion of the Port Authority are likely to interfere with the operations of others at the Airport or with the progress of other construction work thereat. The determinations of the Port Authority shall be conclusive to the Lessee. Upon notice from the Port Authority, the Lessee shall immediately remove such contractor or withdraw or cause its contractors to withdraw from the Airpor t, the persons, equipment or materials specified in the notice and replace them with unobjectionable contractors, persons, equipment and materials and the Lessee shall or shall cause its contractor to immediately rectify any condition specified in the notice.

30. The Lessee shall, if requested by the Port Authority, take all reasonable measures to prevent erosion of the soil and the blowing of sand during the performance of the Work, including but not limited to the fencing of the area where the Work is performed or portions thereof or other areas and the covering of open areas with asphaltic emulsion or similar materials as Port Authority may direct.

31. In connection with the performance of the Work, the Lessee shall be responsible for identifying the location of all utilities and shall prior to the commencement of any of the Work coordinate the Work with the Location of Subsurface Utilities toll free information service (1-800-272-1000) and ascertain the location of underground utilities, if any, at the Premises. The Lessee shall provide the Port Authority with the written evidence of such coordination.

32. All notices, directions, requests, consents and approvals required to be given to or by either party shall be in writing, and all such notices shall be personally delivered to the duly designated officer or representative of such party or delivered to the office of such officer or representative during regular business hours, or forwarded to him or to the party at such address by certified or registered mail. Until further notice, the Port Authority hereby designates its Executive Director and the Lessee designates its Senior Vice President, System Operations & Real Estate, Mr. Holden Shannon, as their respective representatives upon whom notices may be served, and the Port Authority designates its office at 225 Park Avenue South, New York City, New York 10003, and the Lessee designates its office at 1600 Smith Street, Department HQS- VP, Houston, Texas 77002, as their respective offices where notices may be served. If mailed, the notices herein required to be served shall be deemed effective and served as of the date of the certified or registered mailing thereof.

33. The Lessee agrees to provide the General Manager of the Airport with copies of all information, documentation, records, correspondence, notices, certifications, reports, test results and all other submissions provided by the Lessee to a governmental authority and by a governmental authority to the Lessee with respect to the Work and any Environmental Requirements pertaining to the Lessee' obligations under this Supplemental Agreement within five (5) business days that the same are made available to or received by the Lessee.

For the purposes of this Supplemental Agreement, the following terms shall have the respective meanings provided below:

(a) "***Environmental Requirement***" shall mean in the singular and "***Environmental Requirements***" shall mean in the plural all common law and all past, present and future laws, statutes, enactments, resolutions, regulations, rules, directives, ordinances, codes, licenses, permits, orders, memoranda of understanding and memoranda of agreement, guidances, approvals, plans, authorizations, concessions, franchises, requirements and similar items of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, all pollution prevention programs, "***best management practices plans***", and other programs adopted and agreements made by the Port Authority (whether adopted or made with or without consideration or with or without compulsion), with any government agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, and all judicial, administrative, voluntary and regulatory decrees, judgments, orders and agreements relating to the protection of human health or the environment, and in the event that there shall be more than one compliance standard, the standard for any of the foregoing to be that which requires the lowest level of a Hazardous Substance, the foregoing to include without limitation:

(i) All requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Substances into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, or the transfer of property on which Hazardous Substances exist; and

(ii) All requirements pertaining to the protection from Hazardous Substances of the health and safety of employees or the public.

(b) "***General Manager of the Airport***" shall mean the person or persons from time to time designated by the Port Authority to exercise the powers and functions vested in the said General Manager by this Supplemental Agreement; but until further notice from the Port Authority to the Lessee it shall mean the General Manager (or the temporary or acting General Manager) of the Airport for the time being, or his duly designated representative or representatives.

(c) "***Hazardous Substance***" shall mean and include in the singular and "***Hazardous Substances***" shall mean and include in the plural any pollutant, contaminant, toxic or hazardous waste, dangerous substance, noxious substance, toxic substance, flammable, explosive or radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls ("***PCBs***"), radon**,** chemicals known to cause cancer, endocrine disruption or reproductive toxicity, p etroleum and petroleum products, fractions, derivatives and constituents thereof, of any kind and in any form, including, but not limited to, oil, petroleum, fuel, fuel oil, sludge, crude oil, gasoline, kerosene, and mixtures of, or waste materials containing any of the foregoing, and other gases, chemicals, materials and substances which have been or in the future shall be declared to be hazardous or toxic, or the removal, containment or restriction of which have been or in the future shall be required, or the manufacture, preparation, production, generation, use, maintenance, treatment, storage, transfer, handling or ownership of which have or in the future shall be restricted, prohibited, regulated or penalized by any federal, state, county, or municipal or other local statute or law now or at any time hereafter in effect as amended or supplemented and by the regulations adopted and pu blications promulgated pursuant thereto.

35. No entity shall be a third party beneficiary of this Supplemental Agreement.

36. (a) (1) The Lessee hereby acknowledges and agrees that if any failure of the Lessee to comply with the terms, conditions and provisions of this Supplemental Agreement and its attachments results in a demand being made by the TSA or the Government of the United States of America arising out of or relating to the MOA or the Project, or claims made in connection therewith, for the Port Authority to make a payment to the TSA or the Government of the United States of America, as applicable, and if the Lessee thereafter fails, within ten (10) days after the Lessee's receipt of written notice from the Port Authority advisin g the Lessee of such demand made upon the Port Authority, to make payment to the Port Authority of the amount so demanded from the Port Authority by the TSA or the Government of the United States of America (except to the extent any such demand is retracted by the TSA or the Government of the United States, as applicable, within such ten (10) day period), then such failure shall constitute a material breach of the Terminal C Lease, as herein amended thus giving rise to all of the Port Authority's rights and remedies thereunder.

(2) (i) For the purposes of this Paragraph 36 and Paragraph 18(e)(ii)(4) of this Supplemental Agreement, the term "*qui tam* person" shall mean and include each "person" as described in 31 U.S.C.§ 3730 (b)(1) who may assert a claim or demand under and pursuant to the provisions of the Federal False Claims Act (31 U.S.C. §3729), or any successor or similar statute.

(ii) The Lessee hereby acknowledges and agrees that if any failure of the Lessee to comply with the terms, conditions and provisions of this Supplemental Agreement and its attachments results in a demand being made by any *qui tam* person arising out of or relating to the MOA or the Project, or claims made in connection therewith, for the Port Authority to make a payment to any *qui tam* person, and if the Lessee thereafter fails, within ten (10) days after the Lessee's receipt of written notice from the Port Authority advising the Lessee of such demand made upon the Port Authority, to contest such demand through appropriate legal or other proceedings as determined by the Port Authority, subject to and in accordance with the provisions of subparagraphs (a)(2)(iii), (iv), (v) and (vi) of this Paragraph (except to the extent that the Lessee satisfies such demand or portion thereof by making payment to the Port Authority in respect thereof within such ten (10 day period), and if the Lessee so contests such demand, the Lessee shall, within such ten (10) day period, either, at the election of the Port Authority (x) deposit into escrow (on terms approved, and with the escrow agent designated, by the Port Authority) the amount of such demand, or (y) cause to be delivered to the Port Authority a clean irrevocable letter of credit in the amount of such demand pursuant to the terms set forth in the exhibit attached hereto and hereby made a part hereof as "Exhibit C," to be held by the Port Authority until the final adjudication, settlement or other resolution of such demand, and to pay the amount of such demand in accordance with such final adjudication, settlement or other resolution, then such failure shall constitute a material breach of the Terminal C Lease,as herein amended, thus giving rise to all of the Port Authority's rights and remedies thereunder.

(iii) Except as set forth in subparagraph (a)(2)(v) of this Paragraph, in the event the Lessee shall not have made payment to the Port Authority of the amount demanded from the Port Authority by any *qui tam* person, and elects to contest such a demand by a *qui tam* person in accordance with the provisions of subparagraph (a)(2)(ii) of this Paragraph, the Lessee shall at its own cost and expense contest each and every such demand by a *qui tam* person with counsel reasonably satisfactory to the Port Authority, and in contesting such a demand by a *qui tam person, the Lessee shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provision of any statutes respecting suits against the Port Authority, provided, however, the Port Authority shall have the right at its election to either (x) participate in such contest or settlement with its own counsel and at its sole expense except as set forth in subparagraph (a)(2)(v) of this Paragraph, but the Lessee shall have the control of the contest, judgment and settlement or (y) upon notice to the Lessee relieve the Lessee from the obligation to contest such demand by a qui tam person and itself contest such demand at its sole cost and expense except as set forth in subparagraph (a)(2)(iv) of this Paragraph, and the settlement, judgment and satisfaction thereof shall be paid by the Lessee if the Lessee has consented to such settlement, judgment or satisfaction, which consent of the Lessee will not be unreasonably withheld.*

(iv) In the event the Lessee shall not have made payment to the Port Authority of the amount demanded from the Port Authority by any *qui tam* person, and having elected to contest such a demand by a *qui tam* person in accordance with the provisions of subparagraph (a)(2)(ii) of this Paragraph shall not have commenced to contest such a demand by a *qui tam* person (including without limitation any defense provided by the Lessee's insurer, contractor or subcontractor) within a reasonable time period after receipt by the Lessee of notice of such demand so as to allow the Port Authority the opportunity and suf ficient time to contest such a demand in a timely manner, or if the Lessee, one of its contractors or subcontractors or its insurer shall not use a counsel that is reasonably satisfactory to the Port Authority in contesting such a demand, then upon notice to the Lessee the Port Authority may contest such demand at the sole cost and expense of the Lessee.

(v) In the event the Lessee shall not have made payment to the Port Authority of the amount demanded from the Port Authority by any *qui tam* person, and shall have elected to contest such a demand by a *qui tam* person in accordance with the provisions of subparagraph (a)(2)(ii) of this Paragraph, the Port Authority and the Lessee will reasonably cooperate with each other in contesting such a demand by a *qui tam* person pursuant to the provisions set forth in subparagraph (a)(2) of this Paragraph.

(vi) In the event that the Lessee (including any of its insurance carriers, contractors or subcontractors involved in contesting a demand by a *qui tam* person) has a conflict of interest with the Port Authority or a defense by the Lessee (including without limitation a defense by the Lessee's insurer, contractor or subcontractor) that adversely affects the interests of the Port Authority, then the Lessee shall provide or cause to be provided separate counsel approved by the Port Authority to contest such a demand.

(3) Any payments made to the Port Authority by the Lessee as contemplated by this Paragraph 36(a) (or pursuant to the applicable provisions of Paragraphs 10(a) or 11 hereof) shall, be paid over by the Port Authority to the TSA, the Government of the United States, or any *qui tam* person, as applicable, unless the Port Authority has previously paid said amount to the TSA, the Government of the United States, or any *qui tam* person, as applicable, in which case the Port Authority shall retain such payment (and if any rebates of an y such payment are later made by the TSA, the Government of the United States of America, or any *qui tam* person to the Port Authority, then the amount of any such rebate shall be paid by the Port Authority to the Lessee, unless the Port Authority has previously paid said amount to the Lessee, in which case the Port Authority shall retain such rebate).

(b) The Lessee hereby acknowledges and agrees that if any failure of the Lessee to comply with the terms, conditions and provisions of this Supplemental Agreement and its attachments results in a demand being made by the TSA or the Government of the United States of America or any *qui tam* person arising out of or relating to the MOA or the Project, or claims made in connection thereto, for the Port Authority to perform an obligation arising out of the MOA or the Project (other than a demand to make a payment covered by the provisions of subparagraph (a) of this Paragraph 36), and if the Lessee thereafter fails, within ten (10) days after the L essee’s receipt of written notice from the Port Authority advising the Lessee of such demand made upon the Port Authority, to commence such performance of such demand (and thereafter to continue diligently to perform such demand until such demand is finally resolved), then such failure shall constitute a material breach of the Terminal C Lease, as herein amended, thus giving rise to all of the Port Authority’s rights and remedies thereunder.

(c) Nothing contained in this Supplemental Agreement, nor any termination of this Supplemental Agreement, shall release or relieve the Lessee from any of its duties, responsibilities or obligations under the Terminal C Lease and neither the foregoing nor anything in this Supplemental Agreement shall be deemed to limit, diminish, waive or impair the rights and remedies of the Port Authority, and the Port Authority shall have all rights and remedies, legal, equitable and otherwise, with respect to the Terminal C Lease and lease matters covered by this Supplemental Agreement, provided, however, and notwithstanding anything contained herein or in the Terminal C Lease to the contrary, without limiting Lessee's obligation to per form the Work as provided herein, any failure of the Lessee to perform the Work as provided herein or to comply with the terms of this Supplemental Agreement with respect to the Work shall in no event be a breach of or under the Terminal C Lease, provided, however, that, in the event the Lessee shall fail to pay any rental amounts due and owing to the Port Authority for the Additional Premises within the time period required under Paragraph 4 of this Agreement, the Port Authority shall be entitled to all of its rights and remedies under the Terminal C Lease for such failure.

37. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof, shall be charged personally by the TSA or the Lessee with any liability, or held liable to it under any term or provision of this Supplemental Agreement, or because of its execution or attempted execution or because of any breach thereof.

38. This Supplemental Agreement constitutes the entire agreement of the parties on the subject matter hereof and may not be changed, modified, discharged or extended except by written instrument duly executed by the Lessee and the Port Authority. It is expressly agreed that any and all prior correspondence between or among the parties, or any of them, covering the Work shall be deemed superseded by this Agreement except that all written requirements of the Port Authority given in connection therewith prior to the execution of this Supplemental Agreement shall continue in full force and effect. The Lessee agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in writing in this Supplemental Agreement.

IN WITNESS WHEREOF, the parties hereto have executed these presents as of the date above written.

ATTEST:
AND NEW JERSEY

Secretary

THE PORT AUTHORITY OF NEW YORK

By: /s/ David Kagan

Title: Assistant Director, Business
Properties and Airport Development

ATTEST:

Secretary

CONTINENTAL AIRLINES, INC.

By: /s/ Holden Shannon

Title: Systems Operation and Real Estate

SCHEDULE E

AFFIRMATIVE ACTION-EQUAL OPPORTUNITY---MINORITY BUSINESS ENTERPRISES ---WOMEN-OWNED BUSINESS ENTERPRISES REQUIREMENTS

Part I. Affirmative Action Guidelines - Equal Employment Opportunity

I. As a matter of policy the Port Authority hereby requires the Lessee and the Lessee shall require the Contractor, as hereinafter defined, to comply with the provisions set forth hereinafter in this Schedule E and in Paragraph 8 of the attached Agreement (herein called the "***Agreement***") between the Port Authority and Continental Airlines, Inc. (herein and in the Lease called the "***Lessee***"). The provisions set forth in this Part I are similar to the conditions for bidding on federal government contract adopted by the Office of Federal Contract Compliance and effective May 8, 1978.

The Lessee as well as each bidder, contractor and subcontractor of the Lessee and each subcontractor of a contractor at any tier of construction (herein collectively referred to as "***the Contractor***") must fully comply with the following conditions set forth herein as to each construction trade to be used on the construction work or any portion thereof (said conditions being herein called "***Bid Conditions***"). The Lessee hereby commits itself to the goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions. The Lessee shall likewise require the Contractor to commit itself to the said goals fo r minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions by submitting a properly signed bid.

II. The Lessee and the Contractor shall each appoint an executive of its company to assume the responsibility for the implementation of the requirements, terms and conditions of the following Bid Conditions:

(a) The goals for minority and female participation expressed in percentage terms for the Contractor's aggregate workforce in each trade on all construction work are as follows:

(1)	Minority participation	
	Minority, except laborers	30%
	Minority, laborers	40%
(2)	Female participation	
	Female, except laborers	6.9%
	Female, laborers	6.9%

These goals are applicable to all the Contractor's construction work performed in and for the Premises.

