

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

OR

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

0-9781
(Commission File Number)

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

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

2929 Allen Parkway, Suite 2010, Houston, Texas 77019
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 713-834-2950

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value \$.01 per share	New York Stock Exchange, Inc.
Class B Common Stock, par value \$.01 per share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant was \$1.6 billion as of February 14, 1997.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of February 14, 1997, 8,661,564 shares of Class A Common Stock and 48,802,445 shares of Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Proxy Statement for Annual Meeting
of Stockholders to be held on May 16, 1997: PART III

PART I

ITEM 1. BUSINESS.

Continental Airlines, Inc. (the "Company" or "Continental") is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by 1996 revenue passenger miles) and, together with its wholly owned subsidiary, Continental Express, Inc. ("Express"), and its 91%-owned subsidiary, Continental Micronesia, Inc. ("CMI"), each a Delaware corporation, serves 188 airports worldwide. As of February 14, 1997, Continental flies to 58 international destinations and offers additional connecting service through alliances with foreign carriers. Continental recently announced expanded service from Newark to Dusseldorf, Germany (scheduled to commence March 19, 1997), to Lisbon, Portugal (scheduled to commence May 1, 1997) and to Birmingham, England (scheduled to commence July 1, 1997). In addition, Continental recently entered into agreements with Air France for a joint marketing arrangement that will involve service from Newark and Houston to Paris (scheduled to commence in the third quarter of 1997), subject to governmental approval, and Aeroflot Russian International Airlines ("Aeroflot") for a joint marketing arrangement that will involve service from Newark to Moscow (scheduled to commence in the third quarter of 1997), subject to governmental approval. Also, Continental recently entered into an agreement with Alitalia Airlines ("Alitalia") to expand the companies' existing code-share relationship to include additional flights between the United States and Italy, which is expected to commence in the second quarter of 1997. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations there than any other United States airline. In addition, Continental flies to four cities in South America. Through its Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

As used in this Form 10-K, the terms "Continental" and "Company" refer to Continental Airlines, Inc. and its subsidiaries, unless the context indicates otherwise. This Form 10-K may contain forward-looking statements. In connection therewith, please see the cautionary statements contained in Item 1. "Business. Risk Factors Relating to the Company" and "Business. Risk Factors Relating to the Airline Industry" which identify important factors that could cause actual results to differ materially from those in the forward-looking statements.

Business Strategy

In 1994, Continental experienced operational problems in connection with its rapid expansion of its network of short haul, no frills, low fare flights resulting in significant losses. In early 1995, Continental's new management team, led by Gordon Bethune (Chairman of the Board and Chief Executive Officer) and Greg Brenneman (President and Chief Operating Officer), put in place a comprehensive strategic and operational plan designed to fundamentally change the Company. The plan, labeled the "Go Forward Plan", is a "back to basics" approach, which focuses on improving profitability and financial condition, delivering a consistent, reliable, quality product to customers and improving employee morale and working conditions. Management believes that the initiatives put in place under the Go Forward Plan and the support of the Continental employees contributed significantly to the Company's record \$224 million of net income in 1995 and \$319 million of net income in 1996. During the past two years, the Company has achieved substantial improvements in revenue per available seat mile, load factor and yields, growth of cash from operations, consistent interior and exterior aircraft appearance, and significant improvements in rankings for on-time performance, mishandled bags, customer complaints and involuntary denied boardings (as reported by the U.S. Department of Transportation ("DOT")), as well as improved employee relations.

In 1996, the Company continued to experience operational success as evidenced by its continued improvement in each of the four key performance categories tracked by the DOT. In the most recent 12-month reporting period, Continental ranked first for fewest involuntary denied boardings, second for on-time performance, second for fewest mishandled bags, and third for fewest customer complaints compared to its competitors. In addition, Continental won the J.D. Power and Associates award for customer satisfaction among the nine major U.S. carriers on long-haul (500+ miles) flights, based on an independent survey of frequent flyers, and was recently named "Airline of the Year" by the leading aviation trade magazine, Air Transport World.

The Company's 1996-1997 strategic plan, as discussed below, retains the four basic components of the Go Forward Plan: Fly to Win, Fund the Future, Make Reliability a Reality and Working Together, with new initiatives intended to build upon Continental's operational and strategic strengths.

Fly to Win

The Company's 1996-1997 Fly to Win initiatives center around three principal themes: Focus on Hub Operations, Improve Business/Leisure Mix and Develop an Alliance Network.

Focus on Hub Operations. Continental will continue to add select flights and refine its flight schedules to capitalize on the strength of its hubs. In addition, Continental plans to focus on expanding international traffic through service to new destinations and additional code-sharing and other marketing alliances with certain foreign carriers.

Management believes that by adding domestic and international flights to the Company's hubs, attracting more international passengers through alliances with foreign carriers and further refining the efficiency of the Company's hub operations, Continental will continue to capture additional flow traffic through its hubs and attract a larger share of higher-yielding business travelers.

Improve Business/Leisure Mix. The Company's passenger load factors have increased from 65.6% in 1995 to 68.1% in 1996, which facilitates management of the business versus leisure traveler mix on its aircraft. Since the average business traveler generally pays a higher fare (on a revenue-per-seat-mile basis) for the convenience of being able to make and change last minute travel plans, increases in business traffic contribute disproportionately to incremental profitability. Unrestricted business fares accounted for approximately 42.8% of the Company's passenger revenue in 1996 compared to 38.3% in 1995 (excluding CMI and Express). Many of the Company's product and schedule improvements have been made to appeal to business travelers. The Company has invested in state-of-the-art revenue management and pricing systems to enhance its ability to manage its fare mix.

Develop an Alliance Network. Management believes that developing a network of international alliance partners will better leverage the Company's hub assets and result in improved returns to the Company. Focusing on multiple tactical alliances allows the Company to benefit from the strengths of its alliance partners in their local markets while reducing the Company's reliance on any individual alliance partner.

The Company seeks alliance relationships that, together with the Company's own flying, will permit expanded service through Newark to major destinations in South America, Europe and Asia, and expanded service through Houston to South America and Europe as well as service to Japan. Certain route authorities that would be required for the Company's own service to certain of these destinations are not currently available to the Company. See "Foreign Carrier Alliances" below for a discussion of new alliances recently entered into with other carriers.

Fund the Future

Having achieved its 1995 goals of building the Company's overall liquidity and improving its financial condition, management shifted its financial focus in 1996 to target the Company's interest and lease expense. Through refinancing and other initiatives, Continental has achieved substantial reductions in interest and lease expense attributable to financing arrangements that were entered into when the Company was in a less favorable financial position.

In 1996, the Company completed a number of transactions intended to strengthen its long-term financial position and enhance earnings:

- In the first and second quarters of 1996, the Company financed one owned aircraft and exercised its right under 22 existing leveraged aircraft leases to cause the owner/lessor's debt underlying these leases to be refinanced. The lower borrowing costs obtained in the refinancing allowed Continental's operating lease expense for the affected

aircraft to be reduced by more than \$17 million annually.

- In January and February 1996, Continental repurchased or redeemed without prepayment penalty the remaining amount of its Series A convertible secured debentures for \$125 million (including payment-in-kind interest of \$7 million).
- In February 1996, Continental sold approximately 1.4 million of the 1.8 million shares it owned in America West Airlines, Inc. ("America West"), realizing net proceeds of \$25 million and recognizing a gain of \$13 million. In May 1996, the Company sold all of its 802,860 America West warrants, realizing net proceeds of \$7 million and recognizing a gain of \$5 million.
- In March 1996, Continental completed the offering of \$230 million of 6-3/4% convertible subordinated notes.
- In March 1996, Continental repaid \$257 million of secured indebtedness to General Electric Capital Corporation, General Electric Company and certain affiliates (any one or more of such entities, "GE") (of which \$47 million was required as a result of the convertible debt financing and the America West stock sale and \$210 million was an optional prepayment), resulting in the elimination of certain restrictive covenants.
- In July 1996, CMI consummated a \$320 million secured term loan financing with a group of banks and other financial institutions. Continental and CMI used the net proceeds, together with available cash, to prepay approximately \$324 million in principal amount of GE indebtedness. The bank financing reduced interest expense by \$3 million in 1996 and is expected to result in a savings in interest expense of \$6 million in 1997, based on current rates. The bank financing does not contain any restrictive covenants at the Continental parent level, and none of the assets of the parent company (other than its stock in Air Micronesia, Inc. ("AMI"), CMI's parent company) is pledged in connection with the financing. Accordingly, this transaction freed up over \$1 billion of collateral at Continental which was previously pledged under the terms of the GE debt agreements.
- In December 1996, the Company sold \$250 million principal amount of 9-1/2% senior notes due 2001. The net proceeds of \$244 million were added to the Company's available cash resources.

Make Reliability a Reality

Customer service continues to be the focus in 1997. Management believes Continental's on-time performance record is crucial to its other operational objectives and, together with its other initiatives (such as improved baggage handling, customer satisfaction and involuntary denied boarding), is an important tool to attract higher-margin business travelers.

Continental's goal for 1997 is to be ranked monthly by the DOT among the top three major air carriers (excluding those airlines who do not report electronically) in on-time performance, baggage handling, customer satisfaction and involuntary denied boarding. In 1996, bonuses of \$65 were paid to employees (up to the manager level) for each month that Continental ranked second or third in on-time performance, and bonuses of \$100 were paid for each month that Continental ranked first; during 1996, Continental ranked first five times and second or third three times. This successful on-time performance bonus program continues in 1997.

In addition to programs intended to improve Continental's standings in DOT performance data, the Company has acted in a number of additional areas to enhance its attractiveness to business travelers and the travel agent community. Specifically, Continental implemented various initiatives designed to offer travelers cleaner and more attractive aircraft interiors, consistent interior and exterior decor, first class seating on all jet aircraft, better meals and greater benefits under its award-winning frequent flyer program. In 1996, Continental continued to make product improvements, such as refurbished Presidents Clubs with specialty bars and on-board specialty coffees and microbrewery beer, among others. In 1997, the Company anticipates switching to a new inflight telephone service provider to install a reliable

air-to-ground telephone service on board its jet aircraft. The Company has also continued to refine its award-winning BusinessFirst service.

Working Together

Management believes that Continental's employees are its greatest asset, as well as the cornerstones of improved reliability and customer service. Management has introduced a variety of programs to increase employee participation and foster a sense of shared community. These initiatives include significant efforts to communicate openly and honestly with all employees through daily news bulletins, weekly voicemail updates from Gordon Bethune, monthly and quarterly Continental publications, videotapes mailed to employees, and a Go Forward Plan bulletin board in over 600 locations system-wide. In addition, regularly scheduled visits to airports throughout the route system are made by the senior executives of the Company (each of whom is assigned an airport for this purpose). Monthly meetings open to all employees, as well as other periodic on-site visits by management, are designed to encourage employee participation, knowledge and cooperation. Continental's goal for 1997 is to be ranked among the top three major air carriers in employee measures such as turnover, lost time, productivity and on the job injury claims.

Capital Structure

Stock Split. On June 26, 1996, the Board of Directors of the Company declared a two-for-one stock split (the "Stock Split") pursuant to which (a) one share of the Company's Class A common stock, par value \$.01 per share ("Class A common stock"), was issued for each share of Class A common stock outstanding on July 2, 1996 (the "Record Date") and (b) one share of the Company's Class B common stock, par value \$.01 per share ("Class B common stock"), was issued for each share of Class B common stock outstanding on the Record Date. Shares issuable pursuant to the Stock Split were distributed on or about July 16, 1996. All references in this Form 10-K as to the number of shares of common stock or warrants, options, per share amounts, exercise prices and market prices relating to the Company's common stock, have been retroactively restated to reflect the Stock Split.

