CONTINENTAL AIRLINES INC /DE/
Form 424B3
July 01, 2003

Filed pursuant to Rule 424(b)(3)
Registration No. 333-104689

PROSPECTUS

$200,000,000

Continental Airlines, Inc.

Offer to Exchange

Floating Rate Secured Notes Due 2007,
which have been registered under the Securities Act of 1933,
for any and all outstanding Floating Rate Secured Notes Due 2007

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

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

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

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

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 All old senior notes that are validly tendered and not validly withdrawn will be exchanged.

The exchange offer expires at 5:00 p.m., New York City time, on July 28, 2003, unless the exchange offer is extended.

The senior notes and the exchange offer involve risks. See Risk Factors on page 21.

Principal Amount	Interest Rate(1)	Final Scheduled Payment Date
$200,000,000	USD 3-Month LIBOR + 0.90%	December 6, 2007

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

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is June 25, 2003

TABLE OF CONTENTS

TABLE OF CONTENTS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may be used only where it is legal to sell these securities. The information in this document may be accurate only on the date of this document.

PRESENTATION OF INFORMATION

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

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

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

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

Filing	Date Filed
Amended Annual Report on Form 10-K/ A-1 for the year ended December 31, 2002	April 22, 2003
Quarterly Report on Form 10-Q for the Quarter ended March 31, 2003	April 16, 2003
Current Report on Form 8-K	January 3, 2003
Current Report on Form 8-K	January 15, 2003
Current Report on Form 8-K	February 4, 2003
Current Report on Form 8-K	March 4, 2003
Amendment to Current Report on Form 8-K	March 4, 2003
Current Report on Form 8-K	March 4, 2003
Current Report on Form 8-K	March 19, 2003
Current Report on Form 8-K	March 20, 2003
Current Report on Form 8-K	April 2, 2003
Current Report on Form 8-K	April 15, 2003
Current Report on Form 8-K	May 2, 2003
Current Report on Form 8-K	May 12, 2003
Current Report on Form 8-K	May 14, 2003
Current Report on Form 8-K	June 3, 2003
Current Report on Form 8-K	June 5, 2003
Current Report on Form 8-K	June 5, 2003
Current Report on Form 8-K	June 12, 2003

Our Commission file number is 1-10323.

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

You may obtain any of these incorporated documents from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference in such document. You may obtain documents incorporated by reference in this prospectus from our website *(www.continental.com)* or by requesting them from us in writing or by telephone at the following address:

Continental Airlines, Inc.

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

In order to obtain timely delivery of the documents, any request should be made by July 21, 2003 (the fifth business day before the scheduled expiration date of the exchange offer).

4

PROSPECTUS SUMMARY

This summary highlights selected information from this Prospectus and may not contain all of the information that is important to you. For more complete information about the Notes and Continental Airlines, Inc., you should read this entire Prospectus, as well as the materials filed with the Commission that are considered to be part of this Prospectus. See Incorporation of Certain Documents by Reference .

The Exchange Offer

The Notes	On December 6, 2002, Continental issued an aggregate of $200,000,000 Floating Rate Secured Notes due 2007 in transactions exempt from or not subject to the registration requirements of the Securities Act.
	When we use the term Old Senior Notes in this Prospectus, we mean the Floating Rate Secured Notes due 2007 which were issued on December 6, 2002 and which were not registered with the Commission.
	When we use the term New Senior Notes in this Prospectus, we mean the Floating Rate Secured Notes due 2007 registered with the Commission and offered hereby in exchange for the Old Senior Notes.
	When we use the term Senior Notes in this Prospectus, the related discussion applies both to the Old Senior Notes and the New Senior Notes.
	When we use the term Subordinated Notes in this Prospectus, we mean the Floating Rate Secured Subordinated Notes due 2007, which were issued by Continental on May 9, 2003. The Exchange Offer being made pursuant to this Prospectus does not relate to the Subordinated Notes.
	When we use the term Notes in this Prospectus, the related discussion applies both to the Senior Notes and the Subordinated Notes.
Registration Rights Agreement	On December 6, 2002, Continental entered into a Registration Rights Agreement with Morgan Stanley & Co. Incorporated (the Initial Purchaser) providing, among other things, for the Exchange Offer being made pursuant to this Prospectus.
The Exchange Offer	Continental is offering New Senior Notes in exchange for an equal principal amount of Old Senior Notes. The New Senior Notes will be issued to satisfy Continental s obligations under the Registration Rights Agreement. As of the date of this Prospectus, $200,000,000 aggregate principal amount of Old Senior Notes are outstanding. Old Senior Notes may be tendered only in integral multiples of $1,000.
Resale of New Senior Notes	We believe that you can offer for resale, resell or otherwise transfer the New Senior Notes without complying with the registration and prospectus delivery requirements of the Securities Act if:
	you acquire the New Senior Notes in the ordinary course of your business;