The Contractor's specific affirmative action obligations required herein of minority and female employment and training must be substantially uniform throughout the length of the contract, and in each trade, and the Contractor shall make good faith efforts to employ minorities and women evenly on each of its projects. The transfer of minority or female employees or trainees from contractor to contractor or from project to project for the sole purpose of meeting the Contractor's goals shall be a violation of the contract. Compliance with the goals will be measured against the total work hours performed.

(b) The Contractor shall provide written notification to the Lessee and the Lessee shall provide written notification to the Manager of the Office of Business and Job Opportunity of the Port Authority within 10 working days of award of any construction subcontract in excess of $10,000 at any tier for construction work. The notification shall list the name, address and telephone number of the subcontractor; employer identification number; estimated starting and completion dates of the subcontract; and the geographical area in which the subcontract is to be performed.

(c) As used in these specifications:

(1) "***Employer identification number***" means the Federal Social Security number used on the Employer's Quarterly Federal Tax Return, U.S. Treasury Department Form 941:

(2) "***Minority***" includes:

(i) Black (all persons having origins in any of the Black African racial groups not of Hispanic origin);

(ii) Hispanic (all persons of Mexican, Puerto Rican, Dominican, Cuban, Central or South American culture or origin, regardless of race);

(iii) Asian and Pacific Islander (all persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent, or the Pacific Islands); and

(iv) American Indian or Alaskan Native (all persons having origins in any of the original peoples of North America and maintaining identifiable tribal affiliations through membership and participation or community identification).

(d) Whenever the Contractor, or any subcontractor at any tier, subcontracts a portion of the construction work involving any construction trade, it shall physically include in each subcontract in excess of $10,000 those provisions which include the applicable goals for minority and female participation.

(e) The Contractor shall implement the specific affirmative action standards provided in subparagraphs (1) through (16) of Paragraph (h) hereof. The goals set forth above are expressed as percentages of the total hours of employment and training of minority and female utilization the Contractor should reasonably be able to achieve in each construction trade in which it has employees in the premises. The Contractor is expected to make substantially uniform progress toward its goals in each craft during the period specified.

(f) Neither the provisions of any collective bargaining agreement, nor the failure by a union with whom the Contractor has a collective bargaining agreement, to refer either minorities or women shall excuse the Contractor's obligations hereunder.

(g) In order for the nonworking training hours of apprentices and trainees to be counted in meeting the goals, such apprentices and trainees must be employed by the Contractor during the training period, and the Contractor must have made a commitment to employ the apprentices and trainees at the completion of their training subject to the availability of employment opportunities. Trainees must be trained pursuant to training programs approved by the U.S. Department of Labor.

(h) The Contractor shall take specific affirmative actions to ensure equal employment opportunity ("***EEO***").

The evaluation of the Contractor's compliance with these provisions shall be based upon its good faith efforts to achieve maximum results from its actions. The Contractor shall document these efforts fully, and shall implement affirmative action steps at least as extensive as the following:

(1) Ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which the Contractor's employees are assigned to work. The Contractor, where possible, will assign two or more women to each phase of the construction project. The Contractor, shall specifically ensure that all foremen, superintendents, and other supervisory personnel at the premises are aware of and carry out the Contractor's obligation to maintain such a working environment, with specific attention to minority or female individuals working at the premises.

(2) Establish and maintain a current list of minority and female recruitment sources, provide written notification to minority and female recruitment sources and to community organizations when the Contractor or its unions have employment opportunities available, and maintain a record of the organizations' responses.

(3) Maintain a current file of the names, addresses and telephone number of each minority and female off-the-street applicant and minority or female referral from a union, a recruitment source or community organization and of what action was taken with respect to each such individual. If such individual was sent to the union hiring hall for referral and was not referred back to the Contractor by union or, if referred, not employed by the Contractor, this shall be documented in the file with the reason therefor, along with whatever additional actions the Contractor may have taken.

(4) Provide immediate written notification to the Lessee when the union or unions with which the Contractor has a collective bargaining agreement has not referred to the Contractor a minority person or woman sent by the Contractor, or when the Contractor has other information that the union referral process has impeded the Contractor's efforts to meet its obligations.

(5) Develop on-the-job training opportunities and/or participate in training programs for the area which expressly include minorities and women, including upgrading programs and apprenticeship and training programs relevant to the Contractor's employment needs, especially those programs funded or approved by the Department of Labor. The Contractor shall provide notice of these programs to the sources compiled under subparagraph (2) above.

(6) Disseminate the Contractor's EEO Policy by providing notice of the policy to unions and training programs and requesting their cooperation in assisting the Contractor in meeting its EEO obligations; by including it in any policy manual and collective bargaining agreement; by publicizing it in the Contractor's newspaper, annual report, etc.; by specific review of the policy with all management personnel and with all minority and female employees at least once a year; and by posting the Contractor's EEO policy on bulletin boards accessible to all employees at each location where construction work is performed.

(7) Review, at least every six months the Contractor's EEO policy and affirmative action obligations hereunder with all employees having any responsibility for hiring, assignment, layoff, termination or other employment decision including specific review of these items with on-premises supervisory personnel such as Superintendents, General Foremen, etc., prior to the initiation of construction work at the premises. A written record shall be made and maintained identifying the time and place of these meetings, persons attending, subject matter discussed, and disposition of the subject matter.

(8) Disseminate the Contractor's EEO policy externally by including it in any advertising in the news media, specifically including minority and female news media, and providing written notification to and discussing the Contractor's EEO policy with other Contractors and Subcontractors with whom the Contractor does or anticipates doing business.

(9) Direct its recruitment efforts, both oral and written, to minority, female and community organizations, to schools with minority and female students and to minority and female recruitment and training organizations and to State-certified minority referral agencies serving the Contractor's recruitment area and employment needs. Not later than one month prior to the date for the acceptance of applications for apprenticeship or other training by any recruitment source, the Contractor shall send written notification to organizations such as the above, describing the openings, screening procedures, and tests to be used in the selection process.

(10) Encourage present minority and female employees to recruit other minority persons and women and, where reasonable, provide after school, summer and vacation employment to minority and female youth both on the premises and in areas of a Contractor's workforce.

(11) Tests and other selecting requirements shall comply with 41 CFR Part 60-3.

(12) Conduct, at least every six months, an inventory and evaluation at least of all minority and female personnel for promotional opportunities and encourage these employees to seek or to prepare for, through appropriate training, etc., such opportunities.

(13) Ensure that seniority practices, job classifications, work assignments and other personnel practices, do not have a discriminatory effect by continually monitoring all personnel and employment related activities to ensure that the EEO policy and the Contractor's obligations hereunder are being carried out.

(14) Ensure that all facilities and company activities are nonsegregated except that separate or single-user toilet and necessary changing facilities shall be provided to assure privacy between the sexes.

(15) Document and maintain a record of all solicitations of offers for subcontracts from minority and female construction contractors and suppliers, including circulation of solicitations to minority and female contractor associations and other business associations.

(16) Conduct a review, at least every six months, of all supervisors' adherence to and performance under the Contractors' EEO policies and affirmative action obligations.

(i) Contractors are encouraged to participate in voluntary associations which assist in fulfilling one or more of their affirmative action obligations (subparagraphs (1)-(16) of Paragraph (h) above). The efforts of a contractor association, joint contractor-union, contractor-community, or other similar group of which the Contractor is a member and participant, may be asserted as fulfilling any one or more of its obligations under Paragraph (h) hereof provided that: the Contractor actively participates in the group, makes good faith efforts to assure that the group has a positive impact on the employment of minorities and women in the industry, ensures that the concrete benefits of the program are reflected in the Contractor's minority and female workfor ce participation, makes good faith efforts to meet its individual goals and timetables, and can provide access to documentation which demonstrates the effectiveness of actions taken on behalf of the Contractor. The obligation to comply, however, is the Contractor's and failure of such a group to fulfill an obligation shall not be a defense for the Contractor's non-compliance.

(j) A single goal for minorities and a separate single goal for women have been established. The Contractor, however, is required to provide equal opportunity and to take affirmative action for all minority groups, both male and female, and all women, both minority and non-minority. Consequently, the Contractor may be in violation hereof if a particular group is employed in a substantially disparate manner (for example, even though the Contractor has achieved its goals for women generally, the Contractor may be in violation hereof if a specific minority group of women is underutilized).

(k) The Contractor shall not use the goals and timetables or affirmative action standards to discriminate against any person because of race, color, religion, sex or national origin.

(l) The Contractor shall not enter into any subcontract with any person or firm debarred from Government contracts pursuant to Executive Order 11246.

(m) The Contractor shall carry out such sanctions and penalties for violation of this clause including suspension, termination and cancellation of existing subcontracts as may be imposed or ordered by the Lessee. Any Contractor who fails to carry out such sanctions and penalties shall be in violation hereof.

(n) The Contractor, in fulfilling its obligations hereunder shall implement specific affirmative actions steps, at lease as extensive as those standards prescribed in paragraph (h) hereof so as to achieve maximum results from its efforts to ensure equal employment opportunity. If the Contractor fails to comply with the requirements of these provisions, the Lessee shall proceed accordingly.

(o) The Contractor shall designate a responsible official to monitor all employment related activity to ensure that the company EEO policy is being carried out, to submit reports relating to the provisions hereof as may be required and to keep records. Records shall at least include for each employee the name, address, telephone numbers, construction trade, union affiliation if any, employee identification number when assigned, social security number, race, sex, status (e.g. mechanical apprentice, trainee, helper, or laborer), dates of changes in status, hours worked per week in the indicated trade, rate of pay, and location at which the work is performed. Records shall be maintained in an easily understandable and retrievable form; however, t o the degree that existing records satisfy this requirement, contractors shall not be required to maintain separate records.

(p) Nothing herein provided shall be construed as a limitation upon the application of any laws which establish different standards of compliance or upon the application of requirements for the hiring of local or other area residents (e.g., those under the Public Works Employment Act of 1977 and the Community Development Block Grant Program).

(q) Without limiting any other obligation, term or provision under the Lease, the Contractor shall cooperate with all federal, state or local agencies established for the purpose of implementing affirmative action compliance programs and shall comply with all procedures and guidelines established or which may be established by the Port Authority.

PART II. MINORITY BUSINESS ENTERPRISES/WOMEN-OWNED BUSINESS ENTERPRISES

As a matter of policy the Port Authority requires the Lessee and the Lessee shall itself and shall require the general contractor or other construction supervisor and each of the Lessee's contractors to use every good faith effort to provide for meaningful participation by Minority Business Enterprises (MBEs) and Women-owned Business Enterprises (WBEs) in the construction work pursuant to the provisions of this Schedule E. For purposes hereof, "Minority Business Enterprise" "(***MBE***)" shall mean any business enterprise which is at least fifty-one percentum owned by, or in the case of a publicly owned business, at least fifty-one percentum of the stock of which is owned by citizens or permanent resident aliens who are minorities and such ownership is r eal, substantial and continuing. For the purposes hereof, "Women-owned Business Enterprise" "(***WBE***)" shall mean any business enterprise which is at least fifty-one percentum owned by, or in the case of a publicly owned business, at least fifty-one percentum of the stock of which is owned by women and such ownership is real, substantial and continuing. A minority shall be as defined in paragraph II(c) of Part I of this Schedule E. "***Meaningful participation***" shall mean that at least seventeen percent (17%) of the total dollar value of the construction contracts (including subcontracts) covering the construction work are for the participation of Minority Business Enterprises and Women-owned Business Enterprises, of which at least twelve percent (12%) are for the participation of Minority Business Enterprises. Good faith efforts to include meaningful participation by MBEs and WBEs shall include at least the following:

(a) Dividing the work to be subcontracted into smaller portions where feasible.

(b) Actively and affirmatively soliciting bids for subcontracts from MBEs and WBEs, including circulation of solicitations to minority and female contractor associations. The Contractor shall maintain records detailing the efforts made to provide for meaningful MBE and WBE participation in the work, including the names and addresses of all MBEs and WBEs contacted and, if any such MBE or WBE is not selected as a joint venturer or subcontractor, the reason for such decision.

(c) Making plans and specifications for prospective construction work available to MBEs and WBEs in sufficient time for review.

(d) Utilizing the list of eligible MBEs and WBEs maintained by the Port Authority or seeking minorities and women from other sources for the purpose of soliciting bids for subcontractors.

(e) Encouraging the formation of joint ventures, partnerships or other similar arrangements among subcontractors, where appropriate, to insure that the Lessee and Contractor will meet their obligations hereunder.

(f) Insuring that provision is made to provide progress payments to MBEs and WBEs on a timely basis.

(g) Not requiring bonds from and/or providing bonds and insurance for MBEs and WBEs, where appropriate.

Certification of MBEs and WBEs hereunder shall be made by the Office of Business and Job Opportunity of the Port Authority. If the Contractor wishes to utilize a firm not already certified by the Port Authority, it shall submit to the Port Authority a written request for a determination that the proposed firm is eligible for certification. This shall be done by completing and forwarding such form as may be then required by the Port Authority. All such requests shall be in writing addressed to the Office of Business and Job Opportunity, the Port Authority of New York and New Jersey, 225 Park Avenue South, New York, New York 10003 or such other address as the Port Authority may specify by notice to the Lessee. Certification shall be effective only if made in writing the Director in charge of t he Office of Business and Job Opportunity of the Port Authority. The determination of the Port Authority shall be final and binding.

The Port Authority has compiled a list of the firms that the Port Authority has determined satisfy the criteria for MBE and WBE certification. This list may be supplemented and revised from time to time by the Port Authority. Such list shall be made available to the Contractor upon request. The Port Authority makes no representation as the financial responsibility or such, firms, their technical competence to perform, or any other performance-related qualifications.

Only MBEs and WBEs certified by the Port Authority will count toward the MBE and WBE goals.

Please note that only sixty percent (60%) of expenditures to MBE or WBE suppliers will count towards meeting the MBE and WBE goals. However, expenditures to MBE or WBE manufacturer's (i.e. suppliers that produce goods from raw materials or substantially alter them before resale) are counted dollar for dollar.

For the Port Authority

Initialled:

For the Lessee

EXHIBIT A

Copy of MOA

Exhibit A

MEMORANDUM OF AGREEMENT

BETWEEN

UNITED STATES
DEPARTMENT OF HOMELAND SECURITY
TRANSPORTATION SECURITY ADMINISTRATION

AND

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

RELATING TO

BAGGAGE SCREENING PROJECTS FOR
Newark Liberty International Airport (EWR)

Negotiated by the TSA pursuant to
Section 44923 of title 49, United States Code, as amended, and Division E, Department of Homeland Security Appropriations Act, 2008 of Public Law 110-161, the Consolidated Appropriations Act, 2008

HSTS04-08-H-CT1235

ARTICLE I-PARTIES

The parties to this Memorandum of Agreement (hereinafter "Agreement" or "MOA") are the United States Department of Homeland Security, acting through the Transportation Security Administration ("TSA"), and The Port Authority of New York and New Jersey ("PANYNJ").

ARTICLE II - LEGAL AUTHORITY

This Agreement is entered into under the authority of section 44923 of title 49, United States Code, as amended, and Division E, Department of Homeland Security Appropriations Act, 2008 of Public Law 110-161, the Consolidated Appropriations Act, 2008.