Corporate Governance. On June 26, 1996, at the Company's annual meeting of stockholders, the Company's stockholders approved changes proposed by the Company to its Restated Certificate of Incorporation ("Certificate of Incorporation"), which, together with amendments to the Company's Bylaws ("Bylaws") previously approved by the Company's Board of Directors (collectively, the "Amendments"), generally eliminated special classes of directors (except for the right of Air Partners, L.P., a Texas limited partnership and major stockholder of the Company ("Air Partners") to elect one-third of the directors in certain circumstances, as described below) and supermajority voting provisions, and made a variety of other modifications aimed at streamlining the Company's corporate governance structure. The Amendments, as a whole, reflect the reduction of the equity interest of Air Canada, a Canadian corporation ("Air Canada"), in the Company, as described below, and the decision of the former directors designated by Air Canada not to stand for reelection, along with the expiration of various provisions of the Certificate of Incorporation and Bylaws specifically included at the time of the Company's reorganization under Chapter 11 of the federal bankruptcy code in April 1993 (the "Reorganization"). See Item 6. "Selected Financial Data. 1993 Reorganization" for a discussion of the Company's 1993 Reorganization and Item 3. "Legal Proceedings. Plan of Reorganization".

As a result of the Amendments, shares of the Company's Class A common stock may be freely converted into an equal number of shares of the Company's Class B common stock. Under agreements put in place at the time of the Reorganization, and designed in part to ensure compliance with the foreign ownership limitations applicable to United States air carriers, in light of the substantial stake in the Company then held by Air Canada, holders of Class A common stock were not permitted under the Certificate of Incorporation to convert their shares to Class B common stock. In 1996, the market price of Class A common stock was generally below the market price of Class B common stock, which the Company believes was attributable in part to the reduced liquidity present in the trading market for Class A common stock. A number of Class A common stockholders requested that the Company provide for free

convertibility of Class A common stock into Class B common stock, and in light of the reduction of Air Canada's equity stake, the Company determined that the restriction was no longer necessary. Such conversions effectively increase the relative voting power of those Class A common stockholders who do not convert. As of February 14, 1997, stockholders had converted 618,436 shares of Class A common stock for an equal number of shares of Class B common stock.

On April 19, 1996, the Company's Board of Directors approved certain agreements (the "Agreements") with its two major stockholders, Air Canada and Air Partners. The Agreements contain a variety of arrangements intended generally to reflect the intention that Air Canada had expressed to the Company's management that it intended to divest its investment in Continental in the near future given that its investment in the Company had become less central in light of other initiatives Air Canada had undertaken - particularly expansion within Canada and exploitation of the 1995 Open Skies agreement to expand Air Canada's own flights into the U.S. Because of these initiatives, Air Canada determined it appropriate to redeploy the funds invested in the Company into other uses in Air Canada's business. Consequently, in May 1996, Air Canada converted all of its 3,322,112 shares of Class A common stock into Class B common stock (pursuant to certain rights granted to it under the Company's Certificate of Incorporation) and sold, on the open market, 4,400,000 shares of Class B common stock pursuant to an underwritten public offering arranged by the Company (the "Secondary Offering"). In January 1997, Air Canada divested the remainder of its initial investment in Continental common stock by selling on the open market 5,600,000 shares of Class B common stock.

In connection with the Secondary Offering which was completed on May 14, 1996, the Agreements provided for the following additional steps to be taken:

- - in light of its reduced equity stake in the Company, Air Canada was no longer entitled to designate nominees to the Board of Directors of the Company, causing the four then-present or former members of the Air Canada board who served as directors of Continental to decline nomination for reelection as directors and converted all of its Class A common stock to Class B common stock;
- - Air Canada and Air Partners entered into a number of agreements restricting, prior to December 16, 1996, further disposition of the common stock of the Company held by either of them; and
- - each of the existing agreements among the parties was modified in a number of respects to reflect, among other matters, the changing composition of the respective equity interests of the parties.

On November 21, 1996, Air Partners exercised its right to sell to the Company, and the Company subsequently purchased, for \$50 million, warrants to purchase 2,614,379 shares of Class B common stock (representing a portion of the total warrants held by Air Partners) pursuant to an agreement entered into earlier in 1996 with the Company .

As of February 14, 1997, Air Partners held approximately 9.5% of the common equity interest and 40.5% of the general voting power of the Company. If all of the remaining warrants held by Air Partners had been exercised on February 14, 1997, approximately 19.6% of the common equity interest and 52.6% of the general voting power of the Company would have been held by Air Partners.

Domestic Operations

Continental operates its domestic route system primarily through its hubs at Newark, Houston Intercontinental and Cleveland. The Company's hub system allows it to transport passengers between a large number of destinations with substantially more frequent service than if each route were served directly. The hub system also allows Continental to add service to a new destination from a large number of cities using only one or a limited number of aircraft. Each of Continental's domestic hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic.

Newark. As of February 14, 1997, Continental operated 54% (237

departures) of the average daily jet departures and, together with Express, accounted for 57% (351 departures) of all average daily departures (jet and turboprop) from Newark. Considering the three major airports serving New York City (Newark, LaGuardia and John F. Kennedy), the Company and Express accounted for 24% of all daily departures, while the next largest carrier, USAir, Inc. ("USAir"), and its commuter affiliate accounted for 15% of all daily departures.

Houston. As of February 14, 1997, Continental operated 80% (318 departures) of the average daily jet departures and, together with Express, accounted for 84% (436 departures) of all average daily departures from Houston Intercontinental Airport. Southwest Airlines Co. ("Southwest") also has a significant share of the Houston market through Hobby Airport. Considering both Intercontinental and Hobby Airports, Continental operated 57% and Southwest operated 26% of the daily jet departures from Houston.

Cleveland. As of February 14, 1997, Continental operated 55% (106 departures) of the average daily jet departures and, together with Express, accounted for 66% (250 departures) of all average daily departures from Cleveland Hopkins International Airport. The next largest carrier, USAir and its commuter affiliate, accounted for 8% of all daily departures.

Continental Express. Continental's jet service at each of its domestic hub cities is coordinated with Express, which operates under the name "Continental Express". Express operates advanced, new-generation turboprop aircraft that average approximately five years of age and seat 64 passengers or less. In September 1996, Express placed an order for 25 firm Embraer ("EMB")-145 regional jets, with options for up to 175 additional aircraft. Express anticipates deploying these 50-seat regional jets initially in Cleveland beginning in April 1997. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations. Liquidity and Capital Commitments" for a discussion of this aircraft order.

As of February 14, 1997, Express served 15 destinations from Newark, 20 destinations from Houston Intercontinental and 30 destinations from Cleveland. In addition, commuter feed traffic is currently provided by other code-sharing partners. See "Domestic Carrier Alliances" below. In general, Express flights are less than 200 miles in length and less than 90 minutes in duration.

Management believes Express's turboprop operations complement Continental's jet operations by allowing more frequent service to small cities than could be provided economically with conventional jet aircraft and by carrying traffic that connects onto Continental's jets. In many cases, Express (and Continental) compete for such connecting traffic with commuter airlines owned by or affiliated with other major airlines operating out of the same or other cities. Management believes that Express's new EMB-145 regional jets will provide better customer acceptance and comfort than its turboprop aircraft and will also allow Express to serve certain routes which cannot be served by turboprop aircraft.

Domestic Carrier Alliances. Pursuant to the Company's Fly to Win initiative under the Go Forward Plan, Continental has entered into and continues to develop alliances with domestic carriers:

- - Continental has entered into a series of agreements with America West, including agreements related to code sharing and ground handling, which have created substantial benefits for both airlines. These code-sharing agreements cover 73 city-pairs and allow Continental to link additional destinations to its route network. The sharing of facilities and employees by Continental and America West in their respective key markets has resulted in significant cost savings.
- - Currently, SkyWest Airlines, Inc., a commuter operator, provides Continental access through Los Angeles to 14 additional markets in California and Arizona through Los Angeles.
- - In January 1997, Continental announced a code-sharing agreement with Gulfstream International Airlines, Inc. ("Gulfstream") which is expected to commence in April 1997. Gulfstream will serve as a connection for Continental passengers throughout Florida as well as five markets in the Bahamas.

International Operations

International Operations. Continental has extensive operations in the western Pacific conducted by CMI and serves destinations throughout Europe, Mexico and Central and South America. As measured by 1996 available seat miles, approximately 28.0% of Continental's jet operations were dedicated to international traffic. As of February 14, 1997, the Company offered 58 weekly departures to five European cities and marketed service to eight other cities through code-sharing agreements. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations there than any other United States airline.

The Company's Newark hub is a significant international gateway. From Newark, the Company serves London, Manchester, Paris, Frankfurt, Madrid, Rome, Milan, Amsterdam, Prague, Toronto and Montreal, as well as certain other destinations in Canada, the United Kingdom and Scotland through code-sharing arrangements with other foreign carriers. Continental recently announced expanded service from Newark to Dusseldorf, Germany (scheduled to commence March 19, 1997), to Lisbon, Portugal (scheduled to commence May 1, 1997) and to Birmingham, England (scheduled to commence July 1, 1997). The Company also has code-sharing agreements and joint marketing arrangements with other foreign carriers which management believes are important to Continental's ability to compete as an international airline. See "Foreign Carrier Alliances" discussed below.

The Company also has non-stop service to two Mexican cities and six Caribbean destinations from Newark. The Company launched service between Newark and Lima, Peru in March 1996 and service between Newark and Quito, Ecuador (via Bogota, Colombia) in June 1996.

The Company's Houston hub is the focus of its operations in Mexico and Central America. Continental currently flies from Houston to 11 cities in Mexico, every country in Central America and four cities in South America, including new service from Houston to Lima, Peru which commenced in December 1996. In addition, Continental flies nonstop from Houston to London and Paris.

Continental Micronesia. CMI is a United States-certificated international air carrier engaged in the business of transporting passengers, cargo and mail in the western Pacific, which is one of the fastest growing areas for air travel in the world. From its hub operations based on the island of Guam, CMI provides slot-controlled service to six cities in Japan, more than any other United States carrier, and to other Pacific rim destinations, including Taiwan, the Philippines, Hong Kong, South Korea and Indonesia. Service to these Japanese cities and certain other Pacific Rim destinations is subject to a variety of regulatory restrictions, limiting the ability of other carriers to begin servicing these markets.

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

The 9.0% minority interest in CMI is owned by United Micronesia Development Association, Inc. ("UMDA"), a private company. Under agreements entered into in connection with the Reorganization, UMDA would have the right to increase its ownership in CMI to just over 20% in the event any participating employer in the Company's pension plans failed to make, or Continental failed to adequately provide for, certain pension plan payments. CMI also has an agreement to pay UMDA a fee of one percent of CMI's gross revenue, as defined, through January 1, 2012.

In July 1996, CMI consummated a \$320 million secured term loan financing with a group of banks and other financial institutions. The loan is secured by the stock of CMI and substantially all of its unencumbered assets, consisting primarily of CMI's route authorities, and is guaranteed by Continental and AMI. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations. Liquidity and Capital Commitments".

Foreign Carrier Alliances. Over the last decade, major United

States airlines have developed and expanded alliances with foreign air carriers, generally involving adjacent terminal operations, coordinated flights, code-sharing and other joint marketing activities. Continental is the sole major United States carrier to operate a hub in the New York City area, by virtue of its Newark operation. Consequently, management believes the Company is uniquely situated to attract alliance partners from Europe, the Far East and South America and intends to aggressively pursue such alliances in order to benefit from the high-yield flow traffic that may be generated thereby.

In addition, management believes that developing a network of international alliances will better leverage the Company's hub assets and result in improved returns to the Company. Continental can enlarge its scope of service more rapidly and enter additional markets with lower capital and start-up costs through formation of alliances than it can entering markets independently of other carriers.

Management has a goal of developing alliance relationships that, together with the Company's own flying, will permit expanded service through Newark to major destinations in South America, Europe and Asia, and expanded service through Houston to South America and Europe, as well as service to Japan. Certain route authorities that would be required for the Company's own service to certain of these destinations are not currently available to the Company.

Continental currently has international code-sharing agreements with Alitalia, Air Canada, Transavia Airlines ("Transavia"), CSA Czech Airlines, Business Air, and, pending government approval, China Airlines.

Currently, Alitalia and Continental code-share between points in the United States and Italy, with Alitalia placing its code on Continental flights to seven domestic cities and Continental placing its code on Alitalia flights to Rome and Milan. In November 1996, Alitalia and Continental entered into a block-space agreement (pursuant to which the Company and another carrier agree to share capacity and bear economic risk for blocks of seats on certain routes) and expanded their existing code-share relationship. The two carriers will code-share between points in the United States and Italy, with Alitalia placing its code on Continental flights between Newark and Rome and Milan and between Newark and eight cities within the United States. Management anticipates that this expanded code-share relationship will commence in the second quarter of 1997.