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

	If any of these conditions is not satisfied and you transfer any New Senior Note without delivering a proper prospectus or without qualifying for a registration exemption, you may incur liability under the Securities Act. Continental does not assume or indemnify you against such liability.
	Each broker-dealer that receives New Senior Notes in exchange for Old Senior Notes held for its own account as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such New Senior Notes. A broker-dealer may use this prospectus for an offer to resell, resale or other transfer of such New Senior Notes issued to it in the Exchange Offer.
Conditions to the Exchange Offer	The Exchange Offer is not conditioned upon any minimum principal amount of Old Senior Notes being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions, which may be waived by Continental.
Expiration Date of the Exchange Offer	July 28, 2003, subject to Continental s right to extend the Expiration Date.
Procedures for Tendering Old Senior Notes	If you wish to accept the Exchange Offer, you must deliver your Old Senior Notes to the Exchange Agent for exchange no later than 5:00 p.m., New York City time, on the Expiration Date.
	You must also deliver a completed and signed Letter of Transmittal together with the Old Senior Notes. A Letter of Transmittal has been sent to Senior Noteholders and a form is attached as an exhibit to the Registration Statement.
	If you hold Old Senior Notes through DTC and wish to accept the Exchange Offer, you may do so through DTC s Automated Tender Offer Program. By accepting the Exchange Offer through such program, you will agree to be bound by the Letter of Transmittal as though you had signed the Letter of Transmittal and delivered it to the Exchange Agent.
Guaranteed Delivery Procedures	If you wish to tender your Old Senior Notes and your Old Senior Notes are not immediately available, you cannot deliver your Old Senior Notes and a properly completed Letter of Transmittal or any other document required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date or you cannot complete the book-entry transfer procedures prior to the Expiration Date, you may tender your Old Senior Notes according to the guaranteed delivery procedures set forth in The Exchange Offer Guaranteed Delivery Procedures .

Withdrawal Rights	You may withdraw a tender of Old Senior Notes at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old Senior Notes, the Exchange Agent must receive a written or facsimile transmission notice requesting such withdrawal at its address set forth under The Exchange Offer Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.
Acceptance of Old Senior Notes and Delivery of New Senior Notes	Subject to certain conditions, any and all Old Senior Notes which are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. The New Senior Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date.
Registration, Clearance and Settlement	The New Senior Notes will be represented by one or more permanent global notes, which will be registered in the name of the nominee of DTC. The global notes will be deposited with the Trustee as custodian for DTC.
Consequences of Failure to Exchange Old Senior Notes	Once the Exchange Offer has been completed, if you do not exchange your Old Senior Notes for New Senior Notes in the Exchange Offer, you will no longer be entitled to registration rights and will not be able to offer or sell your Old Senior Notes, unless (i) such Old Senior Notes are subsequently registered under the Securities Act (which, subject to certain limited exceptions, Continental will have no obligation to do) or (ii) your transaction is exempt from, or otherwise not subject to, the Securities Act and applicable state securities laws.
Certain Federal Income Tax Consequences	The exchange of Old Senior Notes for New Senior Notes will not be a sale or exchange or otherwise a taxable event for federal income tax purposes.
Exchange Agent	Wilmington Trust Company is serving as Exchange Agent in connection with the Exchange Offer.
Fees and Expenses	All expenses incident to Continental s consummation of the Exchange Offer and compliance with the Registration Rights Agreement will be borne by Continental.
Use of Proceeds	Continental will not receive any cash proceeds from the exchange of the Old Senior Notes for the New Senior Notes.

Summary of Terms of Notes

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

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

(2) These percentages have been determined by dividing the outstanding principal amount of the Senior Notes plus, in the case of the percentage applicable to the Subordinated Notes, the initial principal amount of the Subordinated Notes (minus Cash Collateral) by the appraised value of the Collateral determined as of December 25, 2002. Continental is required to provide to the Policy Provider and the Trustee a semiannual appraisal of the Collateral. If any such subsequent appraisal indicates that the loan to Collateral value is greater than 45.0%, in the case of the Senior Notes, or 67.5%, in the case of the Subordinated Notes, Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated Notes outstanding so that the loan to Collateral value is not greater than the applicable maximum percentage. Continental deposited $13,056,950 as Cash Collateral at the initial issuance of the Old Senior Notes so that the initial loan to Collateral value would not exceed 45.0%, based on the appraisal determined as of August 25, 2002. The loan to Collateral value, determined using the appraisal as of December 25, 2002, would have been 45.8% for the Senior Notes and 68.7% for the Subordinated Notes without giving effect to such deposit of Cash Collateral. Continental expects to satisfy the applicable maximum loan to Collateral value percentages at the time of the next appraisal due in August 2003, based upon its projected purchases of spare parts, in which case Continental will be entitled to withdraw such Cash Collateral. However, no assurance can be given that such applicable maximum percentages will be satisfied. An appraised value is only an estimate and reflects certain assumptions. See Description of the Appraisal .