ARTICLE III - PURPOSE AND PROJECT SCOPE

The purpose of this Agreement is to set forth the terms and conditions, as well as establish the respective cost-sharing obligations and other responsibilities of the TSA and the PANYNJ with respect to the performance of the engineering, design, and integration of baggage Explosive Detection Systems ("EDS") Projects and baggage screening system improvements at the Newark Liberty International Airport (the "EWR" or "Airport).The objective of the Project is to enhance baggage screening throughput and capabilities at the Airport.

The scope of the Project (the "Project") is:

1. the construction and installation of a Checked Baggage Inspection System ("CBIS") and/or modifications of or to existing CBISs for each Airport Terminal identified below; and

2. the installation of baggage conveyor components, architectural, structural, mechanical, electrical, and telecommunications infrastructure, and a baggage screening matrix (as applicable)

to support the TSA's installation of EDS machines, Explosive Trace Detection ("ETD") resolution area; remote multiplexed On Screen Resolution Room ("OSR")/control room (as applicable); and the installation of hardware and software for use with an in-line EDS application if needed. The Project Area is that area from the baggage insertion point into the EDS screening matrix to the point where screened baggage is re-inserted into baggage makeup area.

The Project description for each Airport Terminal is as follows:

Terminal	Project Description
EWR Terminal A	New In-Line EDS System Matrix/Design/Construction Build Out
EWR Terminal B	New In-Line EDS System Matrix/Design/Construction Build Out
EWR Terminal C	New In-Line EDS System Matrix/Design/Construction Build Out

ARTICLE IV - PROJECT COST AND ALLOWABLE COSTS

A. Project Cost: Project Cost arc those costs related to the activities to be completed by the PANYNJ or its designee to modify the Airport infrastructure and baggage handling system(s) ("BHS") to support the TSA's installation and operation of the EDS and ETD equipment at the Airport. Project Cost does not include the costs of acquisition, delivery or installation of the EDS and ETD equipment.

B. Federal Share of Allowable Costs: The TSA, for and on behalf of the United States, shall pay as the United States share, ninety (90%) percent of the Allowable Costs (as such term is defined in Circular A-87) and identified in paragraph D of this Article incurred in accomplishing the Project described in this Agreement. The maximum obligation of the United States payable under this Agreement for Fiscal Year 2008 shall be:

Fiscal Year	TSA Funding	
2008	$	68,000,000.00

PR: 2108208CT1235
5CF08XB010D2008SWE041GE0132230062006622CTO-5906304700000000-252R-TSA DIRECT-DEF. TASK $ 68,000,000.00

Subject to Congressional appropriation and authorization, the maximum obligation of the United States payable under this Agreement for Fiscal Year 2009 shall be:

Fiscal Year	TSA Funding,	
2009	$	To Be Determined

This reimbursement obligation shall not be deemed to be an obligation of the United States Government under Section **1**50**1** of Title 31, United States Code. This Agreement is not deemed an administrative commitment for financing except until such amounts are authorized and appropriated as provided in authorization and appropriation laws.

C. The Letter of Intent attached to this Agreement as Appendix A, establishes, among other things, a funding schedule in the amount of $400,000,000.00 for the inline baggage screening Projects at John F. Kennedy International, LaGuardia, and Newark Liberty International Airports. The scope and responsibilities for each Airport Project as set forth in a Memorandum of Agreement (identified below). To facilitate the strategic planning and Project priorities it is understood that the funding allocated to each Airport in its Memorandum of Agreement may be reallocated among the three airports at a later date if deemed necessary and agreed to by the TSA and the PANYNJ.

HSTS04-08-H-CT1235, Memorandum of Agreement for Newark Liberty International Airport
HSTS04-08-H-CT1236, Memorandum of Agreement for John F. Kennedy International Airport
HSTS04-08-H-CT1094, Memorandum of Agreement for LaGuardia Airport

D. Project Costs allowable for reimbursement under this Agreement: Determination of Allowable Costs, as such term is defined in the United States Office of Management and Budget Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments," in effect on the effective date of this Agreement ("Circular A-87"), will be made by the TSA in accordance with Circular A-87. If the enabling legislation for this Project prescribes policies or requirements that differ from those in Circular A-87, or that differ from this Agreement, the provisions of the enabling legislation shall govern.

Project Costs considered Allowable Costs for reimbursement under this Agreement (which Allowable Costs, must be, as provided in Circular A-87, allocable to federal awards under the provisions of Circular A-87, and necessary and reasonable for the proper and efficient performance and administration of federal awards), include:

- Project Soft Costs, which consists of Engineering Costs (to include design, specifications, bid documents, and contract documents), Construction Supervision Costs (to include Project Management) and PANYNJ Letter of Intent Administration Costs. The ceiling for reimbursement of all Project Soft Costs is limited to sixteen percent (16%) of the Project Costs. At TSA's discretion, the ceiling for reimbursement of all Project Soft Costs may be increased to 18% at a later date pending the results of actual Terminal Project progress and review of Terminal Project construction costs.
- Design Costs incurred on or after October 1, 2007.
- EDS in-line checked baggage Construction Costs include, but are not limited to:
    - Demolition (infrastructure or BHS related)
    - BHS infrastructure upgrades, platforms, catwalks located within the EDS screening matrix area
    - BHS: That portion located within the EDS screening matrix area, including redesign and upgrading of conveyors to support the integration of the screening matrix only
    - On-Screen Resolution (OSR) Room, Checked Baggage Resolution Area (CBRA)
    - Acoustical treatment in OSR and CBRA
    - Electrical infrastructure (cabling, control panels) and basic lighting fixtures for the CBIS, CBRA, and OSR.
    - Telephone systems/pager systems for TSA CBRA and OSR only
    - Heating, Ventilation. Air Conditioning (HVAC) environmental requirements for CBIS, OSR Room, CBRA and EDS Network equipment room

E. Project Costs not considered reimbursable under this Agreement include:

- Employee break rooms, administrative office space, and restrooms
- Aesthetic architecture enhancements
- Maintenance, repair parts or spare parts for Airport Terminal improvements include the baggage handling conveyor components installed under this Project
- Extended warranties beyond 1 year
- Maintenance of baggage conveyor system
- Profit or Corporate G&A costs to the PANYNJ. Profit and G&A for PANYNJ's contractor(s) is an allowable cost

- Costs incurred by the PANYNJ and or/designee, its contractors or agents to perform work not allocable with the TSA approved design or TSA's Planning Guidelines and Design Standards for Checked Baggage Inspection Systems

ARTICLE V: PROJECT RESPONSIBILITIES

Project responsibilities for TSA and the PANYNJ are outlined below. Specific Project and technical responsibilities and performance of all parties are contained in Appendix B attached incorporated hereto by reference.

A. TSA Project Responsibilities

1. TSA will provide a proposed design package for each integrated screening system in each of the identified terminals. Each package will include a schematic design, basis for design and Rough Order of Magnitude (ROM) costing. The schematic will reflect the screening matrix, mainline feeds, take away belts, and all of the security process areas/decision points. The basis for design will outline the proposed theory of operation for the system; will contain the static modeling for each system as well as possible mechanical considerations that can be identified at this design state. The ROM costing will outline at a budgetary level the cost of the individual screening systems.
2. Review and approve each Terminal Project design (through 100%) and deployment plans and specifications regarding installation of EDS units in accordance with TSA Performance Guidelines and Design Standards for Checked Baggage Inspection Systems.
3. Confirm that the placement and installation of the EDS and ETD units in the baggage screening matrix are in accordance with the individual Terminal Project design and deployment plan.
4. Obtain or cause its contractors, consultants and agents to obtain all necessary licenses, insurance, permits and approvals.
5. Furnish, deliver, rig, install and test all necessary EDS and ETD security screening equipment.
6. Provide EDS Original Equipment Manufacturer Technical Support Advisory Services to the PANYNJ and/or designee regarding integration of the EDS units into the BHS.
7. Provide the EDS System Specific Test Plan (SSTP) to the PANYNJ and/or its designee following an EDS machine commissioning, coordination and test planning meeting.
8. Establish and conduct the integrated Site Acceptance Testing (ISAT) for EDS machine screening capabilities for each Terminal Project.
9. Observe and approve ISAT results before the EDS equipment is certified ready for operational use.
10. The TSA will provide maintenance, repair, and refurbishment of all TSA EDS and ETD equipment throughout its life cycle at no cost to the Port Authority and/or its designee.

B. PANYNJ Project Responsibilities

All work performed by the PANYNJ or its designee pursuant to this Agreement shall be accomplished in accordance with the design(s) approved by TSA and in accordance with PANYNJ's Airport Building Standards and Criteria.

1. PANYNJ shall start with a phasing process on Projects listed in Article III - Purpose, Project and Scope based on priorities or future strategic planning. This strategic planning should be presented to TSA Office of Security Technology for approval and concurrence to assure that the Projects can be completed in accordance with the constraints of cost, time, and scope.
2. Costs for each Terminal Project are to be recorded and reported on a Terminal-by-Terminal basis.
3. Except for the responsibilities of the TSA, as outlined above, the construction and installation of the individual Terminal project will be managed and overseen by the PANYNJ and/or its designee. The PANYNJ, acting through such contractors as it may choose, will provide the associated construction and baggage handling conveyor contractors to undertake the Project. The PANYNJ will provide oversight of such contractors to ensure Projects are completed within the prescribed costs and schedule.
4. Obtain or cause its contractors, consultants and agents to obtain all necessary licenses, insurance, permits and approvals.
5. Ensure the Project site will be ready to accommodate the installation of the EDS units when delivered. Project site preparation includes, but is not limited to, BHS modifications, electrical site preparation, including infrastructure to protect electrical or fiber optic cables, environmental controls, and any other Airport Terminal infrastructure work required to support the operational environment of the EDS and ETD units.
6. Facilitate the installation of the EDS units by providing a clear path during rigging and EDS installation, and provide sufficient space to allow for initial deployment activities such as uncrating the EDS equipment and devices.
7. Adhere to OSHA standards required for occupied spaces as well as the applicable EDS installation guide specifications for EDS operational environment requirements.
8. Once installed, provide reasonable measures to protect the EDS and ETD equipment from harm in the screening area.
9. The PANYNJ shall require that full ingress and egress be provided to the TSA and its contractors for the installation, operation, testing, maintenance, and repair of the EDS and ETD equipment at all times.
10. Perform and bear all cost of the operation, maintenance and repairs for the Airport Terminal installed property such as the baggage handling conveyor system, heating, air conditioning, and electrical infrastructure in support of this Project. Except for the TSA securing screening EDS and ETD equipment owned by the TSA, the PANYNJ its lessees or assigns as applicable, shall own and have title to all personal property, improvements to real properly, or other assets which are acquired under this Agreement. It will be the responsibility of the PANYNJ, or its contractor or lessee to operate, maintain, and if it becomes necessary, repair or replace such property to support the efficient use of the TSA Security Screening Equipment for its useful life.

11. Title to non-TSA Security Screening Equipment such as ancillary equipment or infrastructure appurtenances purchased or reimbursed using Federal funds, or installed by the TSA, or its agents or contractors at the TSA's expense, or by the PANYNJ or its agents or contractors, or its lessees, agents or contractors, vests in the PANYNJ.
12. Submit monthly progress status reports to the TSA Project Manager and TSA Contracting Officer identified in Article VIII - Authorized Representatives. The monthly report should provide an executive summary of work performed to dale, identify the events to occur within the next 90 days, identify the PANYNJ and/or designee(s) and its key contractor points of contact and use an earned value management approach to identify the cost and schedule variance incurred against work performance completed to date. Bach Terminal Project is to be addressed separately in the monthly report.

C. Deliverables. The deliverables required to be submitted by the PANYNJ and/or its designee with respect to each Terminal are described in Appendix B-1; specific testing related deliverables are outlined in Appendix B.

ARTICLE VI - EFFECTIVE DATE AND TERM

The effective date of this Agreement is the date on which the authorized PANYNJ official signs it and the TSA's authorized official signs it, whichever date is later. The overall Airport Project completion is currently estimated to be on or about September 20, 2013 unless earlier terminated by the parties as provided herein or extended by mutual agreement pursuant to Article XIII. The period of performance for this effort is established in order to allow the PANYNJ time to submit a final invoice, close out each Terminal Project, and address any other issues,

Within thirty business (30) days of the PANYNJ and TSA Project Manager concurrence to begin a Terminal Project, the PANYNJ and/or its designee(s) will establish and provide Project Milestones for each Terminal to the TSA Project Manager and TSA Contracting Officer identified in Article VIII that allow objective measurement of progress toward completion.

ARTICLE VII - ACCEPTANCE AND TESTING

TSA will deem the Project complete upon successful completion of the TSA EDS systems test conducted by the TSA independent validation and verification (IV&V) contractor that confirms that the baggage screening system has been installed in accordance with the TSA Checked Baggage Inspection System Performance Criteria and technical specifications for the EDS baggage screening equipment. Successful completion requires the correction of defects identified, if any, during the EDS systems lest. Ten percent (10%) of each invoice submitted for each Terminal Project will be retained for the duration of the Project until the baggage screening system has successfully passed the TSA EDS systems test and defects, if any. identified during the system test have been corrected by the PANYNJ and/or its designee. The PANYNJ is not responsible for co rrecting any defects related to the EDS equipment. It shall be the TSA's responsibility to correct at its sole cost any TSA's EDS equipment system defects, and the 10% retained amount referred to above shall be paid to the PANYNJ if the system failure is due to defects associated with TSA equipment or installation.

ARTICLE VIII. AUTHORIZED REPRESENTATIVES

The authorized representative for each party shall act on behalf of that party for all matters related to this Agreement. Each party's authorized representative may appoint one or more others to act as authorized representative for any administrative purpose related to this Agreement, provided written notice of such appointments are made to the other party to this Agreement. The authorized representatives for the parties are as follows:

A. TSA Points of Contact:

Terry Spradlin
TSA Project Manager
Office of Security Technology, TSA-16
Transportation Security Administration
701 South 12th Street
Arlington, VA 22202
Phone: 571-227-4108
E-Mail Address: terry.spradlin@dhs.gov

John Reed
Eastern Region Deployment Manager/Contracting Officer Technical Representative
Office of Security Technology, TSA-16
Transportation Security Administration
701 South 12th Street
Arlington, VA 22202
Phone: 571-227-1563
E-Mail Address: john.reedl@dhs.gov

Connie Thornton
Contracting Officer
Transportation Security Administration
4275 Airport Road, Suite C
Rapid City, SD 57703
Phone: 605-393-8191
E-Mail Address: connic.thornton@dhs.gov

Only the TSA Contracting Officer has the authority to bind the federal government with respect the expenditure of funds. The TSA Contracting Officer Technical Representative (COTR) is responsible for the technical administration of this Agreement and technical liaison with the PANYNJ and/or its designee. The TSA COTR is not authorized to change the scope of work, to make any commitment or otherwise obligate the TSA, or authorize any changes that affect the liability of the TSA.

The PANYNJ and or its designee must notify the TSA CO and COTR in event that any TSA agent or employee takes any action which is interpreted by the PANYNJ or its designee as direction which consequently increases the individual Terminal Project cost and would cause the PANYNJ to seek reimbursement from TSA beyond TSA's liability as stated in this Agreement.

B. The PANYNJ's Points of Contact:

The PANYNJ's Point of Contact for all correspondence is:

Jeanne M. Olivier, A.A.E.
General Manager, Aviation Security and Technology
Aviation Department
The Port Authority of New York and New Jersey
233 Park Avenue South, 9th Floor, New York, New York 10003
Telephone: 212-435-3726
E-Mail: jolivier@panynj.gov

The PANYNJ's Point of Contact for invoices is:

To be provided by PANYNJ.