Continental and Air Canada (and its subsidiaries) code-share on six cross-border routes, where Continental places its code on 24 Air Canada flights per day and Air Canada places its code on four Continental flights per day. Continental and Air Canada provide ground handling and other services for each other at certain locations in the United States, Canada and elsewhere.

In addition, the Company has also entered into joint marketing agreements with other airlines which will involve block-space arrangements which management believes are important to Continental's ability to compete as an international airline. In October 1996, Continental announced a block-space agreement with Air France, which contemplates a future code-share arrangement on certain flights between Newark and Charles de Gaulle Airport ("CDG") and Houston and CDG (expected to commence in the third quarter of 1997), subject to governmental approval. In January 1997, the Company announced a similar agreement with Aeroflot which management anticipates will commence in the third quarter of 1997, subject to governmental approval. Aeroflot will place its code on one daily Continental flight to Moscow and will market the service throughout the Commonwealth of Independent States. The two airlines are evaluating further cooperation that could result in additional code-sharing.

The Company anticipates entering into other code-sharing, joint marketing and block-space agreements in 1997, which may include the Company undertaking the financial commitment to purchase seats from other carriers.

Employees

As of December 31, 1996, Continental had approximately 35,400 full-time equivalent employees, including approximately 15,300 customer

service agents, reservations agents, ramp and other airport personnel, 6,200 flight attendants, 5,500 management and clerical employees, 5,100 pilots, 3,200 mechanics and 100 dispatchers. Labor costs are a significant component of the Company's expenses and can substantially impact airline results. In 1996, labor costs constituted 26.5% of the Company's total operating expenses. While there can be no assurance that Continental's generally good labor relations and high labor productivity will continue, Continental's management has established as a significant component of its business strategy the preservation of good relations with the Company's employees, approximately one-third of whom are represented by unions.

The Company's collective bargaining agreement with its pilots (excluding Express pilots), who are represented by the Independent Association of Continental Pilots ("IACP"), becomes amendable in July 1997. Negotiations with the IACP on a new collective bargaining agreement are expected to begin in April 1997.

Express's collective bargaining agreement with its pilots, also represented by the IACP, becomes amendable in October 1997.

In August 1996, the Company and the International Association of Machinists and Aerospace Workers ("IAM") which represents Continental Airlines' flight attendants, entered into a collective bargaining agreement which becomes amendable in December 1999. The agreement provides for base wage increases in each year of the contract, a one-time adjustment to certain base wage scales as an equitable adjustment, and an increase in per diem payments and other matters, including productivity improvements. Continental Express and the IAM are parties to a flight attendant collective bargaining agreement that becomes amendable in November 1999. Approximately 85% of CMI's flight attendants are also represented by the IAM (excluding all foreign nationals), but are covered under a separate four-year contract that became amendable in September 1996. Negotiations are in progress to amend this contract and are expected to be finalized in the near future.

On July 8, 1996, the IAM filed a representation petition with the National Mediation Board ("NMB"), seeking representation of Continental's "fleet service" employees. The NMB initiated an investigation into the petition, and the mediator's findings regarding the scope of the appropriate class or craft have been appealed by the IAM to the full board. The Company does not expect any organizing effort by the IAM to have a material adverse impact on the Company or its relations with its airport service employees.

CMI's mechanics and mechanic-related employees are represented by the International Brotherhood of Teamsters ("IBT") under a collective bargaining agreement, which becomes amendable in March 1997. The IBT also represents CMI's agent classification employees located on Guam, whose collective bargaining agreement also becomes amendable in March 1997. Negotiations are in progress to amend these contracts and are expected to be finalized in the near future. The IBT has also sought representation rights for CMI's agent employees located on Saipan. The NMB's certification of the IBT as the bargaining representative for these employees was successfully challenged by CMI in a suit brought in Saipan federal court in 1995. The NMB's request for reconsideration was denied, and the NMB has now filed an appeal to the Ninth Circuit Court of Appeals. Oral arguments have not been scheduled with respect to the appeal. Regardless of the final outcome of this representation dispute, the Company does not anticipate any significant adverse effect on its employee relations resulting from these events.

Continental's dispatchers are represented by the Transport Workers Union of America, AFL-CIO ("TWUA") under a collective bargaining agreement signed in August 1996 which becomes amendable in April 1999. Express's dispatchers are also represented by the TWUA, but are currently without a contract. CMI's dispatchers are not represented by a union.

The Company believes that mutually-acceptable agreements can be reached with its unionized employees, although the ultimate outcome of the Company's future negotiations is unknown at this time.

The other employees of Continental, Express and CMI are not represented by unions and are not covered by collective bargaining agreements.

Effective July 1, 1996, Continental implemented pay increases for

substantially all of its non-unionized employees as part of a three-year plan to increase base wages to be more comparable to industry wages.

Competition and Marketing

The airline industry is highly competitive and susceptible to price discounting. The Company competes with other air carriers that have substantially greater resources (and in certain cases, lower cost structures) as well as smaller air carriers with low cost structures. Overall industry profit margins have historically been low. However, during 1995 and 1996, industry profit margins improved substantially. See Item 1. "Business. Risk Factors Relating to the Airline Industry" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

As with other carriers, most tickets for travel on Continental are sold by travel agents. Travel agents generally receive commissions measured by the price of tickets sold. Accordingly, airlines compete not only with respect to the price of tickets sold, but also with respect to the amount of commissions paid. Airlines often pay additional commissions in connection with special revenue programs. In February 1995, Delta Airlines, Inc. placed a \$25 cap on travel agency commissions for one-way domestic tickets priced over \$250 and a \$50 cap on travel agency commissions for round-trip domestic tickets priced over \$500. Other airlines, including Continental, imposed similar commission caps. Continental, along with other carriers, recently settled class action litigation concerning such caps, which remain in place. See Item 3. "Legal Proceedings. Antitrust Proceedings".

In September 1995, Continental announced the expansion of its electronic ticket ("E-Ticket") product, which is now available throughout the United States and through most travel agents. Using an E-Ticket machine (now located in over 35 major U.S. airports), E-Ticket customers arriving at the airport may check in, receive boarding passes, select or change seat assignments, input frequent flyer information, make simple flight changes and receive luggage tags. Continental plans to continue to expand the E-Ticket program to select international destinations and to increase travel agency access in the future. The E-Ticket system has contributed to a reduction in distribution costs and has improved the accuracy and timeliness of certain of Continental's reporting systems.

Continental and its former System One Information Management, Inc. ("System One") subsidiary entered into a series of transactions on April 27, 1995 whereby a substantial portion of System One's assets and certain liabilities were transferred to a newly formed limited liability company, System One Information Management, L.L.C. ("LLC"). LLC is owned equally by Continental CRS Interests, Inc. ("Continental CRS") (formerly System One, which remains a wholly owned subsidiary of Continental), Electronic Data Systems Corporation and AMADEUS, a European computerized reservation system. LLC markets the AMADEUS computer reservation system which distributes travel-related information products and services to the worldwide travel industry.

Frequent Flyer Program

Each major airline has established a frequent flyer program designed to encourage travel on their own carrier. Continental sponsors a frequent flyer program ("OnePass"), which allows passengers to earn mileage credits by flying Continental and certain other carriers, such as Air Canada, Transavia, Alitalia and America West (each a "OnePass Partner"). The Company also sells mileage credits to hotels, car rental agencies and credit card companies participating in the OnePass program.

Continental accrues the incremental cost associated with the earned flight awards based on expected redemptions. The incremental cost to transport a passenger on a free trip includes the cost of incremental fuel, meals, insurance and miscellaneous supplies and does not include any charge for potential displacement of revenue passengers or costs for aircraft ownership, maintenance, labor or overhead allocation. Due to the structure of the program and the low level of redemptions as a percentage of total travel, Continental believes that displacement of revenue passengers by passengers using flight awards has historically been minimal. The number of awards used on Continental represented less than 7% of Continental's total revenue passenger miles in each of the years

1996 and 1995.

Industry Regulation and Airport Access

Continental and its subsidiaries operate under certificates of public convenience and necessity issued by the DOT. Such certificates may be altered, amended, modified or suspended by the DOT if the public convenience and necessity so require, or may be revoked for intentional failure to comply with the terms and conditions of a certificate. The airlines are also regulated by the Federal Aviation Administration ("FAA"), primarily in the areas of flight operations, maintenance, ground facilities and other technical matters. Pursuant to these regulations, Continental has established, and the FAA has approved, a maintenance program for each type of aircraft operated by the Company that provides for the ongoing maintenance of such aircraft, ranging from frequent routine inspections to major overhauls.

Certain regulations require phase-out of certain aircraft and aging aircraft modifications. Such types of regulations can significantly increase costs and affect a carrier's ability to compete. In December 1995, the FAA promulgated final rules requiring commuter carriers to operate under the same safety rules and standards, and train their crew and dispatchers in accordance with the more stringent requirements, as are currently applicable to carriers operating larger aircraft. The new rules have not had a significant impact on the operations of Express.

The DOT allows local airport authorities to implement procedures designed to abate special noise problems, provided such procedures do not unreasonably interfere with interstate or foreign commerce or the national transportation system. Certain airports, including the major airports at Boston, Washington, D.C., Chicago, Los Angeles, San Diego, Orange County and San Francisco, have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number of hourly or daily operations or the time of such operations. In some instances, these restrictions have caused curtailments in services or increases in operating costs and such restrictions could limit the ability of Continental to expand its operations at the affected airports. Local authorities at other airports are considering adopting similar noise regulations.

Several airports have recently sought to substantially increase the rates charged to airlines, and the ability of airlines to contest such increases has been restricted by federal legislation, DOT regulations and judicial decisions. In addition, public airports generally impose passenger facility charges of up to \$3 per departing or connecting passenger. With certain exceptions, these charges are passed on to the customers.

The FAA has designated John F. Kennedy, LaGuardia, O'Hare and Washington National airports as "high density traffic airports" and has limited the number of departure and arrival slots at those airports. Currently, slots at the high density traffic airports may be voluntarily sold or transferred between the carriers. The DOT has in the past reallocated slots to other carriers and reserves the right to withdraw slots. Various amendments to the slot system, proposed from time to time by the FAA, members of Congress and others, could, if adopted, significantly affect operations at the high density traffic airports or expand slot controls to other airports. Certain of such proposals could restrict the number of flights, limit transfer of the ownership of slots, increase the risk of slot withdrawals or require charges to the Company's financial statements. Continental cannot predict whether any of these proposals will be adopted.

The availability of international routes to United States carriers is regulated by treaties and related agreements between the United States and foreign governments. The United States has in the past generally followed the practice of encouraging foreign governments to accept multiple carrier designation on foreign routes, although certain countries have sought to limit the number of carriers. Foreign route authorities may become less valuable to the extent that the United States and other countries adopt "open skies" policies liberalizing entry on international routes. Continental cannot predict what laws and regulations will be adopted or their impact, but the impact may be significant.

Many aspects of Continental's operations are subject to increasingly stringent federal, state and local laws protecting the

environment. Future regulatory developments could affect operations and increase operating costs in the airline industry, including for the Company.

Risk Factors Relating to the Company

Leverage and Liquidity. Continental has successfully negotiated a variety of agreements to increase its liquidity. Nevertheless, Continental remains more leveraged and has significantly less liquidity than certain of its competitors, several of whom have available lines of credit and/or significant unencumbered assets. Accordingly, Continental may be less able than certain of its competitors to withstand a prolonged recession in the airline industry.

As of December 31, 1996, Continental had approximately \$1.9 billion (including current maturities) of long-term debt and capital lease obligations and had approximately \$884 million of minority interest, Continental-obligated mandatorily redeemable preferred securities of subsidiary trust, redeemable preferred stock and common stockholders' equity. Common stockholders' equity reflects the adjustment of the Company's balance sheet and the recording of assets and liabilities at fair market value as of April 27, 1993 in accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7 - "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). See Item 6. "Selected Financial Data. 1993 Reorganization".