(3) The interest rate applicable to the Senior Notes is subject to a maximum rate of 12% per annum applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment.

(4) Section 1110 of the U.S. Bankruptcy Code will be applicable to the spare parts of the types initially subject to the lien securing the Notes, but will not be applicable to Cash Collateral. In addition, in order to satisfy the semiannual loan to collateral value requirement referred to in note (1) above, Continental may add other collateral that may not be entitled to the benefits of Section 1110, subject to certain limitations.

(5) The amounts available under the Liquidity Facility and the Policy for the payment of accrued interest on the Senior Notes have been calculated utilizing the Capped Interest Rate, which is the maximum interest rate on the Senior Notes applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment.

Collateral

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

one or more of the following aircraft models: Boeing model 737-700, 737-800, 737-900, 757-200, 757-300, 767-200, 767-400 or 777-200 aircraft,

any engine utilized on any such aircraft or

any other spare part included in the Collateral,

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

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

	Spare Parts Quantity(1)			
Aircraft Model	**Expendables**	**Rotables**	**Total**	**Appraised Value(2)**
737-700	877	24	901	
737-700/800	278,912	6,942	285,854	
737-800	3,777	191	3,968	
737-900	821	10	831	
737-7/8/9 Subtotal	284,387	7,167	291,554	$185,972,600
757-200	185,731	3,391	189,122	69,352,800
757-300	10,946	96	11,042	3,116,700
767-200	25,485	227	25,712	8,946,700
767-400	51,147	1,586	52,733	55,741,200
777-200	111,210	3,006	114,216	113,712,000
Total	668,906	15,473	684,379	$436,841,900

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

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

Cash Flow Structure

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

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(1) The Liquidity Facility is sufficient to cover eight consecutive quarterly interest payments on the Senior Notes, but does not cover any other amounts payable on the Senior Notes. There is no Liquidity Facility for the Subordinated Notes.

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

The Senior Notes

Issuer	Continental Airlines, Inc.
Notes Offered	Floating Rate Secured Notes due 2007.
Use of Proceeds	The proceeds from the sale of the Old Senior Notes were used for general corporate purposes. Continental will not receive any proceeds from the exchange of the New Senior Notes for the Old Senior Notes.
Issuance of Subordinated Notes	On May 9, 2003, Continental privately placed the Subordinated Notes. The Subordinated Notes rank junior to the Senior Notes (including amounts owed to the Policy Provider and the Liquidity Provider) with respect to payments received from Continental, proceeds from liquidation of the Collateral and otherwise. Unlike the Senior Notes, the Subordinated Notes do not have the benefit of a liquidity facility or an insurance policy.
Trustee and Paying Agent	Wilmington Trust Company.
Liquidity Provider	Morgan Stanley Capital Services.
Policy Provider	MBIA Insurance Corporation.
Final Scheduled Payment Date	The entire principal amount of the Senior Notes is scheduled for payment on December 6, 2007.
Final Legal Maturity Date	December 6, 2009.
Interest	The Senior Notes will accrue interest at a variable rate per annum set forth on the cover page of this Prospectus. The interest rate on the Senior Notes will be subject to a maximum equal to the Capped Interest Rate of 12% per annum applicable only for periods as to which Continental has failed to pay accrued interest when due and failed to cure such nonpayment. For all other periods, the interest rate on the Senior Notes will not be capped. Interest is calculated on the basis of the actual number of days elapsed over a 360-day year. LIBOR is determined from time to time by the Reference Agent as described in Description of the Senior Notes Determination of LIBOR .
Interest Payment Dates	March 6, June 6, September 6 and December 6, commencing on March 6, 2003.
Record Dates	The fifteenth day preceding the related Interest Payment Date.
Optional Redemption	Continental may elect to redeem all or (so long as no Payment Default has occurred and is continuing) some of the Senior Notes at any time prior to maturity. The redemption price in such case will be the principal amount of the Senior Notes, together with accrued and unpaid interest, LIBOR break amount, if any, and, if redeemed prior to the third anniversary of the Issuance Date (except in connection with a redemption to satisfy the maximum Senior Collateral Ratio or minimum Senior Rotable Ratio requirement),

a Premium equal to the following percentage of the principal amount prepaid:

