

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

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

*Attn: Lawrence W. Kellner, Chief Executive Officer*

Dear Mr. Kellner:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Continental Airlines, Inc. ("Continental"), of Houston, TX, has committed one violation of the Export Administration Regulations (the "Regulations"),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979, as amended (the "Act").<sup>2</sup> Specifically, BIS charges that Continental committed the following violation:

**Charge 1 (15 C.F.R. § 764.2(e) - Transporting an Item to Be Exported from the United States with Knowledge That a Violation of an Order Issued under the Regulations Would Occur)**

On or about February 25, 2006, Continental transported an item to be exported from the United States with knowledge that a violation of an Order issued under the Regulations would occur. On February 24, 2006, based on a reasonable cause to believe certain items were to be exported in violation of the Regulations, the Department of Homeland Security's Customs and Border Protection (CBP) prohibited the lading of certain computers and computer equipment on an exporting carrier consistent with Section 758.7(b)(4) of the Regulations. To effect this prohibition, CBP issued a "Cargo Hold Sheet" to Continental, prohibiting Continental from lading the shipment of certain computers and computer equipment, described by air waybill number 607-90564213 and house waybill number OKC 030107927, onto its aircraft for export. On or about February 25, 2006, Continental failed to comply with the CBP Order when it

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The violations charged occurred in 2006. The Regulations governing the violations at issue are found in the 2006 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2006)). The 2006 Regulations also govern the procedural aspects of this case.

<sup>2</sup> 50 U.S.C. app. §§ 2401- 2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 3, 2006 (71 FR 44551 (August 7, 2006)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) ("IEEPA").

released the shipment for export and transported the items involved to the United Arab Emirates, via London, on a departing aircraft. In transporting the items with knowledge that a violation of an Order Prohibiting Lading issued by CBP would occur, Continental committed 1 violation of Section 764.2(e) of the Regulations.

\* \* \* \*

Accordingly, Continental is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of up to \$11,000 per violation;<sup>3</sup>

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Continental fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7). If Continental defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Continental. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

Continental is further notified that it is entitled to an agency hearing on the record if Continental files a written demand for one with its answer. (Regulations, Section 766.6). Continental is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should Continental have a proposal to settle this case, Continental or its representative should transmit it through the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Continental's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

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<sup>3</sup> See 15 C.F.R. § 6.4(a)(2).

Continental Airlines, Inc.  
Proposed Charging Letter  
Page 3

U.S. Coast Guard ALJ Docketing Center  
40 S. Gay Street  
Baltimore, Maryland 21202-4022

In addition, a copy of Continental's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security  
Attention: Glenn H. Kaminsky  
Room H-3839  
United States Department of Commerce  
14th Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

Glenn H. Kaminsky is the attorney representing BIS in this case; any communications that Continental may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner  
Director  
Office of Export Enforcement

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

.....  
In the Matter of: )  
 )  
Continental Airlines, Inc. )  
1600 Smith Street )  
Houston, Texas 77002 )  
 )  
Respondent )  
.....

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Continental Airlines, Inc. (“Continental”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),<sup>2</sup>

.....  
<sup>1</sup> The alleged violation occurred in 2006. The Regulations governing the violation at issue are found in the 2006 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2006)). The 2006 Regulations also govern the procedural aspects of this matter.

<sup>2</sup> Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2006 (71 Fed. Reg. 44,551 (Aug. 7, 2006)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”).

WHEREAS, BIS has notified Continental of its intention to initiate an administrative proceeding against Continental, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Continental that alleged that Continental committed one violation of the Regulations, specifically:

**Charge 1 (15 C.F.R. § 764.2(e) - Transporting an Item to Be Exported from the United States with Knowledge That a Violation of an Order Issued under the Regulations Would Occur)**

On or about February 25, 2006, Continental transported an item to be exported from the United States with knowledge that a violation of an Order issued under the Regulations would occur. On February 24, 2006, based on a reasonable cause to believe certain items were to be exported in violation of the Regulations, the Department of Homeland Security's Customs and Border Protection (CBP) prohibited the lading of certain computers and computer equipment on an exporting carrier consistent with Section 758.7(b)(4) of the Regulations. To effect this prohibition, CBP issued a "Cargo Hold Sheet" to Continental, prohibiting Continental from lading the shipment of certain computers and computer equipment, described by air waybill number 607-90564213 and house waybill number OKC 030107927, onto its aircraft for export. On or about February 25, 2006, Continental failed to comply with the CBP Order when it released the shipment for export and transported the items involved to the United Arab Emirates, via London, on a departing aircraft. In transporting the items with knowledge that a violation of an Order Prohibiting Lading issued by CBP would occur, Continental committed 1 violation of Section 764.2(e) of the Regulations.