During the first and second quarters of 1995, in connection with negotiations with various lenders and lessors, Continental ceased or reduced contractually required payments under various agreements, which produced a significant number of events of default under debt, capital lease and operating lease agreements. Through agreements reached with the various lenders and lessors, Continental has cured all of these events of default. The last such agreement was put in place during the fourth quarter of 1995.

As of December 31, 1996, Continental had approximately \$1.1 billion of cash and cash equivalents, including restricted cash and cash equivalents of \$76 million. Continental does not have general lines of credit and has significant encumbered assets.

As of December 31, 1996, Continental has firm commitments with The Boeing Company ("Boeing") to take delivery of a total of 127 jet aircraft during the years 1997 through 2003 with options for an additional 90 aircraft (exercisable subject to certain conditions). These new aircraft will replace older, less efficient Stage 2 aircraft and allow for growth of operations. The estimated aggregate cost of the Company's firm commitments for the Boeing aircraft is approximately \$4.3 billion. Continental has firm commitments of approximately \$1.4 billion of backstop financing for its Boeing aircraft orders. Continental currently plans on financing the new Boeing aircraft with enhanced equipment trust certificates or similar financing, subject to availability and market conditions. However, further financing will be needed to satisfy Continental's capital commitment for other aircraft-related expenditures such as spare parts, simulators (including Express's new EMB-145 aircraft described below) and related items. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments. Continental has also entered into agreements or letters of intent with several outside parties to lease or purchase five DC-10-30 aircraft and one Boeing 747 aircraft which are expected to be delivered by mid 1997.

During 1996, Continental took delivery of a total of five new Boeing aircraft which consisted of three 737-500 aircraft and two 757-200 aircraft. In addition, Continental also purchased three DC-10-30 aircraft and two McDonnell Douglas ("MD")-82 aircraft and leased four DC-10-30 aircraft.

In September 1996, Express placed an order for 25 firm EMB-145 50-seat regional jets, with options for an additional 175 aircraft. Neither Express nor Continental will have any obligation to take aircraft that are not financed by a third party and leased to the Company. However, if the Company fails to confirm the first tranche of 25 options by August 1997, the rent associated with the 25 firm aircraft will increase by an aggregate of \$33.6 million over the 16-year life of the leases. Express took delivery of two of the firm aircraft in late December 1996 and will take delivery of the remaining 23 firm aircraft during the period from January 1,

1997 through the second quarter of 1998. The Company expects to account for all of these aircraft as operating leases. During 1996, Express also took delivery of 12 Beech 1900-D aircraft and eight Avions de Transport Regional ("ATR") 42-500 aircraft.

In 1996, Continental incurred cash expenditures under operating leases relating to aircraft of approximately \$568 million, compared to \$521 million for 1995. Cash expenditures relating to facilities and other rentals amounted to \$210 million in 1996, compared to \$229 million in 1995. In addition, Continental has capital requirements relating to compliance with regulations that are discussed below. See "Regulatory Matters".

In July 1996, CMI consummated a \$320 million secured term loan financing with a group of banks and other financial institutions. The loan was made in two tranches -- a \$180 million five-year amortizing term loan with a current floating interest rate of either Eurodollar plus 1.75% or Prime plus 0.75% and a \$140 million seven-year amortization extended loan with a floating interest rate of either Eurodollar plus 2.00% or Prime plus 1.00%. The loan is secured by the stock of CMI and substantially all its unencumbered assets, consisting primarily of CMI's route authorities, and is guaranteed by Continental and AMI.

The bank financing contains significant financial covenants relating to CMI, including maintenance of a minimum fixed charge coverage ratio, a minimum consolidated net worth and minimum liquidity, and covenants restricting CMI's leverage, its incurrence of certain indebtedness and its pledge of assets. The financial covenants also limit the ability of CMI to pay dividends to Continental. As of December 31, 1996, CMI had a minimum cash balance requirement of \$25 million, net assets of \$185 million and was restricted from paying dividends in excess of \$6 million. As a result of the recent weakness of the yen against the dollar and increased fuel costs, CMI's operating earnings declined during the third and fourth quarter of 1996 as compared to similar periods in 1995, and are not expected to improve materially absent a stronger yen or reduced fuel costs. In January 1997, CMI elected to prepay \$25 million of principal amount of its bank financing rather than use such cash for other purposes.

CMI used the net proceeds of the financing to prepay \$160 million in principal amount of indebtedness to GE and to pay transaction costs, and Continental used the \$136 million in proceeds received by it as a dividend from CMI, together with approximately \$28 million in cash on hand, to prepay approximately \$164 million in principal amount of indebtedness to GE. The bank financing does not contain any restrictive covenants at the Continental parent level, and none of the assets of Continental Airlines, Inc. (other than its stock in AMI) is pledged in connection with the new financing.

CMI entered into an interest rate swap agreement and an interest rate cap agreement to reduce the impact of potential increases in interest rates on its bank financing that was completed in July 1996. The notional value on the interest rate swap agreement is \$320 million and was effective from August 30, 1996 through January 30, 1997. The interest rate cap agreement has a notional value of \$153 million and is effective from January 31, 1997 through July 31, 2001.

In July 1996, the Company announced plans to expand its gates and related facilities at Houston's Intercontinental Airport into Terminal B, as well as planned improvements at Terminal C. The expansion, which will include the construction of a new automated people mover system linking Terminal B and Terminal C, is expected to cost approximately \$160 million (exclusive of capitalized interest), which the Company expects will be funded principally by the issuance of tax-exempt special facilities revenue bonds by the City of Houston. In connection therewith, the Company expects to enter into long-term leases (or amendments to existing leases) with the City of Houston providing for the Company to make rental payments sufficient to service the related tax-exempt bonds, which will have a term no longer than 30 years.

The Company is also exploring facility expansions at Cleveland and Newark which would require, among other matters, agreements to be reached with the applicable airport authority. The Company anticipates that any such expansions would be financed by tax-exempt bonds.

Continental's History of Operating Losses. Although Continental recorded net income of \$319 million in 1996 and \$224 million in 1995, it had experienced significant operating losses in the previous eight years. In the long term, Continental's viability depends on its ability to sustain profitable results of operations.

Aircraft Fuel. Since fuel costs constitute a significant portion of Continental's operating costs (approximately 13.3% for the year ended December 31, 1996), significant changes in fuel costs would materially affect the Company's operating results. Jet fuel prices have increased significantly since December 31, 1995. Fuel prices continue to be susceptible to international events, and the Company cannot predict near or longer-term fuel prices. The Company has entered into petroleum option contracts to provide some short-term protection (generally, three to six months) against a sharp increase in jet fuel prices. In the event of a fuel supply shortage resulting from a disruption of oil imports or otherwise, higher fuel prices or curtailment of scheduled service could result.

Certain Tax Matters. The Company's United States federal income tax return for the year ended December 31, 1996, is expected to reflect net operating loss carryforwards ("NOLs") of \$2.3 billion, of which \$1.1 billion are not subject to the limitations of Section 382 of the Internal Revenue Code ("Section 382"). As a result, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional \$1.1 billion of taxable income following December 31, 1996. For financial reporting purposes, Continental began accruing tax expense on its income statement during the second quarter of 1996.

Section 382 imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event that an ownership change should occur, utilization of Continental's NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term tax exempt rate (which was 5.48% for February 1997). Unused annual limitations may be carried over to later years, and the amount of the limitation may under certain circumstances be increased by the built-in gains in assets held by the Company at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, Continental's NOL utilization would be limited to approximately \$100 million per year.

Realization of a substantial portion of the Company's NOLs will require the completion by April 27, 1998, of transactions resulting in recognition of built-in gains for federal income tax purposes. The Company has consummated several such transactions and currently intends to consummate one or more additional transactions. If the Company were to determine in the future that such transactions will not be completed and if future income is not sufficient to recognize the benefit of previously completed transactions, an adjustment to the net deferred tax liability of up to \$85 million would be charged to income in the period such determination was made.

CMI. CMI's operating profit margins have generally been greater than the Company's margins overall. In addition to its non-stop service between Honolulu and Tokyo, CMI serves resort destinations in the Micronesian Islands that cater primarily to Japanese leisure travelers. Because the majority of CMI's traffic originates in Japan, its results of operations are substantially affected by the Japanese economy and changes in the value of the yen as compared to the dollar. Appreciation of the yen against the dollar during 1994 and 1995 increased CMI's profitability, while a decline of the yen against the dollar in 1996 reduced CMI's profitability. To reduce the potential negative impact on CMI's dollar earnings, CMI, from time to time, purchases average rate options as a hedge against a portion of its expected net yen cash flow position. Any significant and sustained decrease in traffic or yields to and from Japan could materially adversely affect Continental's consolidated profitability.

Principal Stockholder. On November 21, 1996, Air Partners exercised its right to sell to the Company, and the Company

subsequently purchased, for \$50 million, warrants to purchase 2,614,379 shares of Class B common stock (representing a portion of the total warrants held by Air Partners) pursuant to an agreement entered into earlier in 1996 with the Company. As of February 14, 1997, Air Partners held approximately 9.5% of the common equity interest and 40.5% of the general voting power of the Company. If all the remaining warrants held by Air Partners had been exercised on February 14, 1997, approximately 19.6% of the common equity interest and 52.6% of the general voting power of the Company would have been held by Air Partners. As discussed in "Capital Structure. Corporate Governance", in May 1996, Air Canada sold, on the open market, 4,400,000 shares of Class B common stock pursuant to the Secondary Offering and in January 1997, divested the remainder of its initial investment in Continental common stock by selling on the open market 5,600,000 shares of Class B common stock. Shares of Class A common stock may be freely converted into an equal number of shares of Class B common stock. Such conversions effectively increase the relative voting power of those Class A common stockholders who do not convert. As of February 14, 1997, stockholders had converted 618,436 shares of Class A common stock for an equal number of shares of Class B common stock.

Various provisions in the Company's Certificate of Incorporation and Bylaws currently provide Air Partners with the right to elect one-third of the directors in certain circumstances; these provisions could have the effect of delaying, deferring or preventing a change in the control of the Company.

Risk Factors Relating to the Airline Industry

Industry Conditions and Competition. The airline industry is highly competitive and susceptible to price discounting. The Company has in the past both responded to discounting actions taken by other carriers and initiated significant discounting actions itself. Continental's competitors include carriers with substantially greater financial resources (and in certain cases, lower cost structures), as well as smaller carriers with low cost structures. Airline profit levels are highly sensitive to, and during recent years, have been severely impacted by changes in fuel costs, fare levels (or "average yield") and passenger demand. Passenger demand and yields have been affected by, among other things, the general state of the economy, international events and actions taken by carriers with respect to fares. From 1990 to 1993, these factors contributed to the domestic airline industry's incurring unprecedented losses. Although fare levels have increased recently, fuel costs have also increased significantly. In addition, significant industry-wide discounts could be reimplemented at any time, and the introduction of broadly available, deeply discounted fares by a major United States airline would likely result in lower yields for the entire industry and could have a material adverse effect on the Company's operating results.

The airline industry has consolidated in past years as a result of mergers and liquidations and may further consolidate in the future. Among other effects, such consolidation has allowed certain of Continental's major competitors to expand (in particular) their international operations and increase their market strength. Furthermore, the emergence in recent years of several new carriers, typically with low cost structures, has further increased the competitive pressures on the major United States airlines. In many cases, the new entrants have initiated or triggered price discounting. Aircraft, skilled labor and gates at most airports continue to be readily available to start-up carriers. Competition with new carriers or other low cost competitors on Continental's routes could negatively impact Continental's operating results.

Regulatory Matters. In the last several years, the FAA has issued a number of maintenance directives and other regulations relating to, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft. The Company expects to continue incurring expenses for the purpose of complying with the FAA's noise and aging aircraft regulations. In addition, several airports have recently sought to increase substantially the rates charged to airlines, and the ability of airlines to contest such increases has been restricted by federal legislation, DOT regulations and judicial decisions.

Management believes that the Company benefitted significantly from

the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995, although the amount of any such benefit directly resulting from the expiration of the ticket tax cannot precisely be determined. The ticket tax was reinstated on August 27, 1996, and expired again on December 31, 1996. Management believes that the reimposition of the ticket tax is imminent. Nevertheless, the amount of the negative impact directly resulting from the reimposition of the ticket tax cannot be precisely determined.