ARTICLE IX - PAYMENT

Should the TSA contributions represent more than 90 percent of the total final Allowable costs; the PANYNJ will *refund* the TSA for the difference to achieve a 90 percent level. The parties agree that all costs in excess of TSA's funding contribution as well as any costs that do not comply with Circular A-87 shall be borne solely by the PANYNJ unless otherwise agreed by the TSA in a modification in accordance with Article XI11 - Changes and/or Modifications.

Reimbursement by TSA is conditioned upon submission to TSA of an invoice identifying the Project costs that have been incurred and paid. The TSA intends to make payment to the PANYNJ within 45 calendar days of receipt of each properly prepared invoice for reimbursement of incurred costs. The TSA reimbursement process consists of two steps:

a. Step 1 - "Summary" Invoice Submittal to the U.S. Coast Guard Finance Center for Payment

The United States Coast Guard Center performs the payment function on behalf of the TSA. For purposes of submission to the Coast Guard Finance Center, the PANYNJs invoice format is acceptable for the "Summary" Invoice. Central Contractor Registration is mandatory for invoice payment; for further information, please refer to http://www.ccr.gov

At a minimum the "Summary" Invoice should contain:

(1) Agreement Number HSTS04-08-H-CT1235
(2) Invoice Number and Invoice Date
(3) Complete Business Name and Remittance Address.
(4) Point of Contact with address, telephone, fax and e-mail address contact information
(5) Tax Identification Number and DUN's Number
(6) Dollar Amount of Reimbursement being requested
(7) Signature of PANYNJ's authorized representative and the following certification language: *"This is to certify that the services set forth herein were performed during the period stated and that the incurred costs billed were actually expended for the Project. "*

The "Summary" Invoice may be submitted by standard email or by electronic transmission to the following address(s):

Mailing Address: TSA Commercial Invoices
USCG Finance Center
P.O. Box 4111
Chesapeake, VA 23327-4111

Email: FIN-SMB-TSAINVOICES@uscg.mil

b. Step 2 - "Summary" Invoice and Supporting Documentation Submittal to TSA for Approval of Payment

The TSA Contracting Officer and the Contracting Officer's Technical Representative arc required to review and approve all invoices prior to payment. To aid in this review, the PANYNJ and/or its designee shall provide a copy of the "Summary" Invoice along with all receipts, contractor pay requests and other supporting information which specify the vendor, services provided, and products delivered as well as the appropriate identifications that the Airport has paid these obligations. The PANYNJ and/or its designee are encouraged to provide this supporting information simultaneously with Step 1 in order to expedite the payment process.

The Support Documentation should contain the following items:

- Summary Invoice from Step 1
- An executive summary Project overview with the first invoice
- Spreadsheet listing the invoices being submitted, with totals
- Individual, signed and approved contractor invoices, with scope of values or statement of work (copies of contracts and change orders provide support for the work being actual, allowable, allocable and reasonable.)
- Copies of subcontractors' invoice if listed on a prime contractor's invoice as a single amount (copies of timesheets and detailed backup not required if descriptions are clear and specific).

- Proof of payment by the PANYNJ and/or its designee for each invoice in the form of copies of checks/warrants, bank wire transfers, or accounting system transactions.

The "Summary" Invoice and supporting documentation may be submitted by mail via CD or paper documents or electronic transmission to the following address; the final closeout invoice should include proof that all required deliverables have been provided:

John Gebhart
Jacobs Carter & Burgess, Inc
2231 Crystal Drive, Suite 300
Arlington, VA 22202
Phone: 571-721-1269
Email: john.gebhart@jacobs.com

Upon completion of the review of the supporting documentation for the "Summary" Invoice, the TSA Contracting Officer and Contracting Officer Technical Representative will advise the Coast Guard Finance Center regarding payment of the "Summary" Invoice. TSA has the right to recoup any payments made to the PANYNJ if the TSA determines that the invoices exceed the actual costs incurred.

ARTICLE X - AUDITS

A. The federal government, including the Comptroller General of the United States, has the right to examine or audit financial records relevant to this Memorandum of Agreement for a period not to exceed three (3) years after expiration of the terms of this Agreement. The PANYNJ and/or its designee, their contractors must maintain an established accounting system that complies with accounting principles generally accepted in the United States. Records related to disputes arising out of this Agreement shall be maintained and made available until such disputes have been resolved to the satisfaction of the TSA.

B. As used in this provision, "records" includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form.

C. The PANYNJ and/or its designee shall maintain all records and other evidence sufficient to reflect costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of this Agreement. The TSA Contracting Officer or the authorized representative of the TSA Contracting Officer shall have the right to examine and audit those records at any time, or from time to time. The right of examination shall include inspection at all reasonable times at the offices of the PANYNJ and/or its designee or at the offices of the respective contractor(s) responsible for the Project.

D. The PANYNJ and/or its designees will be required to submit cost or pricing data and supporting information in connection with any invoice relating to this Agreement if requested by the TSA Contracting Officer.

E. This Article X shall not be construed to require the PANYNJ and/or its designee, their contractors or subcontractors to create or maintain any record that they do not maintain in the ordinary course of business pursuant to a provision of law, provided that those entities maintain records that conform to generally accepted accounting practices.

ARTICLE XI - REQUIRED FEDERAL PROCUREMENT PROVISIONS

Required Federal Procurement Provisions are provided in Appendix C.

ARTICLE XII - CHANGES AND/OR MODIFICATIONS

Changes and/or modifications to this Agreement shall be in writing and signed by the TSA Contracting Officer and the authorizing official of the PANYNJ. The modification shall state the exact nature of the change and/or modification. No oral statement by any person shall be interpreted as modifying or otherwise affecting the terms of this Agreement. The properly signed modification shall be attached to this Agreement and thereby become a part of this Agreement.

ARTICLE XIII - LIMITATION OF LIABILITY

Each party to this Agreement shall bear total responsibility for its own negligent acts, errors or omissions that arise out of this Agreement. In no event shall either Parly be liable for any indirect, special, punitive, incidental or consequential damages arising out of or under this Agreement, whether under contract warranty, or tort, including loss of revenue or profits, regardless of the ability to anticipate such damages. The PANYNJ does not waive its right to pursue claims against the United States or any of its agencies under the Federal Torts Claims Act.

ARTICLE XIV - DISPUTES

When possible, disputes will be resolved by informal discussion between the appropriate PANYNJ representative and the TSA Contracting Officer. If a dispute cannot be resolved through negotiations, the dispute shall be submitted to the Office of Dispute Resolution for Acquisition ("ODRA") (see http://www.faa.gov/agc/odra/default.htm). ODRA acts on behalf of TSA, pursuant to a Memorandum of Agreement dated September 23, 2002, to manage TSA's dispute resolution process and to recommend decisions on matters concerning contract disputes. Judicial review, where available, will be in accordance with 49 U.S.C. 46110, and shall apply only to final agency decisions.

ARTICLE XV - TERMINATION

In addition to any other termination rights provided by this Agreement, either party may terminate this Agreement at any time with cause, and without incurring any liability or obligation to the terminated party (other than performance of obligations accrued on or prior to termination date) by giving the other party at lease ninety days written notice of termination. Upon receipt of notice of termination, the receiving party shall take immediate steps to stop the accrual of any additional obligations, which might require payment.

In the event of termination or expiration of this Agreement, any TSA funds that have not been spent or incurred for allowable expenses prior to the date of termination and are not reasonably necessary to cover termination expenses shall be returned and/or de-obligated from this Agreement.

ARTICLE XVI - CONSTRUCTION OF THE AGREEMENT

A. Nothing in this Agreement shall be construed as incorporating by reference or implication *any* provision of Federal acquisition law or regulation. It is not intended to be, nor shall it be construed as creation of a partnership, corporation, or other business entity between the parties.

B. Each party acknowledges that all parties hereto participated equally in the negotiation and drafting of this Agreement and any amendments thereto, and that, accordingly, this Agreement shall not be construed more stringently against one party than against the other.

C. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written.

D. In the event that any Article and/or parts of this Agreement are determined to be void, such Article or portions thereof shall lapse. No such lapse will affect the rights, responsibilities, and obligations of the parties under this Agreement, except as provided herein. If either party determines that such lapse has or may have a material effect on the performance of the Agreement, such party shall promptly notify the other party, and shall negotiate in good faith a mutually acceptable amendment to the Agreement if appropriate to address the effect of the lapse.

ARTICLE XVII - MEDIA AND PROTECTION OF SENSITIVE SECURITY INFORMATION

A. SENSITIVE SECURITY INFORMATION

No Sensitive Security Information (SSI), as such term is defined in 49 CFR Part 1520, shall be disclosed except in accordance with the provisions of 49 CFR 1520.

B. MEDIA

Unless otherwise required by law, PANYNJ and/or its designee shall not make publicity or public affairs activities related to the subject matter of this Agreement unless written approval has been received from the TSA Office of Security Technology or the TSA Office of Strategic Communication and Public Affairs.

ARTICLE XVIII - SURVIVAL OF PROVISIONS

The following provisions of this Agreement shall survive the termination of this Agreement: Article V- Project Responsibilities, paragraph A. 10, and paragraph B. 10; Article X - Audits; Article XIII - Limitations on Liability; Article XIV - Disputes, and Article XVIII - Survival of Provisions.

Signatures
The Parties have executed this Agreement in multiple copies, each of which is an original.

WITNESS:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

/s/ Ernesto L. Butcher **Date:** **9/10/2008**
By: Ernesto L. Butcher, Deputy Executive Director, Operations

UNITED STATES
Department of Homeland Security
Transportation Security Administration

/s/ **Connie Thornton** **Date:** **9/5/2008**
By: Connie Thornton, Contracting Officer

MEMORANDUM OF AGREEMENT

TABLE OF APPENDICES

Office of the Assistant Secretary

U.S. Department of Homeland Secretary
601 South 12th Street
Arlington, VA 22202-4220

Transportation
Security
Administration

LETTER OF INTENT
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

This Letter of Intent (LOl) sets forth the intention of the Transportation Security Administration (TSA), effective this date, in accordance with the provisions *of Section 4-1923 of title 49. United States Code, as amended; Division E. Department of Homeland Security Appropriations Act, 2008; Public Low 110-161. the Consolidated Appropriations Act. 2008;* and Memoranda of Agreement (MOAs) to which this LOI is appended, to obligate from budget authority to reimburse The Port Authority of New York and New Jersey (PANYNJ) for the United States' share of allowable costs at the John F. Kennedy International Airport (JFK). LaGuardia Airport (LGA), and Newark Liberty International Airport (EWR), collectively the PANYNJ Airports, for t he airport security improvement project (Project) as *summarized* below;

The MOAs will establish the efforts for providing the necessary design, construction management, and construction of the PANYNJ Airports—JFK. LGA. and EWR—to develop in-line baggage system solutions that will enable TSA to install and operate explosives detection systems associated with in-line baggage screening systems at those airports.

The maximum United States obligation pursuant to this LOl for the Project summarized above shall be in an amount not-to-exceed 90 percent of the total Project costs of $444,444,444.00 to a total Federal share of up to $400,000,000.00. After funds have been appropriated and obligated. TSA shall issue funds to reimburse the PANYNJ from current and Fiscal Year 2009 budget authority, according to the following schedule:

Fiscal Year *(FY)*	Federal Funds
FY 2008	$200 million (current budget authority)
FY 2009	$200 million (future budget authority)
Total:	$400 million

If the Congressional appropriation and allocation is less than $200,000,000 in FY 2009 for TSA baggage screening projects for the PANYNJ Airports, then the FY 2009 funding increment for the Project may be reduced accordingly.

The announcement of this intention shall not be deemed an obligation of the United States Government under Section 1501 of title 31. United States Code, and the LOl is not deemed to be an administrative commitment of financing. An obligation or administrative commitment may be made only as amounts are provided in authorization and appropriation laws.

TSA may, from time to time, following consultation with the PANYNJ. amend this LOI and the MOAs to adjust the payment schedule, and such adjustments may be made by TSA when occasioned by changes in the actual allowable costs of the Project, in the actual time required to complete the Project, in actual or estimated future obligating authority, or otherwise, when determined at the discretion of the Department of Homeland Security Assistant Secretary of the TSA to be in the best interests of the United States.

TSA will give full consideration to the aggregate amount of future obligations and the payments scheduled under all outstanding LOIs in formulating its annual budget requests. A statutory restriction on total obligating authority in a future fiscal year, however, may necessitate a reduction in funds to be reimbursed for that year.

The LOI is conditioned upon the PANYNJ's compliance with the MOAs to which this LOI is appended and of which it is made a part. Failure to comply with such requirements may lead to revocation of this LOI and termination of the MOAs in accordance with the terms of the MOAs.

United States of America
Department of Homeland Security
Transportation Security Administration

/s/ Kip Hawley

Kip Hawley
Assistant Secretary

8/20/08

Date

MEMORANDUM OF AGREEMENT

APPENDIX B

DELIVERABLES

Item	Submitted To:	Frequency or Due Date	Special Notes:
Design: 30%, 70%, 100% and associated cost estimate	TSA Project Manager	Per the approved schedule.	Port Authority shall attain written approval from TSA before moving forward on design effort stages.
Master Schedule and detailed Estimate of Costs to include Project Milestones (Design, Construction and Baggage Handling System)	TSA Project Manager TSA Contracting Officer ("CO") TSA Contracted Site Lead	Submitted within 120 business days of MOA signing to be updated and submitted with monthly report as Project is underway.	All schedules and cost estimates to be approved must have written concurrence TSA Project Manager
Schedule of Values for Design, Construction, Baggage Handling Contracts	TSA Project Manager TSA CO TSA Contracted Site Lead	PANYNJ/Designee to provide upon issuing Notice to Proceed to Contractor	All schedules and cost estimates to be approved must have written approval from TSA
Design, Construction and BHS Contracts > $500,000 including any subsequent change orders.	TSA CO	Upon Award by PANYNJ/Designee. Change Orders are to also be provided to TSA CO when issued.	Provide copy of contract to TSA Contracting Officer (CO)
Monthly Project Report: (Current and forecasted for the next period's tasks.) • Tasks completed • Schedule • Budget and actual costs spent to date • Cost Variance • Schedule Variance • Variance analysis data in excess of 10% • Identify Tasks for next 90 days	TSA Project Manager TSA CO TSA Contracted Site Lead	Monthly. Electronic submission is requested if feasible.	
Close Out Process requires the correction of testing deficiencies (if any)	Close Out Report submitted to TSA Project Manager and TSA Contracted Site Lead	Initiated after TSA completion of Integrated Site Acceptance testing and deficiencies (if any) have been corrected.	
As Built Drawings and final configuration in electronic format, .dwg (AutoCAD) or comparable format PDF	TSA Project Manager	No later than 30 days after commissioning of system(s)	
Overview of drawings of the EDS Matrix/Node, BHS systems Resolution Room, OSR Room as applicable, dwg (AutoCAD) or comparable PDF format	TSA Project Manager	30 days after commissioning of system(s)	
Final Invoice	TSAT Project Manager TSA CO	Upon correction of testing deficiencies, submission of 'as-built' drawings and closeout of PANYNJ/Designee related contracts	Typically occurs three to four months after ISAT.