If redeemed during the year prior to the anniversary of the Issuance Date indicated below	Premium
1st	1.50%
2nd	1.00
3rd	0.50

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

Collateral

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

one or more of the following aircraft models: Boeing model 737-700, 737-800, 737-900, 757-200, 757-300, 767-200, 767-400 or 777-200 aircraft,

any engine utilized on any such aircraft or

any other spare part included in the Collateral,

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

Maintenance of Collateral Ratios

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

the ratio of the outstanding principal amount of the Senior Notes to the Collateral value is greater than 45.0%;

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

the ratio of the value of the Rotables included in the Collateral to the outstanding principal amount of the Senior Notes is less than 150%; or

the ratio of the value of the Rotables included in the Collateral to the outstanding principal amount of the Senior Notes and the Subordinated Notes is less than 100%;

then Continental is required to provide additional collateral or to reduce the principal amount of Senior Notes or Subordinated

	Notes outstanding so that such ratios comply with the applicable maximum Collateral value percentages and minimum Rotable value percentages.
Section 1110 Protection	Continental s outside counsel has provided its opinion to the Trustee and the Policy Provider that the benefits of Section 1110 of the U.S. Bankruptcy Code will be available with respect to the lien on the spare parts collateral.
Liquidity Facility	Under the Liquidity Facility, the Liquidity Provider will, if necessary, make advances in an aggregate amount sufficient to pay interest on the Senior Notes on up to eight successive quarterly Interest Payment Dates. Drawings under the Liquidity Facility cannot be used to pay any other amount in respect of the Senior Notes.
	Upon each drawing under the Liquidity Facility to pay interest on the Senior Notes, the Trustee will reimburse the Liquidity Provider for the amount of such drawing. Such reimbursement obligation and all interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility and certain other agreements will rank senior to the Notes in right of payment.
	There is no Liquidity Facility for the Subordinated Notes.
Policy Coverage	Under the Policy, the Policy Provider is required to honor drawings to cover:

- Any shortfall on any Distribution Date in funds to be distributed as accrued interest on the Senior Notes.
- Any shortfall on the Final Legal Maturity Date in funds to be distributed as principal of, and accrued interest on, the Senior Notes.
- Any shortfall in the proceeds of the disposition of the remaining Collateral from the amount required to pay principal of, and accrued interest on, the Senior Notes on the Distribution Date established in connection with such disposition.
- If certain payments with respect to the Senior Notes are by court order determined to be a preferential transfer under the U.S. Bankruptcy Code or otherwise required to be returned, the amount of such payments.
- After the continuance of a Payment Default for eight consecutive Interest Periods, any shortfall in funds required to pay principal of, and accrued interest on, the Senior Notes on the Distribution Date established in connection with such Payment Default. If such Distribution Date would occur prior to the Final Scheduled Payment Date, instead of paying such shortfall on such Distribution Date, the Policy Provider may, so long as no Policy Provider Default is continuing, elect to pay:
  - Any shortfall on such Distribution Date in funds required to pay accrued interest on the Senior Notes.

Thereafter, on each Distribution Date, an amount equal to the scheduled principal (on the Final Scheduled Payment Date) and interest (without regard to any acceleration thereof) payable on the Senior Notes on such Distribution Date.

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

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

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

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

There is no Policy for the Subordinated Notes.

Control of Trustee

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

The Controlling Party will be:

Except as provided below, the Policy Provider.

If a Policy Provider Default is continuing, the holders of more than 50% in aggregate unpaid principal amount of the Senior Notes then outstanding or, if the Senior Notes have been paid in full, of the Subordinated Notes then outstanding.

If the Senior Notes, the Policy Expenses and the Policy Provider Obligations have been paid in full, the holders of more than 50% in aggregate unpaid principal amount of the Subordinated Notes then outstanding.

Under certain circumstances, the Liquidity Provider.

The Subordinated Noteholders will have the right to direct the Policy Provider in acting as the Controlling Party during the continuance of an Event of Default if the Subordinated Noteholders shall have deposited with the Policy Provider cash, U.S. government securities or other investments acceptable to the Policy Provider as collateral for amounts owed to, and for certain amounts to become due and payable to, the Policy Provider under the Operative Documents and Support Documents. The amount deposited must be sufficient without reinvestment to pay certain amounts due and to becom