Additional laws and regulations have been proposed from time to time that could significantly increase the cost of airline operations by imposing additional requirements or restrictions on operations. Laws and regulations have also been considered that would prohibit or restrict the ownership and/or transfer of airline routes or takeoff and landing slots. Also, the availability of international routes to United States carriers is regulated by treaties and related agreements between the United States and foreign governments that are amendable. Continental cannot predict what laws and regulations may be adopted or their impact, but there can be no assurance that laws or regulations currently proposed or enacted in the future will not adversely affect the Company.

Seasonal Nature of Airline Business. Due to the greater demand for air travel during the summer months, revenue in the airline industry in the third quarter of the year is generally significantly greater than revenue in the first quarter of the year and moderately greater than revenue in the second and fourth quarters of the year for the majority of air carriers. Continental's results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal, including the extent and nature of competition from other airlines, fare wars, changing levels of operations, fuel prices, foreign currency exchange rates and general economic conditions.

ITEM 2. PROPERTIES.

Flight Equipment

As shown in the following table, Continental's (including CMI's) jet aircraft fleet consisted of 317 jets and was comprised of 11 different types and series of aircraft at December 31, 1996.

Type	Total Aircraft	Owned	Leased	Seats in Standard Configuration	Average Age (In Years)
Four Engine					
747-200*	2	-	2	426	24.5
Three Engine					
DC-10-10	6	-	6	287	24.2
DC-10-30	17	1	16	242	19.8
727-200*	44	2	42	149	20.1
Two Engine					
737-500	37	1	36	104	2.1
737-300	65	8	57	128	9.4
737-200*	17	15	2	100	27.5
737-100*	13	13	-	95	28.3
757-200	17	-	17	183	2.0
MD-80	69	11	58	141	12.0
DC-9-30*	30	3	27	103	24.9
	317	54	263		14.3

*Stage 2 (noise level) aircraft.

The table above excludes four all-cargo 727 aircraft at CMI, three A300 and one 747 Continental aircraft that were removed from service in 1995 and four DC-10-30 Continental aircraft that were delivered in 1996, but were not placed into service until 1997.

Substantially all of the aircraft and engines owned by Continental are subject to mortgages.

The FAA has adopted rules pursuant to the Airport Noise and Capacity Act of 1990 that require a scheduled phase out of Stage 2 aircraft during the 1990's. As a result of Continental's acquisition of a number of new aircraft and the retirement of older Stage 2 aircraft in recent years, 66.6% of Continental's current jet fleet was composed of Stage 3 aircraft at December 31, 1996. The Company plans to retire the remainder of its Stage 2 jet fleet (excluding those aircraft operated by CMI) prior to the year 2000 in order to comply with such rules. Scheduled deliveries of the Company's Boeing aircraft orders are expected to reduce the average age of the Company's jet fleet from 14.3 years to 8.2 years by the end of 1999.

During 1996, Continental took delivery of a total of five new Boeing aircraft which consisted of three 737-500 aircraft and two 757-200 aircraft. In addition, Continental also purchased three DC-10-30 aircraft and two MD-82 aircraft and leased four DC-10-30 aircraft.

As of December 31, 1996, Express operated a fleet of 99 aircraft, as follows:

Type	Total Aircraft			Seats in Standard Configuration	Average Age (In Years)
	Owned	Leased			
ATR-72	3	3	-	64	2.4
ATR-42-320	31	3	28	46	6.9
ATR-42-500	8	-	8	48	0.3
EMB 120	32	22	10	30	7.4
Beech 1900-D	25	25	-	19	0.9
	99	53	46		4.9

Not included in the table above are two EMB-145 aircraft currently being used as training aircraft and one ATR-42 aircraft owned by the Company and currently leased to a third party.

During 1996, Express took delivery of 12 Beech 1900-D aircraft, eight ATR 42-500 aircraft and two EMB-145 aircraft.

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations. Liquidity and Capital Commitments" for a discussion of the Company's order for new firm commitment aircraft and related financing arrangements.

Facilities

The Company's principal facilities are located at Newark, Houston Intercontinental, Cleveland and Guam. All these facilities, as well as substantially all of Continental's other facilities, are leased on a long-term, net-rental basis, and Continental is responsible for maintenance, taxes, insurance and other facility-related expenses and services. In certain locations, Continental owns hangars and other facilities on land leased on a long-term basis, which facilities will become the property of the lessor on termination of the lease. At each of its three domestic hub cities and most other locations, Continental's passenger and baggage handling space is leased directly from the airport authority on varying terms dependent on prevailing practice at each airport.

In July 1996, the Company announced plans to expand its gates and related facilities at Houston's Intercontinental Airport into Terminal B, as well as planned improvements at Terminal C. The expansion, which will include the construction of a new automated people mover system linking Terminal B and Terminal C, is expected to cost approximately \$160 million (exclusive of capitalized interest), which the Company expects will be funded principally by the issuance of tax-exempt special facilities revenue bonds by the City of Houston. In connection therewith, the Company expects to enter into long-term leases (or amendments to existing leases) with the City of Houston providing for the Company to make rental payments sufficient to service the related tax-exempt bonds, which will have a term no longer than 30 years.

The Company is also exploring facility expansions at Cleveland and Newark which would require, among other matters, agreements to be

reached with the applicable airport authority. The Company anticipates that any such expansions would be financed by tax-exempt bonds.

The Company has lease agreements with the City and County of Denver covering 10 gates and several support facilities on a long-term basis at Denver International Airport. The gates and facilities exceed Continental's needs at the airport and the Company has subleased a portion of the space.

The Company has cargo facilities at Los Angeles International Airport. In July 1996, the Company subleased such facilities to another carrier. In the event such carrier fails to comply with its obligations under the sublease, the Company would be required to perform those obligations.

CMI operates a hub on the island of Guam. In September 1996, the Guam International Airport Authority completed the first phase of a \$240 million airport terminal expansion and renovation project. This provided new arrival facilities, inbound baggage carousels and customs halls and increased the number of gates available to CMI from six to 12. Upon completion of the second (and final) phase of the project in July 1998, five new additional gates will be added, including ticket counters and a new pier-sort outbound baggage system. The completed project is expected to triple the size of the terminal complex and increase the cost of CMI's operations in Guam by approximately \$15 million a year.

Continental also maintains administrative offices, airport and terminal facilities, training facilities and other facilities related to the airline business in the cities it serves.

Continental remains contingently liable until December 1, 2015, on \$202 million of long-term lease obligations of USAir related to the East End Terminal at LaGuardia Airport in New York. In the event USAir defaulted on these obligations, Continental could be required to cure the default, at which time it would have the right to reoccupy the terminal.

ITEM 3. LEGAL PROCEEDINGS.

Plan of Reorganization

The Company's Plan of Reorganization, which became effective on April 27, 1993, upon emergence from bankruptcy (the "Plan of Reorganization"), provides for the full payment of all allowed administrative and priority claims. Pursuant to the Plan of Reorganization, holders of allowed general unsecured claims are entitled to participate in a distribution of 3,800,000 shares of the Company's Class A common stock, 10,084,736 shares of the Company's Class B common stock, and \$6,523,952 of cash and have no further claim against the Company. The Plan of Reorganization provided for this distribution to be issued initially in trust to a distribution agent and thereafter for distributions to be made from the trust from time to time as disputed claims are resolved. The distribution agent must reserve from each partial distribution of stock or cash to allow a complete pro rata distribution to be made to each holder of a disputed claim in the event such claim is eventually allowed, unless the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") establishes a lower reserve or estimates the claim at a lesser amount for purposes of distribution. As of December 31, 1996, there remained 584,397 shares of Class A common stock, 1,528,626 shares of Class B common stock, and approximately \$942,000 of cash available for distribution. The stock and cash set aside for distribution to prepetition unsecured creditors was fixed in the Plan of Reorganization and will not change as claims are allowed. However, a limited number of proceedings were brought by prepetition creditors seeking to impose additional obligations on the Company.

On December 3, 1990, the Company owned 77 aircraft and 81 spare engines (in four collateral pools) securing debt evidenced by equipment trust certificates. The trustees for the four collateral pools moved in the Bankruptcy Court for "adequate protection" payments under Sections 361 and 363 of the federal bankruptcy code for the Company's retention and use of the aircraft and engines after December 3, 1990, including postpetition claims for the alleged decline in market value of the aircraft and engines after December 3, 1990 and claims for deterioration in the condition of the aircraft and engines in the same period. The Bankruptcy Court rejected the adequate protection claims that alleged market value

decline. Prior to April 16, 1993, the Company settled all of the adequate protection claims of the trustees, except for a claim of \$117 million for alleged market value decline of 29 aircraft and 81 spare engines in the fourth collateral pool. On April 16, 1993, the Bankruptcy Court rejected the market value decline claims of the trustees for the fourth collateral pool in their entirety and incorporated those findings into its order confirming the Plan of Reorganization. The trustees for the fourth collateral pool appealed from these orders, but failed to obtain a stay pending appeal. The Company opposed these appeals on the merits and sought dismissal of the appeals on the grounds they were made moot by the substantial consummation of the Plan of Reorganization. The United States District Court for the District of Delaware (the "District Court") dismissed the appeals as moot, and the trustees appealed to the Third Circuit Court of Appeals (the "Third Circuit") seeking review of the District Court's mootness determination and the Bankruptcy Court's finding on the merits. The Third Circuit affirmed the District Court's dismissal in February 1996, but subsequently granted a rehearing en banc. In July 1996, the Third Circuit, acting en banc, also affirmed the District Court's dismissal. The trustees petitioned for a writ of certiorari to the U.S. Supreme Court which petition was denied by the U.S. Supreme Court on January 6, 1997. On January 31, 1997, the trustees petitioned the U.S. Supreme Court for a rehearing of the trustees' previous petition. The Company does not believe that the foregoing matter will have a material adverse effect on the Company.

Antitrust Proceedings

In September 1996, the Company signed a settlement agreement providing for the settlement of all claims against it in consolidated antitrust litigation in the U.S. District Court for the District of Minnesota. Continental, along with various other airlines, had been involved in that litigation since February 1995. The plaintiffs claimed that Continental and the other airline defendants conspired to fix and maintain the commissions paid to U.S. travel agents for domestic travel. The plaintiffs also claimed substantial damages. While denying all claims, Continental determined to settle the litigation to avoid the risks and expenses of further litigation. The settlement, which was approved by the court in January 1997, included the payment by Continental of approximately \$5 million in 1996 and provided for the complete release of all claims and dismissal of the case against the Company.

Environmental Proceedings

Under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (commonly known as "Superfund") and similar state environment cleanup laws, generators of waste disposed of at designated sites may, under certain circumstances, be subject to joint and several liability for investigation and remediation costs. The Company (including its predecessors) has been identified as a potentially responsible party at four federal and two state sites that are undergoing or have undergone investigation or remediation. The Company believes that, although applicable case law is evolving and some cases may be interpreted to the contrary, some or all of any liability claims associated with these sites were discharged by confirmation of the Company's Plan of Reorganization, principally because the Company's exposure is based on alleged offsite disposal known as of the date of confirmation. Even if any such claims were not discharged, on the basis of currently available information, the Company believes that its potential liability for its allocable share of the cost to remedy each site (to the extent the Company is found to have liability) is not, in the aggregate, material; however, the Company has not been designated a "de minimis" contributor at any of such sites.

The Company is also involved in other environmental matters, including the investigation and/or remediation of environmental conditions at properties used or previously used by the Company. Although the Company is not currently subject to any environmental cleanup orders imposed by regulatory authorities, it is undertaking voluntary investigation or remediation at certain properties in consultation with such authorities. The full nature and extent of any contamination at these properties and the parties responsible for such contamination have not been determined, but based on currently available information the Company does not believe that any environmental liability associated with such properties will have a material adverse effect on the Company.

General

Various other claims and lawsuits against the Company are pending that are of the type generally consistent with the Company's business. The Company cannot at this time reasonably estimate the possible loss or range of loss that could be experienced if any of the claims were successful. Typically, such claims and lawsuits are covered in whole or in part by insurance. The Company does not believe that the foregoing matters will have a material adverse effect on the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Continental's common stock trades on the New York Stock Exchange. The table below shows the high and low sales prices for the Company's Class A common stock and Class B common stock as reported on the New York Stock Exchange during 1995 and 1996.