MEMORANDUM OF AGREEMENT

APPENDIX C

REQUIRED FEDERAL PROCUREMENT PROVISIONS

Construction Contracts

Provisions for all Construction Contracts

- Buy American Preference - Title 49 U.S.C., Chapter 501 - Under Revision
- Civil Rights Act of 1964. Title VI (MS Word) - Contractor Contractual Requirements - 49 CFR Part 21
- Airport and Airway Improvement Act of 1982. Section 520 (MS Word) - Title 49 U.S.C. 47123
- Lobbying and Influencing Federal Employees (MS Word) - 49 CFR Part 20
- Access to Records and Reports (MS Word) - 49 CFR Part 18.36
- Disadvantaged Business Enterprise (MS Word) - 49 CFR Part 26
- Energy Conservation (MS Word) - 49 CFR Part 18.36
- Breach of Contract Terms (MS Word) - 49 CFR Part 18.36
- Rights to Inventions (MS Word) - 49 CFR Part 18.36
- Trade Restriction Clause (MS Word) - 49 CFR Part 30
- Veteran's Preference (MS Word) - Title 49 U.S.C 47112

Additional Provisions for Construction Contracts Exceeding $2,000

- Davis Bacon Labor Provisions (MS Word) - 29 CFR Part 5

Additional Provisions for Construction Contracts Exceeding $10,000

- Equal Opportunity Clause (MS Word) - 41 CFR Part 60-1.4
- Certification of Non-Segregated Facilities (MS Word) - 41 CFR Part 60-1.8
- Notice of Requirement for Affirmative Action (MS Word) - 41 CFR Part 60-4.2
- Equal Employment Opportunity Specification (MS Word) - 41 CFR Part 60-4.3
- Termination of Contract (MS Word) - 49 CFR Part 18.36

Additional Provisions for Construction Contracts Exceeding $25,000

- Certification Regarding Debarment. Suspension. Ineligibility and Voluntary Exclusion (MS Word) -49 CFR Part 29

Additional Provisions for Construction Contracts Exceeding $100,000

- Contract Workhours and Safety Standards Act Requirements (MS Word) - 29 CFR Part 5
- Clean Air and Water Pollution Control (MS Word) -49 CFR Part 18.36(i)(12)
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Equipment Contracts

Provisions for all Equipment Contracts

- Buy American Preference - Title 49 U.S.C., Chapter 501
- Civil Rights Act of 1964. Title VI (MS Word) - Contractor Contractual Requirements - 49 CFR Part 21
- Airport and Airway Improvement Act of 1982. Section 520 (MS Word) - Title 49 U.S.C. 47123
- Disadvantaged Business Enterprise (MS Word) - 49 CFR Part 26
- Lobbying and Influencing Federal Employees (MS Word) - 49 CFR Part 20
- Access to Records and Reports (MS Word) - 49 CFR Part 18.36
- Energy Conservation (MS Word) - 49 CFR Part 18.36
- Breach of Contract Terms (MS Word) - 49 CFR Part 18.36
- Rights to Inventions (MS Word) - 49 CFR Part 18.36
- Trade Restriction Clause (MS Word) - 49 CFR Part 30

Additional Provisions for Equipment Contracts Exceeding $10,000

- Termination of Contract (MS Word) - 49 CFR Part 18.36

Additional Provisions for Equipment Contracts Exceeding $25,000

- Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion (MS Word) -49 CFR Part 29

Additional Provisions for Equipment Contracts Exceeding $100,000

- Clean Air and Water Pollution Control (MS Word) - 49 CFR Part 18.36(i)(12)
- Back to top

Professional Services (A/E) Contracts

Provisions for all A/E Contracts

- Civil Rights Act of 1964, Title VI (MS Word) - Contractor Contractual Requirements - 49 CFR Part 21
- Airport and Airway Improvement Act of 1982, Section 520 (MS Word) - Title 49 U.S.C. 47123
- Disadvantaged Business Enterprise (MS Word) - 49 CFR Part 26
- Lobbying and Influencing Federal Employees (MS Word) - 49 CFR Part 20
- Access to Records and Reports (MS Word) - 49 CFR Part 18.36
- Breach of Contract Terms (MS Word) - 49 CFR Part 18.36
- Rights to Inventions (MS Word) - 49 CFR Part 18.36
- Trade Restriction Clause (MS Word) - 49 CFR Part 30

Additional Provisions for A/E Contracts Exceeding $10,000

- Termination of Contract (MS Word) - 49 CFR Part 18.36

Additional Provisions for A/E Contracts Exceeding $25,000

- Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion (MS Word) -49 CFR Part 29

Additional Provisions for Equipment Contracts Exceeding $100,000
Clean Air and Water Pollution Control (MS Word) - 49 CFR Part 18.36(i)(12

MEMORANDUM OF AGREEMENT

APPENDIX D

Newark Liberty International Airport (EWR)
Airport Terminal Baggage Screening Renovations
Technical Specification

A. TSA responsibilities with regard to the individual Terminal Projects are listed below in sections 1.1 to 1.7. Many responsibilities are delegated to TSA contractors such as the EDS Original Equipment Manufacturer (OEM), TSA Site Lead Contractor, and TSA Independent Validation and Verification (IV&V) Test Contractor but ultimate responsibility resides with TSA.

1.1 EDS PLACEMENT

TSA will install the EDS units, ETD screening equipment and ancillary equipment at the designated Airport Terminal at a mutually agreed upon date. TSA through the EDS OEM or other TSA contractors shall be responsible for coordinating and integrating activities regarding placement of EDS equipment with appropriate TSA Staff and the Airport Baggage Handling System (BHS) team personnel.

1.2 INSTALLATION SUPPORT

1.2.1 Project Management

The EDS OEM shall be responsible for providing technical support throughout the entire period of performance during the Terminal EDS installation Project. The OEM shall be responsible for all labor, materials, equipment, and support services required for planning, managing, and supervising all items related to the installation of the EDS units and associated ancillary equipment.

1.2.2 Technical Support

TSA will provide technical support to the Project through existing contracts with the EDS OEM, TSA Site Lead, and TSA Test Lead.

- The identified TSA Site Lead should be included in all relevant planning/project meetings relevant to TSA contributions to each Terminal Project. Project schedules and updates should be provided to the TSA Site Lead to ensure TSA has timely and sufficient notice of deliverable dates.
- The EDS OEM shall provide technical consultations to the TSA Project Team and Terminal Project Manager Team regarding Project efforts that may include, but are not limited to: teleconferences; reviews of drawings and specifications; and exchanges of technical documentation such as specifications, manuals, and guides.
- TSA Testing Contractor shall support testing of the EDS units and their integration with the BHS and will develop relevant test plans and reports that will be shared with the Project Manager.
- Support for the development and execution of the MOA in place between TSA and the PANYNJ will be provided by TSA Office of Acquisition.
- Oversight and coordination of technical aspects of the Project will be provided by the TSA Office of Security Technology, Deployment Team.
- Local TSA personnel shall support coordination of issues between TSA Headquarters and the Project Manager as directed by the applicable Federal Security Director (FSD).

Title	Name	Role	Contact Information
TSA PANYNJ Project Manager	Terry Spradlin	TSA Project Manager	Terry.Spradlin@dhs.gov 571-227-4108
TSA Eastern Region Deployment Lead	John Reed	Contracting Officer Technical Representative	John.Reed1@dhs.gov 571-227-1563
TSA Testing Coordinator	Amy Becke	TSA Test Coordinator	Amy.Becke@dhs.gov 571-227-1261
TSA Acquisition	Connie Thornton	Contracting Officer	Connie.Thornton@dhs.gov 605-393-8191
TSA EWR FSD Point of Contact	Ray Whalen	Local EWR TSA Coordinator	Raymond.Whalen@dhs.gov 973-368-9044
PANYNJ Overall Project Point of Contact	Jeanne Olivier	General Manager, Aviation Security & Technology	jolivier@panynj.gov 212-435-3726

1.2.3 Commissioning Services

TSA, through the EDS OEM and other TSA contractors, shall be responsible for all labor, materials, equipment, and support services needed to assemble, power up, configure, and install the EDS machines into the required operational condition. The EDS OEM shall provide technical support, documentation, and installation of the EDS units and the associated local Baggage Viewing Stations (BVS) after confirmation that all pre-installation requirements have been met. The EDS OEM shall coordinate with the TSA Project Manager/TSA Site Lead, TSA Test Lead, and the Terminal Project Manager's contractors to perform system testing. The EDS OEM shall provide these services within two weeks of receipt of a written request from the TSA.

1.3 INDEPENDENT VERIFICATION AND VALIDATION (IV&V) TESTING

Mandatory testing for this system includes Site Acceptance Testing (SAT) for the EDS units following installation; pre-Integrated Site Acceptance Testing following the integration of the EDS units with the BHS affirmed through a Test Readiness Report (TRR); and Integrated Site Acceptance Testing (ISAT) prior to TSA acceptance of the system for operational use. See table below for minimum lead time requirements for testing activities.

Test Activity	Lead Time Needed
SSTP Input	90 days prior to projected ISAT date
SAT of EDS units	7 days prior to EDS OEM confirmation of EDS unit's readiness
SSTP Delivery	30 days prior to projected ISAT date
SSTP Review Meeting	14 days prior to projected ISAT date
TRR	3 business days (not less than) prior to projected ISAT date
ISAT	3 business days (not less than) following successful TRR

1.3.1. Site Acceptance Testing (SAT)

The EDS OEM and TSA Test Lead shall coordinate and conduct SAT testing on the EDS machines. The EDS OEM shall implement and coordinate testing by issuing a Test Readiness Notification (TRN) at least 7 days prior to the scheduled IV&V testing. Passing SAT results are required to certify equipment readiness for operational use in screening baggage. In the event that supplied EDS units cannot meet SAT test requirements, TSA will ensure that any defects are corrected or that the EDS unit is replaced.

1.3.2. Site Specific Test Plan Development (SSTP)

TSA has arranged for its Testing Contractor to develop a Site Specific Test Plan based on testing criteria outlined in the TSA Checked Baggage Inspection Systems Planning Guidelines and Design Standards to be provided by TSA. The SSTP will be based on the Terminal Project Manager responses to an SSTP questionnaire to be completed within 90 days of Integrated Site Acceptance Testing. The SSTP shall be delivered to the Terminal Project Manager 30 days in advance of projected ISAT start-up. The TSA Test Lead and Site Lead shall participate in an SSTP review meeting no less than 14 business days prior to the projected ISAT start up to ensure that all Project Team concerns and questions about the ISAT test plan are resolved and to coordinate logistical and technical needs.

1.3.3. Integrated Site Acceptance Testing (ISAT)

Scheduling and Coordination: Construction schedule including the ISAT start date(s) and duration(s) shall be shared with the TSA Site Lead at 120, 90, 60, 30, and 14 days from the anticipated ISAT start date. This schedule shall be distributed each time changes are made to the ISAT start date and/or duration. Changes made to the schedule within two weeks of the planned ISAT start date may relieve the TSA of the obligation to begin testing within three business days of the TRR. In this situation, the ISAT start date could depend on TSA's testing workload and resource allocation.

Test Results and Reports:

Testing results will be shared in hard copy format with the Terminal Project Manager and the PANYNJ Program Manager through the local TSA Point of Contact. Test results will identify any security, efficiency or safety concerns. There are three (3) possible test outcomes:

- Pass - System meets TSA P&C Requirements;
- Defects Found - TSA will staff the system but further work needed to correct defects;
- Failed - TSA will not staff the system; Contractor should resolve issues as published and prepare for re-testing.

1.4 INTEGRATION SERVICES

1.4.1. BHS Support

The EDS OEM shall assist the Terminal Project Manager's BHS contractor to establish digital and serial communication for the EDS units. Once communication between devices has been established, the EDS OEM shall provide the following support and integration services.

- Assist the BHS contractor to obtain efficient EDS operation.
- Provide on-site Integration Engineer Support Services to facilitate the entire integration effort with the BHS.
- Be available to support system testing and validation conducted by in-house staff or external contractors including Site Specific Test Plan (SSTP) for the Integrated Site Acceptance Test (ISAT) and pre-ISAT project testing and throughout the planning phases including the issuance of the ISAT TRN and TRR.
- During initial system operations run of live checked baggage, provide technical assistance as requested by TSA and/or the Terminal Project Manager.

1.4.2. Software and Hardware

Following SAT and throughout the integration effort, the EDS OEM shall install and test the required software and hardware to allow for digital and serial communication between the EDS and the BHS PLC if required. Functionality of the EDS BHS interface hardware and software shall be verified by the EDS OEM at the interface box prior to working with the BHS contractor to ensure a proper operating PLC interface and to avoid delays.

1.5 SYSTEM NETWORKING

1.5.1 Network Infrastructure

The EDS OEM shall provide required patch cables and miscellaneous hardware to interface between network patch panel and EDS OEM supplied networking components.

1.5.2 Network Services

The EDS OEM shall provide: training for TSA staff; coordination and support for TSA and testing certification; and resources to conduct installation, testing, and initial operational support for networking. No other network may interface with the networked airport screening solution. The implemented assigned network for operation shall be an isolated, stand-alone network.

1.6. TRAINING

TSA will provide training for TSA screening staff on the operation of the EDS and ETD equipment.

1.7. MAINTENANCE

Upon successful completion of SAT testing for each unit, TSA will maintain and repair the EDS and ETD units throughout their lifecycles.

B. PANYNJ AND DESIGNEE TERMINAL PROJECT MANAGER RESPONSIBILITIES with regard to the Terminal Projects are listed in sections 2.1 to 2.5 below.

2.0 DESIGN

The Terminal Project Manager will undertake completing the 100% design of a baggage screening solution for its respective Terminal(s), which meets the needs of the Airport, Airlines and TSA FSD. The Project Manager shall submit design at 30%, 60% and 100% intervals to TSA for review. The Project Manager shall respond to TSA design review comments promptly and in writing.

2.1 EDS PLACEMENT

The Project Manager shall ensure that the Project site will be ready to accommodate the installation of the EDS and associated equipment. The Project Manager shall be responsible for providing rigging oversight activities, and shall provide adequate protection to the EDS machines and to the airport infrastructure during any and all ED's movements. The Project Manager shall coordinate with the EDS OEM to integrate all activities regarding placement of ED's equipment. The Project Manager shall provide reasonable measures to protect the EDS and ETD equipment from damage in the screening area.

2.1.1 Site Readiness and Storage

The Project Manager shall confirm site readiness to receive ED's units to the TSA Site Lead no later than10 business days prior to requested delivery date. Site readiness shall address availability of permanent power; removal of obstacles to the rigging path; and adequacy of physical environmental conditions within the delivery area that meet EDS OEM standards for protecting the EDS units. The Project Manager shall provide secure storage for the ED's units and ancillary equipment if site conditions at the time of delivery do not provide adequate protection. The Project Manager shall provide secure storage space for hardware associated with ED's integration and multiplexing until it can be installed by EDS OEM Integration Support Staff.

2.1.2 Rigging Services

The Project Manager Team will be responsible for providing rigging path verification, ingress path, and/or structural analysis. If required, the Project Manager Team will remove and replace any walls, windows, glass, doors, or other physical barriers in support of rigging activities.

2.2 INSTALLATION SUPPORT

2.2.1 Power Requirements

The Project Manager will provide terminations to the EDS for electrical power. The Project Manager will be responsible for providing all infrastructure power requirements including separate metering. If applicable, the Project Manager will design and install all power requirements to terminal locations within the OSR room, ETD room, and at EDS locations. The Project Manager will provide cabling from terminations to EDS equipment. The Project Manager shall attest to the availability of power supply to adequately support the EDS and associated equipment in accordance with OEM specifications and be liable for damage to this equipment resulting from intentional deviations to accepted power supply conditions.

2.2.2 Commissioning Services

The Project Manager will be responsible for obtaining all other infrastructures as stated in the Memorandum of Agreement between the TSA and the PANYNJ and not mentioned in Section 2.2.1 to support EDS operations and maintenance.