WHEREAS, Continental has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, Continental fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Continental enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Continental states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Continental neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Continental wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Continental agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Continental, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanction shall be imposed against Continental in complete settlement of the alleged violation of the Regulations relating to the transactions specifically detailed in the proposed charging letter:
  - a. Continental shall be assessed a civil penalty in the amount of \$11,000, all of which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.
  - b. The timely payment of the civil penalty agreed to in paragraph 2.a is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Continental. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Continental's export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Continental hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$11,000 civil penalty, BIS will not initiate any further administrative proceeding against Continental in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

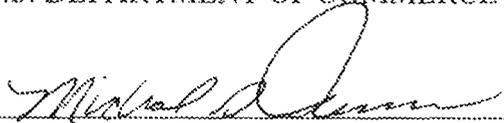
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this

Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

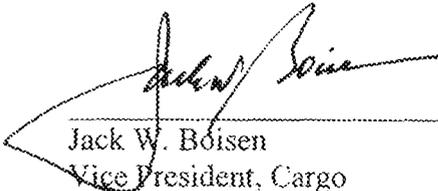
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY  
U.S. DEPARTMENT OF COMMERCE

  
\_\_\_\_\_  
Michael D. Turner  
Director  
Office of Export Enforcement

Date: 01/25/2007

CONTINENTAL AIRLINES, INC.

  
\_\_\_\_\_  
Jack W. Boisen  
Vice President, Cargo

Date: 23 January 2007

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

.....  
In the Matter of: )  
 )  
Continental Airlines, Inc. )  
1600 Smith Street )  
Houston, Texas 77002 )  
 )  
..... Respondent )

ORDER RELATING TO CONTINENTAL AIRLINES, INC.

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has notified Continental Airlines, Inc. ("Continental"), of its intention to initiate an administrative proceeding against Continental pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the "Regulations"),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the "Act"),<sup>2</sup> through issuance of a proposed charging letter to Continental that alleged that Continental committed one violation of the Regulations. Specifically, the charge is:

.....  
<sup>1</sup> The violation charged occurred in 2006. The Regulations governing the violation at issue are found in the 2006 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2006)). The 2006 Regulations also govern the procedural aspects of this matter.

<sup>2</sup> Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2006 (71 Fed. Reg. 44,551 (Aug. 7, 2006)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) ("IEEPA").

**Charge 1 (15 C.F.R. § 764.2(e) - Transporting an Item to Be Exported from the United States with Knowledge That a Violation of an Order Issued under the Regulations Would Occur)**

On or about February 25, 2006, Continental transported an item to be exported from the United States with knowledge that a violation of an Order issued under the Regulations would occur. On February 24, 2006, based on a reasonable cause to believe certain items were to be exported in violation of the Regulations, the Department of Homeland Security's Customs and Border Protection (CBP) prohibited the lading of certain computers and computer equipment on an exporting carrier consistent with Section 758.7(b)(4) of the Regulations. To effect this prohibition, CBP issued a "Cargo Hold Sheet" to Continental, prohibiting Continental from lading the shipment of certain computers and computer equipment, described by air waybill number 607-90564213 and house waybill number OKC 030107927, onto its aircraft for export. On or about February 25, 2006, Continental failed to comply with the CBP Order when it released the shipment for export and transported the items involved to the United Arab Emirates, via London, on a departing aircraft. In transporting the items with knowledge that a violation of an Order Prohibiting Lading issued by CBP would occur, Continental committed 1 violation of Section 764.2(e) of the Regulations.

WHEREAS, BIS and Continental have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

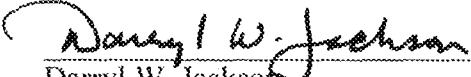
FIRST, that a civil penalty of \$11,000 is assessed against Continental, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Continental will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Continental. Accordingly, if Continental should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Continental's export privileges for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.

  
Darryl W. Jackson  
Assistant Secretary of Commerce  
for Export Enforcement

Entered this 29<sup>th</sup> day of January, 2007.