	Class A Common Stock		Class B Common Stock	
	High	Low	High	Low
1995 First Quarter . . .	6-1/16	3-1/2	6-1/8	3-1/4
Second Quarter . . .	12-7/8	5-3/16	12-7/8	5-5/16
Third Quarter . . .	19-7/8	11-9/16	20-1/16	11-11/16
Fourth Quarter . . .	23-7/16	17-3/16	23-3/4	17-3/8
1996 First Quarter . . .	27	19-1/8	28-3/16	19-7/16
Second Quarter . . .	31-1/16	25-7/8	31-7/16	26-9/16
Third Quarter . . .	31	21	31-1/8	21-1/8
Fourth Quarter . . .	30-5/8	22	30-3/4	22-5/8

As of February 14, 1997, there were approximately 3,446 and 12,334 holders of record of Continental's Class A common stock and Class B common stock, respectively.

The Company has not paid any cash dividends on its common stock. Because the Company continues to believe it is important to strengthen the Company's balance sheet and liquidity, the Company has no current intention of paying regular cash dividends on its common stock, but may consider repurchase of its common stock under certain market conditions.

The Company's Certificate of Incorporation provides that no shares of capital stock may be voted by or at the direction of persons who are not United States citizens unless such shares are registered on a separate stock record. The Company's Bylaws further provide that no shares will be registered on such separate stock record if the amount so registered would exceed United States foreign ownership restrictions. United States law currently requires that no more than 25% of the voting stock of the Company (or any other domestic airline) may be owned directly or indirectly by persons who are not citizens of the United States. Within the past year, Air Canada, Continental's only significant foreign stockholder, sold all of its Continental common stock that was included on the foreign stock register. See Item 1. "Business. Capital Structure".

ITEM 6. SELECTED FINANCIAL DATA.

The table on the following page sets forth certain consolidated financial data of (i) the Company at December 31, 1996, 1995, 1994 and 1993 and for the years ended December 31, 1996, 1995 and 1994 and the period April 28, 1993 through December 31, 1993 and (ii) the Predecessor Company (see "1993 Reorganization" below), for the period January 1, 1993 through April 27, 1993 and as of and for the year ended December 31, 1992 (in millions, except per share data).

1993 Reorganization

As used on the following page, the term "Reorganized Company"

refers to Continental Airlines, Inc. and its subsidiaries. The Company reorganized under Chapter 11 of the federal bankruptcy code in April 1993, after having filed for protection in December 1990. Pursuant to the Reorganization, Continental Airlines Holdings, Inc. (together with its subsidiaries, "Holdings" or the "Predecessor Company"), which had been the Company's parent, merged with and into the Reorganized Company.

As a result of the adoption of fresh start reporting in accordance with SOP 90-7, upon consummation of the Company's Plan of Reorganization (see Item 3. "Legal Proceedings. Plan of Reorganization"), the consolidated financial statements of the Predecessor Company and the Reorganized Company have not been prepared on a consistent basis of accounting and are separated by a vertical black line. The Reorganized Company includes Continental CRS (formerly System One prior to April 27, 1995) (see Item 1. - "Business. Competition and Marketing") and other businesses that had been consolidated with Holdings prior to April 28, 1993 (but not with pre-reorganized Continental).

ITEM 6. SELECTED FINANCIAL DATA (Continued)

	Reorganized Company (1)(2)(3)			Predecessor Company (2)(3)		
	Year Ended December 31, 1996	Year Ended December 31, 1995	Year Ended December 31, 1994	April 28, 1993 through December 31, 1993	January 1, 1993 through April 27, 1993	Year Ended December 31, 1992
Operating revenue. . . .	\$6,360	\$5,825	\$5,670	\$3,910	\$1,857	\$5,459
Operating income (loss).	525	385	(11)	95	(114)	(106)
Income (loss) before extraordinary gain (loss)	325	224	(613)	(39)	(979)	(125)
Net income (loss). . . .	319	224	(613)	(39)	2,640	(125)
Earnings (loss) per common and common equivalent share:						
Income (loss) before extraordinary loss. . .	4.97	3.60	(11.88)	(1.17)	*	(1.35)
Net income (loss). .	4.87	3.60	(11.88)	(1.17)	*	(1.35)
Earnings (loss) per common share assuming full dilution:						
Income (loss) before extraordinary loss. . .	4.19	3.15	(11.88)	(1.17)	*	(1.35)
Net income (loss). .	4.11	3.15	(11.88)	(1.17)	*	(1.35)

*Not meaningful.

ITEM 6. SELECTED FINANCIAL DATA (Continued)

	Reorganized Company (1)(2)				Predecessor Company (2)
	1996	December 31, 1995	1994	1993	December 31, 1992
Total assets	\$5,206	\$4,821	\$4,601	\$5,099	\$3,253
Debt and capital lease obligations in default (4)	-	-	490	-	-
Estimated liabilities subject to Chapter 11 reorganization proceedings.	-	-	-	-	3,907
Long-term debt and capital lease					

obligations.	1,624	1,658	1,202	1,775	228
Minority interest.	15	27	26	22	-
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust holding solely Convertible Subordinated Debentures (5)	242	242	-	-	-
Redeemable preferred stock	46	41	53	47	102

- (1) See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations. Results of Operations" for a discussion of significant transactions in 1996, 1995 and 1994. 1996 results include a \$128 million fleet disposition charge associated with the Company's decision to accelerate the replacement of certain aircraft between August 1997 and December 1999. The fleet disposition charge relates primarily to (i) the writedown of Stage 2 aircraft inventory to its estimated fair value and (ii) a provision for costs associated with the return of leased aircraft at the end of their respective lease terms. 1995 results include a \$108 million gain (\$30 million after taxes) from the System One transactions. 1994 results include a provision of \$447 million associated with the planned early retirement of certain aircraft and closed or underutilized airport and maintenance facilities and other assets.
- (2) Certain reclassifications have been made in prior years' financial statements to conform to the 1996 presentation.
- (3) No cash dividends were paid on common stock during the periods shown.
- (4) The Company's failure to make certain required payments in 1994 to certain lenders and aircraft lessors constituted events of default under the respective agreements with such parties. These events of default were cured in 1995.
- (5) The sole assets of the Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust ("Trust") are Convertible Subordinated Debentures, with an aggregate principal amount of \$250 million, which bear interest at the rate of 8-1/2% per annum and mature on December 1, 2020. Upon repayment, the Trust will be mandatorily redeemed.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion may contain forward-looking statements. In connection therewith, please see the cautionary statements contained in Item 1. "Business. Risk Factors Relating to the Company" and "Business. Risk Factors Relating to the Airline Industry" which identify important factors that could cause actual results to differ materially from those in the forward-looking statements. Hereinafter, the terms "Continental" and the "Company" refer to Continental Airlines, Inc. and its subsidiaries, unless the context indicates otherwise.

Results of Operations

The following discussion provides an analysis of the Company's results of operations and reasons for material changes therein for the three years ended December 31, 1996.

Comparison of 1996 to 1995. The Company recorded consolidated net income of \$319 million and \$224 million for the years ended December 31, 1996 and 1995, respectively, including a \$128 million fleet disposition charge (\$77 million after taxes) and a \$6 million after-tax extraordinary loss relating to the early extinguishment of debt in 1996. Continental's financial and operating performance improved significantly in 1996 compared to 1995, reflecting, among other things, continued implementation of the Company's strategic program to enhance the fundamentals of its operations, rationalize capacity, improve customer service and employee relations and strengthen its balance sheet and liquidity. Management believes that the Company benefitted significantly from the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995, although the amount of any such benefit directly resulting from the expiration of the ticket tax cannot precisely be determined. The ticket tax was reinstated on August 27, 1996, and expired again on December 31, 1996. Management believes that the reimposition of the ticket tax is imminent. Nevertheless, the amount of the negative impact directly resulting from the reimposition of the ticket tax cannot be precisely determined.

Implementation of the Company's route realignment and capacity rationalization initiatives increased capacity by 0.8% in 1996 as compared to 1995. This increase in capacity, combined with a 4.7% increase in traffic, produced a 2.5 percentage point increase in load factor to 68.1%. This higher load factor, combined with a

4.7% increase in the average yield per revenue passenger mile, contributed to a 10.7% increase in passenger revenue to \$5.9 billion in 1996.

Cargo, mail and other revenue decreased 6.5%, \$34 million, from 1995 to 1996 primarily as a result of a series of transactions entered into with a former subsidiary, System One Information Management, Inc. ("System One") (which were effective April 27, 1995). Partially offsetting such decrease was an increase in other revenue resulting from a wet lease agreement with Alitalia Airlines, an agreement with DHL International to operate a sorting and distribution hub in Manila and an increase in revenue related to frequent flyer mileage credits sold to participating partners in the Company's frequent flyer program.

Wages, salaries and related costs increased 8.2%, \$117 million, during 1996 as compared to 1995 due in part to an increase in the average number of full-time equivalent employees from approximately 33,700 for the year ended December 31, 1995 to approximately 34,300 for the year ended December 31, 1996. The increase is also attributable to pay increases effective July 1, 1996 for Continental's jet pilots and substantially all of its non-unionized employees and an increase in base wages and per diem payments for flight attendants resulting from the Company's collective bargaining agreement with the International Association of Machinists and Aerospace Workers ("IAM") representing Continental's flight attendants. In addition, increases in employee profit sharing and other incentive programs, including the payment of bonuses for on-time airline performance, increased wages and salaries.

Aircraft fuel expense increased 13.7%, \$93 million, from 1995 to 1996. The average price per gallon, net of fuel hedging gains of \$65 million, increased 10.7% from 55.0 cents in 1995 to 60.9 cents in 1996. In addition, there was a 2.1% increase in the quantity of jet fuel used from 1.203 billion gallons during 1995 to 1.228 billion gallons during 1996, principally reflecting increased capacity.

Aircraft rentals increased 2.4%, \$12 million, from 1995 to 1996, primarily as a result of the delivery of new aircraft throughout 1996. Such increase was partially offset by retirements of certain leased aircraft and refinancings of certain leased aircraft.

Commissions expense increased 4.3%, \$21 million, in 1996 compared to 1995, primarily due to a 10.7% increase in passenger revenue, partially offset by a decrease in the percentage of commissionable revenue.

Maintenance, materials and repairs increased 7.5%, \$32 million, during 1996 as compared to 1995, principally due to the volume and timing of engine overhauls as part of the Company's ongoing maintenance program.

During the third quarter of 1996, the Company made the decision to accelerate the replacement of 30 DC-9-30 aircraft, six DC-10-10 aircraft, 31 727-200 aircraft, 13 737-100 aircraft and 17 737-200 aircraft between August 1997 and December 1999. As a result of its decision to accelerate the replacement of these aircraft, the Company recorded a fleet disposition charge of \$128 million (\$77 million after taxes). The fleet disposition charge relates primarily to (i) the writedown of Stage 2 aircraft inventory, which is not expected to be consumed through operations, to its estimated fair value; and (ii) a provision for costs associated with the return of leased aircraft at the end of their respective lease terms.

Interest expense decreased 22.5%, \$48 million, from 1995 to 1996, primarily due to principal reductions of long-term debt and capital lease obligations as a result of the Company's refinancing initiatives.

Interest income increased 38.7%, \$12 million, in 1996 compared to 1995, principally due to an increase in the average invested balance of cash and cash equivalents.

The Company's other nonoperating income (expense) for the year ended December 31, 1996 includes a \$13 million gain related to the sale of approximately 1.4 million shares of America West Airlines, Inc. ("America West") common stock, a \$5 million gain related to the sale of the America West warrants and foreign currency gains

and losses (primarily related to the Japanese yen and the British pound).

Nonoperating income (expense) for the year ended December 31, 1995 primarily consisted of a pre-tax gain of \$108 million from the System One transactions. Additionally in 1995, the bankruptcy court approved a settlement resolving certain claims filed by the Company for the return of certain aircraft purchase deposits. As a result of the settlement, the Company recorded a \$12 million gain in 1995, included in other nonoperating income (expense). These gains were partially offset by an additional provision of \$14 million for underutilized airport facilities and other assets (primarily associated with Denver International Airport, "DIA") and a \$5 million pretax charge which represented a waiver fee to a major creditor of the Company.