2.3 INTEGRATION SERVICES

The Project Manager shall ensure that the BHS Contractor coordinates with EDS OEM in support of integration activities (e.g. installation and testing the required software and hardware to allow for digital and serial communication between the EDS and the BHS PLC) as needed. Terminations to the EDS for BHS PLC communication shall be performed by the BHS contractor.

2.4 NETWORKING

2.4.1. Network Infrastructure

The Project Manager will design and install all communication conduit, fiber, etc. as required by the EDS OEM's design criteria for the EDS and EDS networking system, including but not limited to connectivity of the remote OSR Room, ETD/Resolution area, and the Baggage Control Room as required. Exact parameters will be reviewed at Project start-up by TSA. The Project Manager will provide cabling and network patch panels in TSA control rooms, ETD search areas, and the TSA network room as determined by the network design conducted in conjunction with the Project Manager. The EDS OEM shall provide required patch cables and miscellaneous hardware to interface between network patch panel and EDS OEM-supplied networking components. The Project Manager will provide all electrical outlets to support installation and operation of a fully multiplex ed explosive detection system.

2.4.2. Network Services

No other network may interface with the networked airport screening solution. The implemented assigned network for operation shall be an isolated, stand-alone network.

2.5. IV&V - TESTING SUPPORT

The Project schedule shall allow for sufficient time to conduct mandatory testing of the EDS units after installation and integration. The project schedule shall also factor in minimum lead times for notification of readiness for testing (7 days for SAT; 3 days for TRR; and 3 days for ISAT.) The Project Manager shall identify operational windows in time in which testing activities can be accomplished. Testing activities will normally be scheduled for normal business days (Monday-Friday) and should not include holidays unless previously agreed to.

2.5.1 Site Specific Test Plan (SSTP)

The Project Manager shall ensure that information needed to develop an accurate SSTP is provided to TSA Test Lead at the earliest opportunity, but no later than 90 days prior to requested testing date. Such documentation includes:

- BHS Specifications
- Controls Description and/or Description of Operation (if both exist then provide both)
- E-Stop Zone Drawings
- BHS Drawings Plan and Elevation Views
- Phasing Plan Narrative and Phasing Plan Drawings
- Construction and Testing Schedule

All drawings shall be clearly visible and readable when plotted on Arch D Size Stock, All documents shall be submitted electronically (e.g. text documents in MS Word or PDF and drawings in AutoCAD [.dwg] or PDF.)

Any system constraints that will prevent compliance with TSA testing and performance criteria should be disclosed as far in advance as possible to allow for evaluation of applicable waivers. Any restrictions on system availability and accessibility for testing shall be disclosed. Cutover plans including any phasing plans that will affect the Testing Contractor's ability to test the full system from ticket counters through the outbound/sortation system shall also be disclosed to allow for the development of an accurate SSTP.

The Project Manager will have the opportunity to review and comment on SSTP in advance of testing. Comments and/or questions should be directed to the TSA Project Lead and the TSA Site Lead.

2.5.2. Test Readiness Report (TRR)

This pre-ISAT activity is conducted by TSA Site Lead in coordination with the Airport Project Team (typically the BHS Contractor.) The purpose of this testing activity is to assure TSA of site readiness for ISAT and is a precursor for TSA authorization for TSA Test Lead to deploy. The Project Manager Team will be provided TRR data sheets by the TSA Site Lead. BHS/CBIS configuration and operation shall be in final form intended for bag screening operations. Unless mutually agreed to, changes/improvements to BHS/CBIS between TRR and ISAT are not authorized. The Project Manager Team must address security and efficiency defects found during TRR and be prepared to implement mutually agreed upon corrective actions prior to ISAT.

Required input from the Project Team will include:

Functional Testing Documentation: Testing authentication must be clearly reported and show every test with bag ID and declared status on printed EDS FDRs (Field Data Reports) and resulting bag destination. Ledger forms should show test date, type of test, identification of bag destination location, and ID number of the bags arriving at that location. Sample ledger forms will be provided in the SSTP.

- These reports should be organized and indexed in a loose-leaf binder(s)
- Each test shall conclude with an indication of successfully passing the required criteria of BHS specification and testing criteria and if conflict or failure exists, then so indicate with an explanation.
- Presentation of completed testing and TRR required documentation to TSA Site Lead not less than 7 business days prior to anticipated Pre-ISAT date is required.

Sort and Rate Test Observation: Sufficient numbers of test bags (no less than 100 test bags per EDS) will be utilized to "stress" the BHS/CBIS as would occur during peak operating times. Test bag set profile should be similar to Battelle profile.

- A real-time observation by TSA Site Lead of a global BHS/CBIS Sort and Rate Test using clear and suspect bags is required.
- All EDS equipment must **be** operational.
- All baggage entry points must **be** utilized.
- After a successful TRR, TSA Deployment Lead approves start of ISAT testing and TSA Testing Contractor Team normally arrives at airport within 3 business days.

2.5.3. Logistical Support Needs: The Project Manager shall identify any logistical or support needs that will impact TRR and ISAT testing, to include:

- any process needed to obtain sufficient baggage tags should the system use IATA baggage tracking mechanisms;
- any process needed to obtain airport badges/access for TSA Testing Contractor's personnel;
- availability of baggage handling support for testing activities; and
- availability of support for delivery and secure storage of the TSA Testing Contractor's test bags for ISAT (100 bags per EDS.)

2.5.4. ISAT Testing: The TSA's Testing Contractor will meet with the Project Manager Team at least 30 days prior to testing to coordinate the conduct of ISAT testing. The TSA Test Lead and the Project Manager Team will finalize details relating to the scheduling and duration of the testing. (Generally allow 1.5 days per EDS line and 1.5 days per each system Sort Testing and Rate Testing.)

2.5.5. Test Results and Reports

In the event of a Defects Found or Failed result during TRR or ISAT testing, the Project Manager Team shall report corrective actions to be applied and the timeline associated with said corrections. If constructed system fails testing, TSA will work with the Project Manager Team to identify corrective solutions. TSA is not obligated to accept or operate a baggage screening system that does not meet the minimum test standards.

2.5.6. Post ISAT and Run-**in Activities:** The TSA Site lead will conduct 30-day operational run-in observations of the system following successful ISAT testing.

The airport/airline/authority shall provide a written response outlining corrective actions that will be taken due to outstanding deficiencies, issues, and action items identified in the Test Report within three (3) months.

It is essential for the continued secure and efficient operation of the CBIS that changes to the system are evaluated, reviewed and approved before they are implemented. Changes made to the system subsequent to ISAT should be coordinated and approved in advance with TSA Deployment Team. Failure to do so will lead to TSA decertification of the baggage screening system. In some cases the TSA Testing Contractor will need to evaluate proposed changes to determine if they constitute modifications sufficient to warrant the development of a new SSTP and re-testing.

The following procedure is to **be** followed for all changes to CBIS systems other than those required for normal routine and periodic maintenance/repairs to the system. The airport/airline/authority responsible for the system shall assemble a package of information for submittal to TSA Office of Security Technology which includes the fallowing minimum information.

- Written description of all physical and programming changes to the system
- Reason for proposed change
- Anticipated impact to system operations (i.e. increased throughput, lowered tracking losses, elimination of bag jams)
- Drawings showing affected areas

- Any potential security, tracking or efficiency impacts, including impact on manpower or operations
- Proposed date of changes
- Willingness of the airport or airline to pay for the changes to the system

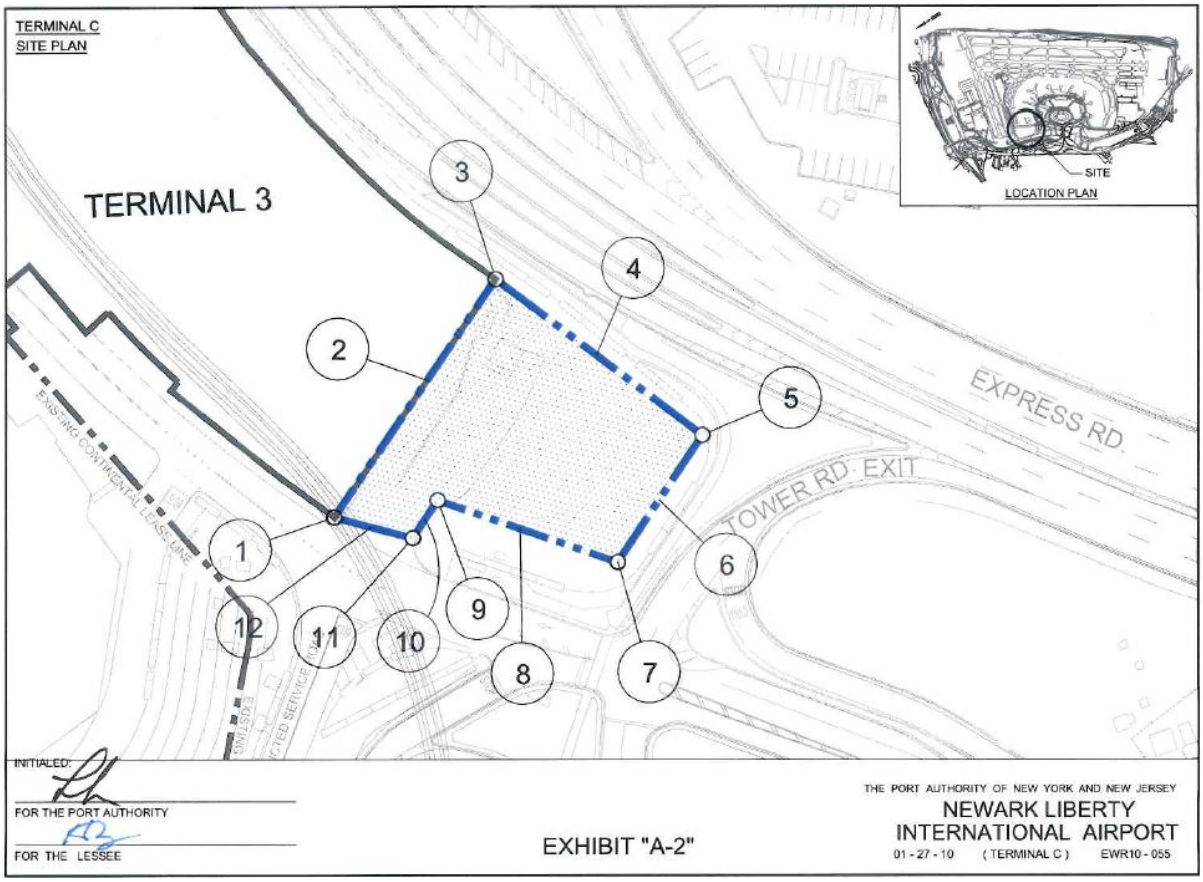
This package shall be delivered to the applicable TSA FSD who shall review the package, adding any comments that he/she may have and forward the package to TSA Office of Security Technology.

The TSA Office of Security Technology will review the package. Once the review has been completed, the Office of Security Technology shall notify the airport/airline/authority and the applicable TSA FSD of the recommendations and testing requirements for the system changes.

EXHIBIT A-2

Description of Additional Premises

Exhibit A-2


TERMINAL C
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INITIALED:
FOR THE PORT AUTHORITY
FOR THE LESSEE
EXHIBIT "A-2"
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
NEWARK LIBERTY
INTERNATIONAL AIRPORT
01 - 27 - 10
(TERMINAL C)
EWR10 - 055

DATA TABLE
(BEARINGS, COORDINATES, DISTANCES, RADIUS)

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2	N 26° 45' 36.24" W 189.167'	6	S 27° 12' 16.43" E 100.419'	10	S 27° 57' 36.63" E 29.745'
3	N 678,680.240 E 2,134,795.137	7	N 678,701.878 E 2,134,593.382	11	N 678,810.934 E 2,134,672.873
4	N 66° 31'41.73" E 169.905'	8	S 48° 27' 43.52" W 124.833'	12	S 44° 08'45.11" W 53.254'

NOTE:
COORDINATES EXPRESSED IN FEET AND BEARING REFER TO THE GRID SYSTEM OF THE NEWARK, NEW JERSEY TOPOGRAPHICAL BUREAU.

INITIALED:
/s/ (illegible)
FOR THE PORT AUTHORITY
/s/ (illegible)
FOR THE LESSEE

EXHIBIT "A-2"

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
NEWARK LIBERTY
INTERNATIONAL AIRPORT
01-27-10 (TERMINAL C) EWR10-055

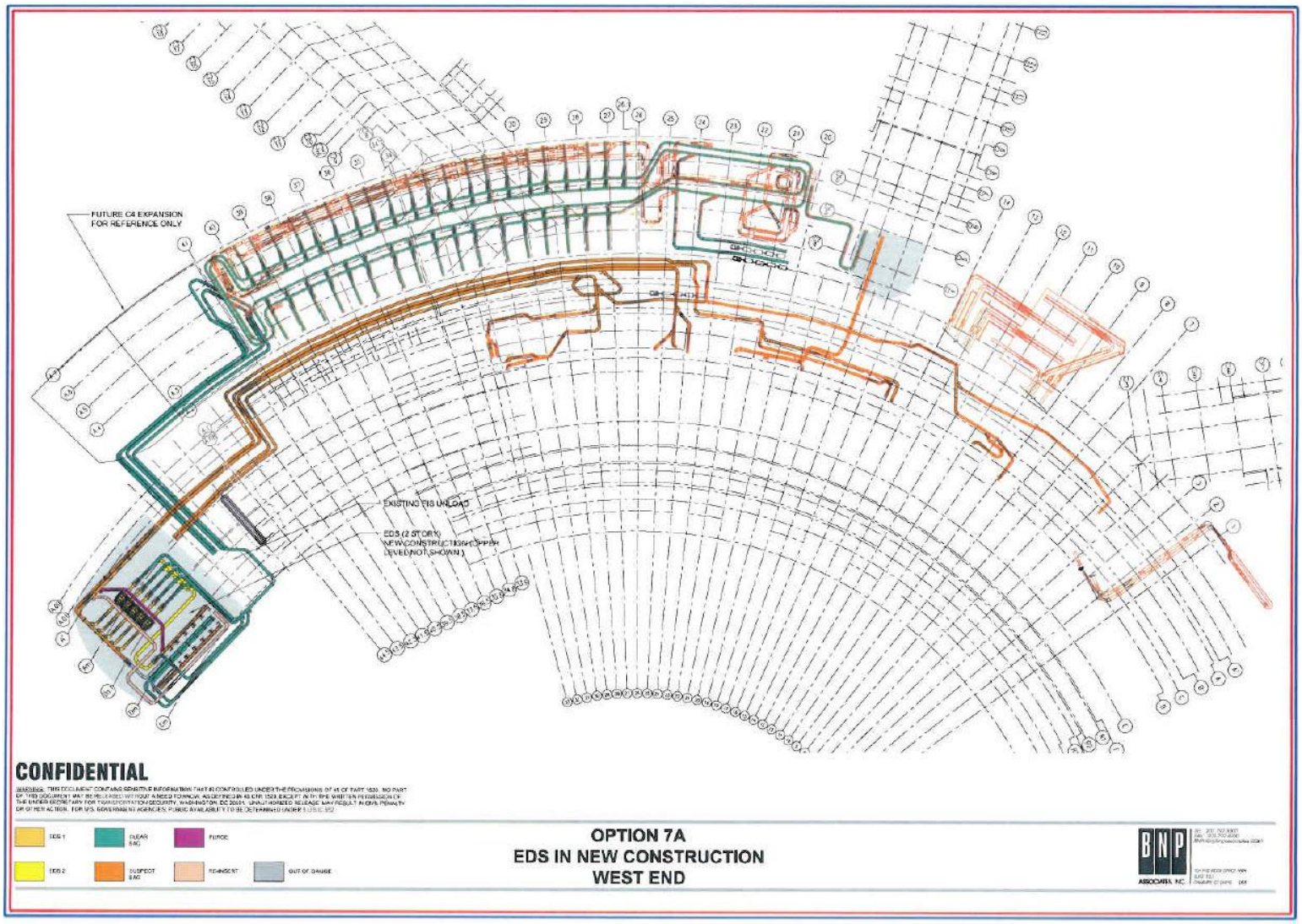
EXHIBIT B

Exhibit B

Conceptual Drawings and General Scope of Work

Construct an in-line checked baggage screening system for Terminal C Newark Liberty International Airport. The components of the system will be constructed to support the findings in the report entitled "Newark Liberty International Airport, Terminal C, Baggage Handling and EDS Analysis, July 2009" as prepared by BNP Associates Inc. and will be consistent with the approved concept design attached, together with this general scope of work, as Exhibit B to Lease ANA 170, Supplement 26. Lessee intends to:

- Construct a new building of approximately 72,000 square feet to accommodate the new in-line checked baggage screening system
- Construct and install the new baggage screening equipment and related systems in accordance with the TSA Planning Guidelines and Design Standards (PGDS) including an on-screen resolution room
- Construct the new baggage system that will consist of 10 integrated CTX machines (CTX 9400 or better)
- Construct the new system to be able to process a minimum of 4,000 bags per hour
- Install approximately 13,500 linear feet or greater of baggage conveyors
- Install catwalks and other structures to support the baggage system
- Construct an Over-Size/Odd-Size baggage screening area in the present location of CO's facility maintenance warehouse which is located at operations level of the C2 concourse
- Construct a new 5,000 square foot facility maintenance warehouse to account for this displaced function
- Demolish 26 existing CTX sub-screening systems at EWR Terminal C. The scope of work will include demolition and removal of partition walls and baggage conveyors work
- Restore screening areas back to passenger processing and operations support areas.