The income tax provision for the year ended December 31, 1996 of \$86 million consists of federal, state and foreign income taxes. During 1996, the Company utilized previously unbenefitted net operating loss carryforwards ("NOLs"), created subsequent to the Company's 1993 emergence from bankruptcy, and began accruing income tax expense in the second quarter. A provision for federal income taxes was recorded for the year ended December 31, 1995 related to the System One transactions. No additional provision was recorded in 1995 due to the previously incurred NOLs for which a tax benefit had not previously been recorded.

Comparison of 1995 to 1994. Continental's financial and operating performance improved dramatically in 1995, reflecting among other things implementation of a new strategic program by the Company to enhance the fundamentals of its operations, rationalize capacity (including the elimination of "Continental Lite" operations - a network of short-haul, no-frills, low-fare flights), improve customer service and employee relations and strengthen Continental's balance sheet and liquidity. The Company recorded consolidated net income of \$224 million for the year ended December 31, 1995, after recording \$31 million in employee profit sharing, as compared to a consolidated net loss of \$613 million for the year ended December 31, 1994. The Company's net income in 1995 included a \$30 million after-tax gain on the System One transactions. During the fourth quarter of 1994, the Company recorded a provision of \$447 million, which included \$278 million associated primarily with the planned early retirement of certain aircraft and \$169 million relating to closed or underutilized airport and maintenance facilities and other assets.

During 1995, the Company implemented its route realignment and capacity rationalization initiatives, which reduced capacity by 7.4% from 1994, while traffic declined only 3.8%, producing a 2.5 percentage point increase in load factor to 65.6%. This higher load factor, combined with a 9.4% increase in the average yield per revenue passenger mile, contributed to a 5.3% increase in passenger revenue to \$5.3 billion despite the decreased capacity.

Cargo, mail and other revenue decreased 17.5%, \$111 million, from 1994 to 1995, principally as a result of the System One transactions (which were effective April 27, 1995).

Wages, salaries and related costs decreased 6.5%, \$100 million, from 1994 to 1995, primarily due to a reduction in the average number of full-time equivalent employees from approximately 40,400 for the year ended December 31, 1994 to approximately 33,700 for the year ended December 31, 1995. Such decrease was partially offset by a \$20 million cash payment to pilots upon ratification of a new collective bargaining agreement, employee profit sharing and other incentive programs, including the payment of bonuses for Continental's on-time performance. Wage rates were impacted by longevity pay increases for substantially all employee groups, effective July 1, 1995. In addition, wage restorations relating to an average 10.0% wage reduction implemented by the Company in July 1992 also increased wage rates. Wage reductions were restored in equal increments in December 1992, April 1993, April 1994 and July 1994.

Aircraft fuel expense decreased 8.1%, \$60 million, from 1994 to 1995. The quantity of jet fuel used dropped 7.7% from 1.3 billion gallons in 1994 to 1.2 billion gallons in 1995, principally reflecting capacity reductions and increased stage lengths. Such decrease was partially offset by a 2.8% increase in the average price per gallon from 53.5 cents in 1994 to 55.0 cents in 1995.

Aircraft rentals increased 14.8%, \$64 million, from 1994 to 1995, primarily as a result of the delivery of new 737 and 757 aircraft from Boeing during late 1994 and throughout 1995. Such increase was partially offset by retirements and groundings of certain leased aircraft.

Commission expense increased 11.4%, \$50 million, from 1994 to 1995, primarily due to increased passenger revenue and higher average effective commission rates associated with the Company's targeted travel initiatives and the elimination of noncommissionable Continental Lite fares.

Maintenance, materials and repairs decreased 13.3%, \$66 million, from 1994 to 1995, principally due to the replacement of older aircraft with new aircraft, a reduction in the fleet size and the volume and timing of overhauls as part of the Company's ongoing maintenance program. Such decreases were partially offset by the shift of scheduled maintenance work to outside suppliers, which resulted in the entire cost of maintenance work performed by outside suppliers being included in maintenance, materials and repairs, whereas when Continental performs its own maintenance work, a portion of such cost is classified as wages, salaries and related costs.

Other rentals and landing fees decreased by 9.2%, \$36 million, from 1994 to 1995, principally due to reduced facility rentals and landing fees resulting from downsizing operations.

Other operating expense decreased 6.3%, \$88 million, from 1994 to 1995, primarily as a result of the System One transactions (which were effective April 27, 1995), coupled with decreases in advertising expense, aircraft servicing expense and catering expense. Such decreases were partially offset by increases in reservations and sales expense and other miscellaneous expense.

Interest expense decreased 11.6%, \$28 million, from 1994 to 1995, primarily due to the reduced accretion of deferred credits recorded in connection with the Company's adjustment of operating leases to fair market value as of April 27, 1993 upon emergence from bankruptcy and principal reductions of long-term debt and capital lease obligations. Such decrease was partially offset by accrued interest on the convertible secured debentures.

Interest capitalized decreased 64.7%, \$11 million, from 1994 to 1995, principally due to a decrease in the average balance of purchase deposits for flight equipment.

Interest income increased 34.8%, \$8 million, from 1994 to 1995, primarily due to an increase in the average balance of cash and cash equivalents.

The Company recorded a pretax gain of \$108 million related to the System One transactions in Nonoperating Income (Expense) in the accompanying Consolidated Statement of Operations. The tax provision related to these transactions totaled \$78 million (which differs from the federal statutory rate due to certain nondeductible expenses), for a net gain of \$30 million.

In 1995, the bankruptcy court approved a settlement resolving certain claims filed by the Company for the return of certain aircraft purchase deposits. As a result of the settlement, the Company recorded a \$12 million gain in 1995, which was classified in Other, net in the accompanying Consolidated Statement of Operations. This gain was offset by an additional provision of \$14 million for underutilized airport facilities and other assets (primarily associated with DIA) and a \$5 million pretax charge related to the purchase of warrants held by Air Canada, a Canadian corporation. The Company's Other, net in 1994 included gains of \$10 million relating primarily to a gain on the sale of 10 Beech aircraft and five spare engines, offset by foreign exchange losses of \$5 million (primarily related to Japanese yen-denominated transactions). In addition, during the fourth quarter of 1994, the Company recorded a provision of \$447 million, which included \$278 million associated primarily with the planned early retirement of certain aircraft and \$169 million relating to closed or underutilized airport and maintenance facilities and other assets.

Certain Statistical Information

An analysis of statistical information for Continental's jet operations for each of the three years in the period ended

December 31, 1996 is as follows:

	1996	Net Increase/ (Decrease) 1996-1995	1995	Net Increase/ (Decrease) 1995-1994	1994
Revenue pas- senger miles (millions) (1)	41,914	4.7 %	40,023	(3.8)%	41,588
Available seat miles (2)	61,515	0.8 %	61,006	(7.4)%	65,861
Block hours (thousands) (3)	1,131	3.3 %	1,095	(4.6)%	1,148
Passenger load factor (4)	68.1%	2.5 pts.	65.6%	2.5 pts.	63.1%
Breakeven pas- senger load factor (5)	60.7%	(0.1)pts.	60.8%	(2.1)pts.	62.9%
Passenger revenue per available seat mile (cents) (6)	8.93	8.9 %	8.20	13.6 %	7.22
Total revenue per available seat miles (cents) (7)	9.80	8.6 %	9.02	13.5 %	7.95
Operating cost per available seat mile (cents) (8), (12)	8.77	4.9 %	8.36	6.4 %	7.86
Operating cost per block hour (12)	\$4,772	2.5 %	\$4,655	3.3 %	\$4,506
Average yield per revenue passenger mile (cents) (9)	13.10	4.7 %	12.51	9.4 %	11.44
Average fare per revenue passenger	\$143.27	7.6 %	\$133.21	18.2 %	\$112.71
Revenue passengers (thousands)	38,332	2.0 %	37,575	(11.0)%	42,202
Average length of aircraft flight (miles)	896	7.2 %	836	15.0 %	727
Average daily utilization of each aircraft (hours) (10)	9:53	3.7 %	9:32	(4.2)%	9:57
Actual aircraft in fleet at end of period (11)	317	2.6 %	309	(6.4)%	330

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- (1) The number of scheduled miles flown by revenue passengers.
 - (2) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
 - (3) The number of hours an aircraft is operated in revenue service from gate to gate.
 - (4) Revenue passenger miles divided by available seat miles.
 - (5) The percentage of seats that must be occupied by revenue passengers in order for the airline to break even on an income before income taxes basis, excluding nonrecurring charges, nonoperating items and other special items.
 - (6) Passenger revenue divided by available seat miles.
 - (7) Total revenue divided by available seat miles.
 - (8) Operating expenses divided by available seat miles.
 - (9) The average revenue received for each mile a revenue passenger is carried.
 - (10) The average block hours flown per day in revenue service per aircraft.
 - (11) 1996 excludes four all-cargo 727 aircraft at CMI, three A300 and one 747 Continental aircraft that were removed from service in 1995 and four DC-10-30 Continental aircraft that were delivered in 1996, but were not placed into service until 1997.
 - (12) 1996 excludes fleet disposition charge totaling \$128 million.

Liquidity and Capital Commitments

During 1996, the Company completed a number of transactions intended to strengthen its long-term financial position and enhance earnings:

- - In the first and second quarters of 1996, the Company financed one owned aircraft and exercised its right under 22 existing leveraged aircraft leases to cause the owner/ lessor's debt underlying these leases to be refinanced. The lower borrowing costs obtained in the refinancing allowed Continental's operating lease expense for the affected aircraft to be reduced by more than \$17 million annually.
- - In January and February 1996, Continental repurchased or redeemed without prepayment penalty the remaining amount of its Series A convertible secured debentures for \$125 million (including payment-in-kind interest of \$7 million).
- - In February 1996, Continental sold approximately 1.4 million of the 1.8 million shares it owned in America West, realizing net proceeds of \$25 million and recognizing a gain of \$13 million. In May 1996, the Company sold all of its 802,860 America West warrants, realizing net proceeds of \$7 million and recognizing a gain of \$5 million.
- - In March 1996, Continental completed the offering of \$230 million of 6-3/4% convertible subordinated notes.
- - In March 1996, Continental repaid \$257 million of secured indebtedness to General Electric Capital Corporation, General Electric Company and certain affiliates (any one or more of such entities, "GE") (of which \$47 million was required as a result of the convertible debt financing and the America West stock sale and \$210 million was an optional prepayment), resulting in the elimination of certain restrictive covenants.
- - In July 1996, Continental's 91%-owned subsidiary, Continental Micronesia, Inc. ("CMI") consummated a \$320 million secured term loan financing with a group of banks and other financial institutions. Continental and CMI used the net proceeds, together with available cash, to prepay approximately \$324 million in principal amount of GE indebtedness. The bank financing reduced interest expense by \$3 million in 1996 and is expected to result in a savings in interest expense of \$6 million in 1997, based on current rates. The bank financing does not contain any restrictive covenants at the Continental parent level, and none of the assets of the parent company (other than its stock in Air Micronesia, Inc., CMI's parent company) is pledged in connection with the financing. Accordingly, this transaction freed up over \$1 billion of collateral at Continental which was previously pledged under the terms of the GE debt agreements.
- - In December 1996, the Company sold \$250 million principal amount of 9-1/2% senior notes due 2001. The net proceeds of \$244 million were added to the Company's available cash resources.

As of December 31, 1996, Continental had approximately \$1.9 billion (including current maturities) of long-term debt and capital lease obligations, and had approximately \$884 million of minority interest, Continental-obligated mandatorily redeemable preferred securities of subsidiary trust, redeemable preferred stock and common stockholders' equity, a ratio of 2.1 to 1. As of December 31, 1995, the ratio of long-term debt and capital lease obligations (including current maturities) to minority interest, Continental-obligated mandatorily redeemable preferred securities of subsidiary trust, redeemable preferred stock and common stockholders' equity was 3.1 to 1.