FUTURE C8 EXPANSION
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EXISTING T18 UNLOAD
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CONFIDENTIAL
OPTION 7A
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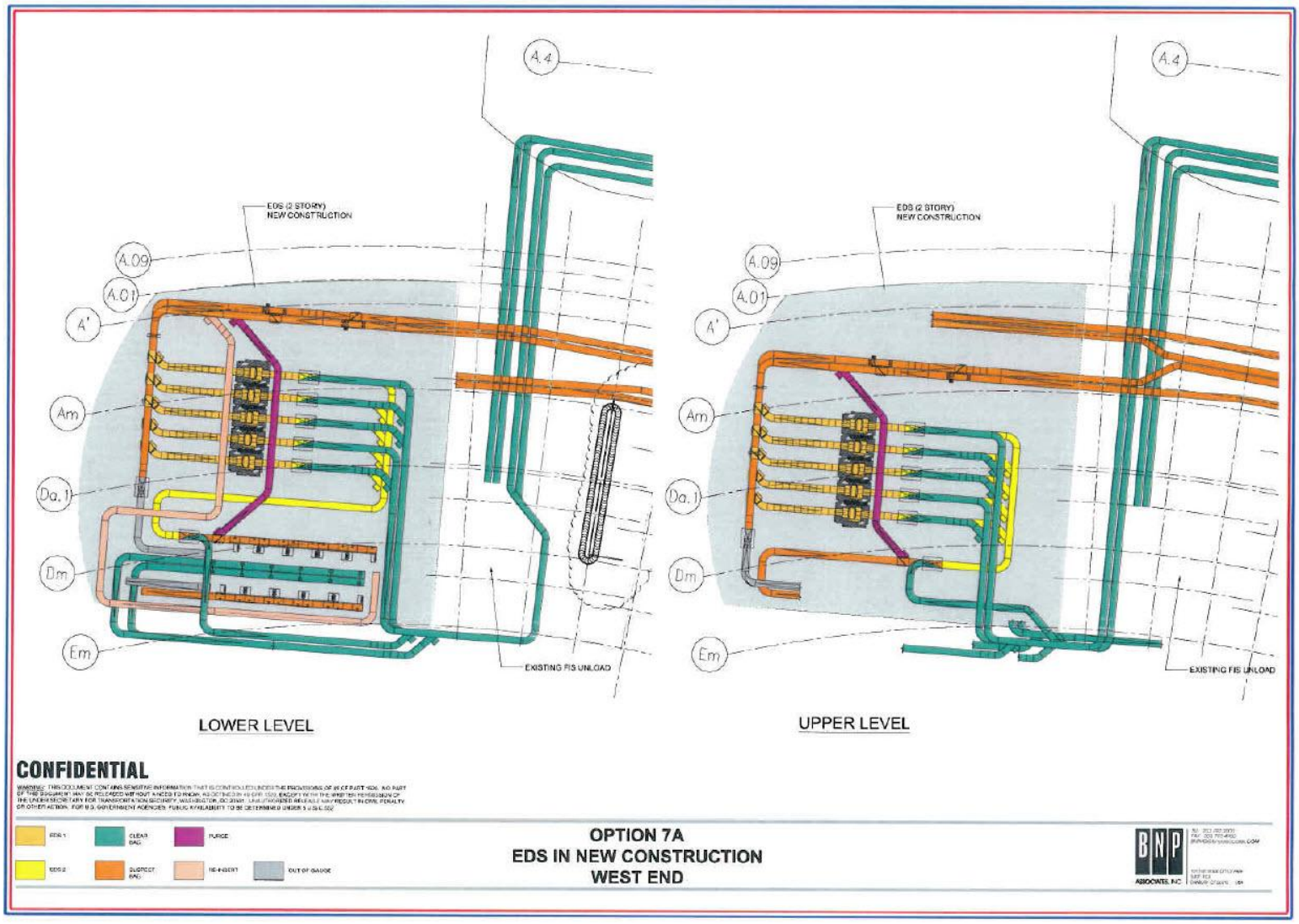
BNP
ASSOCIATES, INC.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CONFIDENTIAL
OPTION 7A
EDS IN NEW CONSTRUCTION
WEST END
BNP
ASSOCIATES, INC.

EXHIBIT C

Letter of Credit Terms and Conditions

For the purposes of subparagraph (a) of Paragraph 36 of the Supplemental Agreement (the "Agreement") between The Port Authority of New York and New Jersey (the "Port Authority') and Continental Airlines, Inc. (the "Lessee") to which this Exhibit C is attached, a '***Letter of Credit***' shall mean in the singular each of and '***Letter of Credits***' shall mean in the plural all of the letter of credits which may be delivered by the Lessee to the Port Authority as security for its obligations pursuant to the provisions of subparagraph (a) of Paragraph 36 of the Supplemental Agreement and which meet all of the requirements set forth:

The Lessee shall deliver or shall cause to be delivered to the Port Authority a clean irrevocable Letter of Credit issued by a banking institution satisfactory to the Port Authority and having its main office within the Port of New York District, in favor of the Port Authority in the amount of the demand by a *qui tam* person pursuant to the provisions of subparagraph (a) of Paragraph 36 of the Agreement. The form and terms of such Letter of Credit, as well as the institution issuing it, shall be subject to the prior and continuing approval of the Port Authority. If requested by the Port Authority, said Letter of Credit shall be accompanied by an opinion of counsel for the banking institution that the issuance of said clean irrevocable Letter of Credit is an appropriate and valid exercise by the banking institution of the corporate power conferred upon it by law. Each Letter of Credit shall provide that it shall continue until the last day of the sixth full calendar month occurring after the final adjudication, settlement or other resolution of such demand. Such continuance may be by provision for automatic renewal or by delivery to the Port Authority of a substitute letter of credit satisfactory to the Port Authority and meeting all the requirements set forth in this Exhibit C in an amount so that at all times until the final adjudication, settlement or other resolution of such demand the Port Authority shall have a Letter of Credit or Letters of Credit in the amount of such demand. Upon notice of cancellation of a Letter of Credit the Lessee agrees that unless, by a date twenty (20) days prior to the effective date of cancellation, the Letter of Credit is replaced by another Letter of Credit satisfactory to the Port Authority, the Port Authority may draw down the full amount thereof and thereafter the Port Authority will hold the same as security of the Lessee's obligations under subparagraph (a) of Paragraph 36 of the Agreement, as applicable until the final adjudication, settlement or other resolution of such demand. Failure to provide such Letter of Credit at any time until the completion of the Project and successful completion of the TSA EDS systems test conducted by the TSA, which is valid and available to the Port Authority, including any failure of any banking institution issuing any such Letter of Credit previously accepted by the Port Authority to make one or more payments as may be provided in such Letter of Credit shall be deemed to be a breach of the Supplemental Agreement or of the Terminal C Lease, as described in and pursuant to subparagraph (a) of Paragraph 36 of the Supplemental Agreement, on the part of the Lessee. No action by the Port Authority pursu ant to the terms of any Letter of Credit, or receipt by the Port Authority of funds from any bank issuing any such Letter of Credit, shall be or be deemed to be a waiver of any default by the Lessee under the terms of the Supplemental Agreement and all remedies under the Agreement of the Port Authority consequent upon such default shall not be affected by the existence of a recourse to any such Letter of Credit.

Initialled:

For the Port Authority

For the Lessee

Exhibit 10.4

Supplemental Agreement No. 56

to

Purchase Agreement No. 1951

(the Agreement)

Between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, is entered into as of August 12, 2010 by and between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Customer);

WHEREAS, Boeing agrees to re-schedule the delivery of three (3) 737-900ER Aircraft originally scheduled to be delivered under the Agreement in April, May and June 2011 to January, April, and May 2015. The Customer also wishes to exercise **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

WHEREAS, Boeing agrees to re-schedule the delivery of two (2) 737-700 Aircraft originally scheduled to be delivered under the Agreement in July and August 2012 to March and April 2012;

WHEREAS, Boeing agrees to re-schedule the delivery of four (4) 737-700 Option Aircraft originally scheduled to be delivered under the Agreement in January, February, March and April 2012 to September and December 2012 and February and April 2013;

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

WHEREAS, Customer has previously agreed to allow Boeing to use certain aircraft for flight testing in accordance with Letter Agreement 6-1162-RCN-1890, and the parties wish to update Attachment 1 to that Letter Agreement;

WHEREAS, in consideration of Customer's acceptance of Boeing's request to reschedule the Aircraft, advance payments received August 2, 2010 in the amount of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** may be applied to the delivery invoice for the Aircraft with serial number 30132 scheduled to deliver August 16, 2010. Any remaining advance payments received to date for rescheduled aircraft will be held without interest and will be applied against other advance payments for both 737 Aircraft and 787 aircraft as they become due.

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, Exhibits, and Letter Agreements:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the "Table of Contents" attached hereto, to reflect the changes made by this Supplemental Agreement No. 56.

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

1.3 Remove and replace, in its entirety, page T-6-3 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-900ER Aircraft", with the revised page T-6-3 of Table 1 attached hereto.

1.4 Remove and replace, in its entirety, Attachment B to Letter Agreement 1951-9R20, "Option Aircraft Delivery, Description, Price, and Advance Payments".

1.5 Incorporate Letter Agreement 6-1162-SEE-0326, Model 737 – Koito Seat Resolution, to document the Koito seat delay resolution, which shall be inserted into the Agreement after Letter Agreement 6-1162-RCN-1890;

1.6 Remove and replace, in its entirety, Attachment 1 to Letter Agreement 6-1162-RCN-1890 with the revised Attachment 1 to Letter Agreement 6-1162-RCN-1890, attached hereto.

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

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

THE BOEING COMPANY	CONTINENTAL AIRLINES, INC.
By: /s/ Susan Englander	By: /s/ Jacques Lapointe
Its: Attorney-in-Fact	Its: Senior Vice President- Procurement

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Supplemental Agreement No. 1	October 10, 1996
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Supplemental Agreement No. 5	May 21, 1998
Supplemental Agreement No. 6	July 30, 1998
Supplemental Agreement No. 7	November 12, 1998
Supplemental Agreement No. 8	December 7, 1998
Supplemental Agreement No. 9	February 18, 1999
Supplemental Agreement No. 10	March 19, 1999
Supplemental Agreement No. 11	May 14, 1999
Supplemental Agreement No. 12	July 2, 1999
Supplemental Agreement No. 13	October 13, 1999
Supplemental Agreement No. 14	December 13, 1999
Supplemental Agreement No. 15	January 13, 2000
Supplemental Agreement No. 16	March 17, 2000
Supplemental Agreement No. 17	May 16, 2000
Supplemental Agreement No. 18	September 11, 2000
Supplemental Agreement No. 19	October 31, 2000
Supplemental Agreement No. 20	December 21, 2000
Supplemental Agreement No. 21	March 30, 2001
Supplemental Agreement No. 22	May 23, 2001
Supplemental Agreement No. 23	June 29, 2001
Supplemental Agreement No. 24	August 31, 2001
Supplemental Agreement No. 25	December 31, 2001
Supplemental Agreement No. 26	March 29, 2002
Supplemental Agreement No. 27	November 6, 2002
Supplemental Agreement No. 28	April 1, 2003
Supplemental Agreement No. 29	August 19, 2003
Supplemental Agreement No. 30	November 4, 2003
Supplemental Agreement No. 31	August 20, 2004
Supplemental Agreement No. 32	December 29, 2004
Supplemental Agreement No. 33	December 29, 2004
Supplemental Agreement No. 34	June 22, 2005
Supplemental Agreement No. 35	June 30, 2005
Supplemental Agreement No. 36	July 21, 2005
Supplemental Agreement No. 37	March 30, 2006
Supplemental Agreement No. 38	June 6, 2006
Supplemental Agreement No. 39	August 3, 2006
Supplemental Agreement No. 40	December 5, 2006
Supplemental Agreement No. 41	June 1, 2007
Supplemental Agreement No. 42	June 13, 2007
Supplemental Agreement No. 43	July 18, 2007
Supplemental Agreement No. 44	December 7, 2007
Supplemental Agreement No. 45	February 20, 2008
Supplemental Agreement No. 46	June 25, 2008
Supplemental Agreement No. 47	October 30, 2008
Supplemental Agreement No. 48	January 29, 2009
Supplemental Agreement No. 49	May 1, 2009
Supplemental Agreement No. 50	July 23, 2009
Supplemental Agreement No. 51	August 5, 2009
Supplemental Agreement No. 52	August 31, 2009

Supplemental Agreement No. 53	December 23, 2009
Supplemental Agreement No. 54	March 1, 2010
Supplemental Agreement No. 55	March 31, 2010
Supplemental Agreement No. 56	August 12, 2010

Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-700 Aircraft

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

Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-700 Aircraft

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

Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-700 Aircraft

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

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]

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

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

Attachment B to
Letter Agreement 1951-9R20
Option Aircraft Delivery, Descripton, Price and Advance Payments

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

Attachment to 6-1162-RCN-1890
Update No. 3

Aircraft No.	EWA No. *	Estimated Flight Test Hrs.	Actual Flight Test Hrs.	Scheduled Delivery Month	Revised Delivery Month	Test Program $ Value	Wheels, tires, brakes replaced?	Engines Borescoped?
3138/YJ571	Y3333-003 Y3232-008 Y3290-001 Y3242-021 Y3013-053 Y2227-004 Y3243-048	No greater than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		Jan-2010	Aug-2010	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	No	Yes
3138/YJ571	Y3243-046 Y3243-045	No greater than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		Jan-2010	Aug-2010	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	No	**Yes**
3138/YJ571	Y3243-050 Y3243-022 Y3230-024	No greater than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		Jan-2010	Aug-2010	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	No	**Yes**
3464/YR201	Y3243-051	No greater than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		Aug-2011	Aug-2011	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	No	N/A test engines will be installed on this aircraft

* EWA is the Boeing Engineering Work Authorization form number. Such form contains the test description and will be provided to Customer concurrent with this attachment.

**** Target delivery dates are TBD due to Koito Seat delays. When more firm target delivery dates are known, they will be provided to Customer.**

Approved by:

CONTINENTAL AIRLINES, INC.

By /s/ Jacques Lapointe

Its Senior vice President-Procurement

August 12, 2010
6-1162-SEE-0326

Continental Airlines, Inc.
1600 Smith Street HQSFM
Houston, TX 77002

Subject: Model 737 - Koito Seat Delay Resolution

Reference: 1) Purchase Agreement No. 1951 dated July 23, 1996 (the **Purchase Agreement**) between The Boeing Company (**Boeing**) and Continental Airlines, Inc.(the **Customer**).

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. Koito Seat Delay. Customer's 737-800 and 737-900ER Aircraft listed below have been configured with Koito seats. Koito has been unable to deliver seats in order to support these deliveries. Customer has executed multiple Master Changes which convert the SPE seat supplier from Koito to B/E and revise the aircraft configuration to support installation of B/E seats on these Aircraft (the **Converted Aircraft**):

#	Minor Model	Serial Number	Block Number	Contract Month	Target Delivery Month
1	-800	30132	YJ571	November 2009	August 2010
2	-800	31658	YJ572	November 2009	August 2010
3	-800	31662	YJ573	December 2009	August 2010
4	-800	31660	YJ574	December 2009	August 2010
5	-800	37101	YJ576	January 2010	August 2010
6	-800	31642	YJ575	February 2010	August 2010
7	-800	31659	YJ577	March 2010	August 2010
8	-800	38700	YJ578	April 2010	August 2010
9	-800	.38701	YJ579	May 2010	August 2010
10	-900ER	31655	YH131	June 2010	December 2010
11	-900ER	31643	YH132	July 2010	December 2010
12	-800	31652	YR202	December 2010	December 2010

2. Purchase and Installation of Interim Seats. In order to deliver the Converted Aircraft to Customer, Boeing agrees to procure and install B/E Aerospace seats, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Customer agrees to facilitate reasonable requests from Boeing to perform testing on future aircraft deliveries to Customer, provided such testing does not materially impact the delivery date, value, utility or configuration of the aircraft.

3. Non-Traditional BFE Door. Notwithstanding the return language in paragraph 1 of Letter Agreement 6-1162-MSA-435 regarding Customer's Non-Traditional BFE Door, Customer agrees to remove and ship, with AOG priority, the Non-Traditional BFE Doors within two days after delivery of each of the Converted Aircraft to Customer.

4. Converted Aircraft Storage. Boeing will store the Converted Aircraft from production rollout until the flyaway dates detailed in Article 7(the Storage Period) under the terms and conditions set forth in this paragraph.

During the Storage Period, Boeing shall store or cause the Converted Aircraft to be held in storage in accordance with the then current version of Boeing Document No. D6-25419-1, entitled Aircraft Storage Requirements, as it may be modified from time to time to take into account storage locations and storage conditions (Storage Procedures). Boeing shall perform or cause to be performed all work associated with storage of the Converted Aircraft in accordance with the Storage Procedures and under the authority granted by the FAA to Boeing or a third party repair station facility. Customer acknowledges that the data in the Storage Procedures is proprietary to Boeing and as such, is subject to the terms and conditions of the Purchase Agreement regarding protection of Proprietary Information.

The Storage Procedures shall be such as to preserve and protect the Converted Aircraft to the extent practical given the fact that the Converted Aircraft and its systems will be in a storage environment. Customer acknowledges that during the storage period some degree of deterioration may occur, including without limitation in the Converted Aircraft exterior (painted and unpainted surfaces), seals, and in the general condition of the Converted Aircraft, that prudent storage precautions and procedures may not be able to mitigate. At the time Boeing makes the stored Converted Aircraft available for delivery to Customer, Customer agrees to accept delivery of the Converted Aircraft with such deterioration as may have occurred to the Converted Aircraft during the storage period. Prior to delivery of the Con verted Aircraft, designated Customer representatives may inspect the Converted Aircraft in accordance with Article 9.2 of the Purchase Agreement. Any deterioration deemed to be in excess of acceptable deterioration will be addressed via standard delivery processes, subject to discussion between Boeing and Customer.

Except to the extent provided in this Letter Agreement (including in this Article and Attachment A), the parties agree that the risk of loss of, or damage to, the Converted Aircraft shall remain with Boeing until, and shall pass from Boeing to the Customer upon, delivery of the Converted Aircraft to the Customer. In the event of partial damage to the Converted Aircraft during the storage period, if in Boeing's reasonable discretion the damage is repairable and if Boeing elects to repair the Converted Aircraft, such repair shall be to and in accordance with Boeing's commercial engineering and repair practices and standards. If, during the storage period and prior to delivery of Aircraft the Converted Aircraft is destroyed or suffers damage beyond economic repair, Article 6.3 (Aircraft Damaged Beyo nd Repair) of the Purchase Agreement will apply. If the Converted Aircraft is destroyed or suffers damage beyond economic repair after delivery of the Aircraft to Customer and before the Aircraft is ferried to Customer's maintenance base, then Customer will retain the risk of loss of or damage to the Aircraft or loss of use thereof. Customer hereby releases and relieves Boeing, its directors, officers, agents, employees, invitees and contractors, and waives its entire claim of recovery for loss or damage to the Converted Aircraft (including without limitation loss of use thereof and any incidental or consequential damages of any kind suffered by Customer) made available for or used in operations pursuant to this Agreement whether or not such loss or damage is due to the negligence of Boeing, Customer or any third party. Customer shall cause its Hull Insurer of such Aircraft to waive all right of subrogation against Boeing, its directors, officers, agents, employees, inv itees and contractors.

4.1 Aircraft and Engine Changes.

During the Storage Period, Boeing shall monitor and document any applicable service bulletins and/or airworthiness directives issued by the applicable regulatory agency against the Converted Aircraft (**Changes or Orders**) and will review and discuss with Customer whether incorporation or implementation of any work is required on the Converted Aircraft or engines during or at the end of the storage period as a result of such Changes or Orders. If requested by Customer, and at Customer's option, Boeing shall, either (a) incorporate any Changes or Orders prior to the delivery of the Converted Aircraft at Boeing's sole cost and expense or (b) compensate Customer for the cost of incorporating any Changes or Orders on the Converted Aircraft

4.2 Aircraft Storage Documentation.

At time of delivery of the Converted Aircraft, Boeing will provide Customer with all documentation related to the storage of the Converted Aircraft, including but not limited to the following documentation: (i) records related to storage, maintenance and modification of the Converted Aircraft; and (ii) updated technical documentation reflecting compliance with mandatory airworthiness directives of the applicable regulatory agency as mutually agreed to.

5. Delivery.

Boeing will make the Converted Aircraft available for delivery to Customer, and Customer will accept delivery of the Converted Aircraft, according to the schedule provided in paragraph 1.0 (the Delivery Date).

If the Interim Seats do not arrive in time to support these Delivery Dates, Customer hereby agrees to accept delivery of these Converted Aircraft without seats installed, no later than August 31, 2010.

So long as there is no Customer default under the Purchase Agreement, then the Aircraft Basic Price shall escalate to the month of delivery as set out in Table 1 to the Purchase Agreement.

6. Flyaway. Customer shall use reasonable efforts to fly the Converted Aircraft away immediately following delivery, except in the event that the Interim Seats are not available to support the delivery. In this event, Boeing will continue to store the Converted Aircraft until the Interim Seats arrive, and will install the Interim Seats on the Converted Aircraft after delivery. Customer shall use reasonable efforts to fly the Converted Aircraft away no later than three calendar days after installation of Interim Seats (Current schedule reflects that installation for Converted Aircraft 8 and 9 as listed in Article 1 will be complete on September 1st and 2nd, respectively). Airplanes during this period will be held in storage in accordance with this Letter Agreement. If Customer requests, and Boeing agrees, to store any of the Converted Aircraft beyond the currently scheduled flyaway dates, a modification to this Letter Agreement will be negotiated between Boeing and Customer to document the terms and conditions of such storage.

7. Permanent Seat Solution.

7.1. Customer will be solely responsible for the costs of purchasing and installing any alternate seats after delivery of the Converted Aircraft, including but not limited to, all labor costs, except that:

(i) Boeing agrees to provide Service Bulletins (Service Bulletins) to support installation of the permanent seat solutions, using seats that have been previously certified on a CAL 737NG Aircraft in production, with further ground rules and assumptions to be defined in the respective Service Bulletin Proposals.

(ii) Boeing agrees to store the parts identified in Attachment 1 to this Letter Agreement that were removed from the Converted Aircraft prior to Delivery (the **Removed Parts**) and will deliver them with the service bulletin kits. If the Removed Parts are required prior to release of the service bulletin kits, Customer must provide 30 days' notice for Boeing to obtain the Removed Parts from storage and prepare them for delivery to Customer.

For the avoidance of doubt, upon the delivery of each Converted Aircraft to Customer, the price of the Converted Aircraft shall not include any cost associated with the Interim Seats or permanent seats.

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

8. Exclusive Remedy. Customer agrees that Boeing's undertakings herein constitute complete and total compensation for all of Customer's costs associated with the conversion of the SPE seat supplier for the Converted Aircraft.

9. Confidential Treatment. Customer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as required by law.

Very truly yours,

THE BOEING COMPANY

By /s/ Susan Englander

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: August 12, 2010

CONTINENTAL AIRLINES INC.

By /s/ Jacques Lapointe

Its: Senior Vice President-Procurement

Removed Parts:

DESCRIPTION	PART NUMBER	BFE/SPE/SFE	QTY PER A/P
LH class divider assy	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	SPE	1
RH class divider assy		SPE	1
Connector		SPE	2
Wire harness assy, tee output		SPE	1
Seat to seat cable		SPE	4
Seat to seat cable		SPE	2
Seat to seat cable		SPE	2
Seat to seat cable		SPE	2
Seat to sidewall cable		SPE	4
Seat to sidewall cable		SPE	1
Floor mounted stowage		SFE	1
Seat-seat-sidewall-seat cable		SPE	12
Seat-seat-sidewall-seat cable		SPE	10
Seat-seat-sidewall-seat cable		SPE	2
Seat-seat-sidewall-seat cable		SPE	2
Term cap, J1		SPE	4
PSU spacer panel		SFE	1
PSU spacer panel			
PSU spacer panel		SFE	2
PSU spacer panel		SFE	4
PSU spacer panel		SFE	1
Closeout seal		SFE	1

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

August 5, 2010

Exhibit 10.5

Supplemental Agreement No. 20

to

Purchase Agreement No. 2061

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 777 Aircraft

THIS SUPPLEMENTAL AGREEMENT, is entered into as of August 12, 2010 by and between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2061 dated October 10, 1997 (the Purchase Agreement) relating to Boeing Model 777-200ER Aircraft (the Aircraft); and

WHEREAS, the parties agree to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

WHEREAS, the parties also agree to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

Whereas the parties previously executed Letter Agreement No. 6-1162-RCN-1892 in regards to the replacement of certain SPE Koito Seats with Weber Seats for 777 Aircraft Block Numbers WC223 and WC224 and the parties desire to incorporate such Letter into the Purchase Agreement;

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

1. Revised Table of Contents

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. 20.

2. Revised Table 4

Remove and replace, in its entirety, Table 4 "Aircraft Delivery, Description, Price and Advance Payments" with a revised Table 4 attached hereto to reflect removal of the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

3. Revised Attachment to Letter Agreement 2061-1R10

Remove and replace, in its entirety, the Attachment to Letter Agreement No. 2061-1R10 "Option Aircraft Delivery, Price and Advance Payments", with the Attachment attached hereto to reflect the termination of Customer's last 4 Option Aircraft.

4. Option Aircraft Deposit Matters

Boeing and Customer hereby agree to incorporate into the Purchase Agreement Letter Agreement No. 6-1162-RCN-1895 regarding certain Option Aircraft deposit matters which is attached hereto, and which shall be inserted into the Letter Agreement after Letter Agreement No. 6-1162-CHL-195.

5. Letter Agreement No. 6-1162-RCN-1892

Letter Agreement No. 6-1162-RCN-1892 regarding the replacement of certain SPE Koito Seats with Weber Seats which was previously executed by the parties and is attached hereto is hereby incorporated into the Purchase Agreement, and which shall be inserted into the Letter Agreement after Letter Agreement No. 6-1162-CHL-195.

6. Other Terms

The effectiveness of this Supplemental Agreement is contingent on the concurrent execution of the 737 supplemental agreement no. 56 to purchase agreement no. 1951.

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

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

THE BOEING COMPANY	CONTINENTAL AIRLINES, INC.
By: /s/ Susan Englander	By: /s/ Jacques Lapointe
Its: Attorney-in-Fact	Its: Senior Vice President – Procurement

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Supplemental Agreement No. 8	June 29, 2001
Supplemental Agreement No. 9	June 25, 2002
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Supplemental Agreement No. 20	August 12, 2010

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

June 21, 2010
6-1162-RCN-1892

Continental Airlines, Inc.
1600 Smith Street HQSFM
Houston, TX 77002

Subject: **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for Weber Seats Costs

Reference: a) Purchase Agreement No. 2061 (the Purchase Agreement)
between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 777-200ER aircraft (the Aircraft)

b) Master Change No. 2525D115A55 Entitled: MP – PASSENGER COMPARTMENT SEATS – REVISION – REPLACE KOITO ECONOMY SEATS WITH WEBER ECONOMY SEATS – SPE (Master Change)

This Letter Agreement amends and supplements the Purchase Agreement. All terms used and not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

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

3. Confidential Treatment.

Boeing and Customer understand that certain information contained in this Letter Agreement, including any attachments hereto, is considered by both parties to be confidential. Boeing and Customer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By /s/ R.C. Nelson

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: June 21, 2010

CONTINENTAL AIRLINES, INC.

By /s/ Jacques Lapointe

Its: Senior Vice President- Procurement

6-1162-RCN-1895

Continental Airlines, Inc.
1600 Smith Street HQSFM
Houston, TX 77002

Subject: 777 Option Aircraft Deposit Matters

Reference: Supplemental Agreement No. 20 to Purchase Agreement No. 2061 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 777-200ER aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. All terms used and not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Option Deposits for Cancelled Option Aircraft.

Boeing and Customer agree that the deposits held by Boeing for the Option Aircraft terminated pursuant to Supplement Agreement No. 20 to the Purchase Agreement in the amount of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for each Option Aircraft **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** will be retained by Boeing **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUES T FOR CONFIDENTIAL TREATMENT]**

2. Confidential Treatment.

Boeing and Customer understand that certain information contained in this Letter Agreement is considered by both parties to be confidential. Boeing and Customer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By /s/ Susan Englander

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: August 12, 2010

CONTINENTAL AIRLINES, INC.

By /s/ Jacques Lapointe

Its: Senior Vice President-Procurement

EXHBIT 31.1

CERTIFICATION

I, Jeffery A. Smisek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 21, 2010

/s/ Jeffery A. Smisek
Jeffery A. Smisek
Chairman, President and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Zane C. Rowe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 21, 2010

/s/ Zane C. Rowe
Zane C. Rowe
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2010 (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.

Dated: October 21, 2010

/s/ Jeffery A. Smisek
Jeffery A. Smisek
Chairman, President and
Chief Executive Officer

/s/ Zane C. Rowe
Zane C. Rowe
Executive Vice President and
Chief Financial Officer