The Company had, as of December 31, 1996, deferred tax assets aggregating \$1.3 billion, including \$804 million of NOLs. The Company recorded a valuation allowance of \$694 million against such assets as of December 31, 1996. Realization of a substantial portion of the Company's remaining NOLs will require the completion by April 27, 1998 of transactions resulting in recognition of built-in gains for federal income tax purposes. The Company has consummated several such transactions and currently intends to consummate one or more additional transactions. If the Company were to determine in the future that such transactions will not be completed and if future income is not sufficient to recognize the

benefit of previously completed transactions, an adjustment to the net deferred tax liability of up to \$85 million would be charged to income in the period such determination was made.

As a result of NOLs, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional \$1.1 billion of taxable income following December 31, 1996. Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change". In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event that an ownership change should occur, utilization of Continental's NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term tax exempt rate (which was 5.48% for February 1997). Unused annual limitation may be carried over to later years, and the amount of the limitation may under certain circumstances be increased by the built-in gains in assets held by the Company at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, Continental's NOL utilization would be limited to approximately \$100 million per year.

As of December 31, 1996, Continental has firm commitments with The Boeing Company ("Boeing") to take delivery of a total of 127 jet aircraft during the years 1997 through 2003 with options for an additional 90 aircraft (exercisable subject to certain conditions). These new aircraft will replace older, less efficient Stage 2 aircraft and allow for growth of operations. The estimated aggregate cost of the Company's firm commitments for the Boeing aircraft is approximately \$4.3 billion. Continental has firm commitments of approximately \$1.4 billion of backstop financing for its Boeing aircraft orders. Continental currently plans on financing the new Boeing aircraft with enhanced equipment trust certificates or similar financing, subject to availability and market conditions. However, further financing will be needed to satisfy Continental's capital commitment for other aircraft-related expenditures such as spare parts, simulators (including Continental Express's new Embraer ("EMB")-145 aircraft described below) and related items. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments. Continental has also entered into agreements or letters of intent with several outside parties to lease or purchase five DC-10-30 aircraft and one Boeing 747 aircraft which are expected to be delivered by mid 1997.

During 1996, Continental took delivery of a total of five new Boeing aircraft which consisted of three 737-500 aircraft and two 757-200 aircraft. In addition, Continental also purchased three DC-10-30 aircraft and two McDonnell Douglas-82 aircraft and leased four DC-10-30 aircraft.

In September 1996, Continental's wholly-owned subsidiary, Continental Express ("Express"), placed an order for 25 firm EMB-145 50-seat regional jets, with options for an additional 175 aircraft. Neither Express nor Continental will have any obligation to take aircraft that are not financed by a third party and leased to the Company. However, if the Company fails to confirm the first tranche of 25 options by August 1997, the rent associated with the 25 firm aircraft will increase by an aggregate of \$33.6 million over the 16-year life of the leases. Express took delivery of two of the firm aircraft in late December 1996 and will take delivery of the remaining 23 firm aircraft during the period from January 1, 1997 through the second quarter of 1998. The Company expects to account for all of these aircraft as operating leases. During 1996, Express also took delivery of 12 Beech 1900-D aircraft and eight Avions de Transport Regional ("ATR") 42-500 aircraft.

Continental expects its cash outlays for 1997 capital expenditures, exclusive of fleet plan requirements, to aggregate \$125 million, primarily relating to mainframe, software application and automation infrastructure projects, aircraft modifications and mandatory maintenance projects, passenger terminal facility improvements and office, maintenance, telecommunications and ground equipment. Continental's capital expenditures during 1996 aggregated \$84 million, exclusive of fleet plan requirements.

The Company expects to fund its future capital commitments through

internally generated funds together with general Company financings and aircraft financing transactions. However, there can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments.

In July 1996, the Company announced plans to expand its gates and related facilities Houston's Intercontinental Airport into Terminal B, as well as planned improvements at Terminal C. The expansion, which will include the construction of a new automated people mover system linking Terminal B and Terminal C, is expected to cost approximately \$160 million (exclusive of capitalized interest), which the Company expects will be funded principally by the issuance of tax-exempt special facilities revenue bonds by the City of Houston. In connection therewith, the Company expects to enter into long-term leases (or amendments to existing leases) with the City of Houston providing for the Company to make rental payments sufficient to service the related tax-exempt bonds, which will have a term no longer than 30 years.

The Company is also exploring facility expansions at Cleveland and Newark which would require, among other matters, agreements to be reached with the applicable airport authority. The Company anticipates that any such expansions would be financed by tax-exempt bonds.

As of December 31, 1996 the Company had \$1.0 billion in cash and cash equivalents (excluding restricted cash), compared to \$603 million as of December 31, 1995. Net cash provided by operating activities increased \$512 million during the year ended December 31, 1996 compared to the same period in the prior year principally due to earnings improvement. Net cash used by investing activities for the year ended December 31, 1996 compared to the same period in the prior year increased \$279 million, primarily as a result of higher capital expenditures in 1996, lower purchase deposits refunded in connection with aircraft delivered in 1996 and proceeds received in 1995 in connection with the System One transactions. This increase was offset in part by proceeds received from (i) sale/leaseback transactions in 1996 and (ii) the sale in 1996 of approximately 1.4 million shares of Continental's America West stock and all of Continental's America West warrants. Net cash used by financing activities increased \$177 million primarily due to (i) an increase in the repayment of long-term debt and capital lease obligations, net of proceeds from issuance of debt and other securities, (ii) dividends paid on preferred securities of trust and (iii) a dividend paid to the minority shareholder of CMI in connection with the \$320 million secured term loan financing. This increase was offset in part by proceeds received from the consummation of a \$320 million secured term loan financing and the issuances of \$250 million principal amount of 9-1/2% senior notes and \$230 million of 6-3/4% convertible subordinated notes.

Continental does not have general lines of credit and has significant encumbered assets.

Approximately \$76 million and \$144 million of cash and cash equivalents at December 31, 1996 and 1995, respectively, were held in restricted arrangements relating primarily to workers' compensation claims and in accordance with the terms of certain other agreements. The \$320 million financing consummated by CMI in July 1996 contains significant financial covenants relating to CMI, including maintenance of a minimum fixed charge coverage ratio, a minimum consolidated net worth and minimum liquidity, and covenants restricting CMI's leverage, its incurrence of certain indebtedness and its pledge of assets. The financial covenants also limit the ability of CMI to pay dividends to Continental. As of December 31, 1996, CMI had a minimum cash balance requirement of \$25 million, net assets of \$185 million and was restricted from paying dividends in excess of \$6 million. As a result of the recent weakness of the yen against the dollar and increased fuel costs, CMI's operating earnings declined during the third and fourth quarter of 1996 as compared to similar periods in 1995, and are not expected to improve materially absent a stronger yen or reduced fuel costs. In January 1997, CMI elected to prepay \$25 million of principal amount of its bank financing rather than use such cash for other purposes.

CMI entered into an interest rate swap agreement and an interest rate cap agreement to reduce the impact of potential increases in interest rates on its bank financing that was completed in July 1996. The Company has entered into petroleum option contracts to provide some short-term protection against a sharp increase in jet

fuel prices, and CMI has entered into average rate option contracts to hedge a portion of its Japanese yen-denominated ticket sales against a significant depreciation in the value of the yen versus the United States dollar.

In August 1996, the Company and the IAM which represents the Company's Continental Airlines' flight attendants entered into a collective bargaining agreement which becomes amendable in December 1999. The agreement provides for base wage increases in each year of the contract, a one-time adjustment to certain base wage scales as an equitable adjustment, an increase in per diem payments and other matters, including productivity improvements. In addition, effective July 1, 1996, Continental implemented pay increases for substantially all of its non-unionized employees as part of a three-year plan to increase base wages to be more comparable to industry average wages. The Company anticipates that the pay increases for Continental's flight attendants and its non-unionized employees will result in a cumulative increase in wages, salaries and related costs (assuming no change in the Company's operations) of \$60 million through 1997, \$104 million through 1998 and \$134 million through 1999. CMI's collective bargaining agreement with its flight attendants became amendable in September 1996 and negotiations are in progress to amend this contract. The Company's collective bargaining agreements with its CMI agent-classification employees, CMI mechanics and mechanic-related employees, its Continental Airlines jet pilots and its Express pilots become amendable in March 1997, March 1997, July 1997 and October 1997, respectively. Negotiations are expected to begin in early 1997 to amend these contracts. The Company believes that mutually acceptable agreements can be reached with such employees, although the ultimate outcome of the Company's negotiations is unknown at this time. The Company anticipates that it will be able to offset a significant portion of wage and other cost increases with increased labor productivity, reduced interest and lease expenses, reduced distribution costs and other cost savings.

Continental's decision to order 60 new Boeing 737-500 and 737-600 aircraft (which will replace older, less efficient Stage 2 aircraft) is expected to increase ownership costs while generating cost savings in the areas of maintenance, fuel and pilot training.

Management believes that the Company's costs are likely to be affected in the future by (i) higher aircraft rental expense as new aircraft are delivered, (ii) higher wages, salaries and related costs as the Company continues to compensate its employees comparable to industry average, (iii) changes in the costs of materials and services (in particular, the cost of fuel, which can fluctuate significantly in response to global market conditions), (iv) changes in governmental regulations and taxes affecting air transportation and the costs charged for airport access, including new security requirements, (v) changes in the Company's fleet and related capacity and (vi) the Company's continuing efforts to reduce costs throughout its operations, including reduced maintenance costs for new aircraft, reduced distribution expense from using Continental's electronic ticket product ("E-Ticket") and the Internet for bookings, and reduced interest expense.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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The Board of Directors and Stockholders
Continental Airlines, Inc.

We have audited the accompanying consolidated balance sheets of Continental Airlines, Inc. (the "Company") as of December 31, 1996 and 1995, and the related consolidated statements of operations, redeemable preferred stock and common stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 1996 and 1995, the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Houston, Texas
February 10, 1997

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions of dollars, except per share data)

	Year Ended December 31,		
	1996	1995	1994
Operating Revenue:			
Passenger	\$5,871	\$5,302	\$5,036
Cargo, mail and other	489	523	634
	6,360	5,825	5,670
Operating Expenses:			
Wages, salaries and related costs	1,549	1,432	1,532
Aircraft fuel	774	681	741
Aircraft rentals	509	497	433
Commissions	510	489	439
Maintenance, materials and repairs	461	429	495
Other rentals and landing fees	350	356	392
Depreciation and amortization	254	253	258
Fleet disposition charge	128	-	-
Other	1,300	1,303	1,391
	5,835	5,440	5,681
Operating Income (Loss)	525	385	(11)
Nonoperating Income (Expense):			
Interest expense	(165)	(213)	(241)
Interest capitalized	5	6	17
Interest income	43	31	23
Gain on System One transactions	-	108	-
Other, net	20	(7)	(439)
	(97)	(75)	(640)
Income (Loss) before Income Taxes, Minority Interest and Extraordinary Loss	428	310	(651)
Income Tax (Provision) Benefit	(86)	(78)	42

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions of dollars, except per share data)

	Year Ended December 31,		
	1996	1995	1994
Income (Loss) before Minority Interest and Extraordinary Loss	\$ 342	\$ 232	\$ (609)
Minority Interest	(3)	(6)	(4)
Distributions on Preferred Securities of Trust, net of applicable income taxes of \$8 in 1996	(14)	(2)	-
Income (Loss) before Extraordinary Loss	325	224	(613)
Extraordinary Loss, net of applicable income taxes of \$4	(6)	-	-
Net Income (Loss)	319	224	(613)
Preferred Dividend Requirements and Accretion to Liquidation Value	(5)	(9)	(6)
Income (Loss) Applicable to Common Shares	\$ 314	\$ 215	\$ (619)
Earnings (Loss) per Common and Common Equivalent Share:			
Income (loss) before Extraordinary Loss	\$ 4.97	\$ 3.60	\$(11.88)
Extraordinary Loss	(0.10)	-	-
Net Income	\$ 4.87	\$ 3.60	\$(11.88)
Earnings (Loss) per Common Share Assuming Full Dilution:			
Income (loss) before Extraordinary Loss	\$ 4.19	\$ 3.15	\$(11.88)
Extraordinary Loss	(0.08)	-	-
Net Income	\$ 4.11	\$ 3.15	\$(11.88)

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

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

December 31, December 31,

ASSETS

1996

1995

Current Assets:

Cash and cash equivalents, including restricted cash and cash equivalents of \$76 and \$144, respectively	\$1,061	\$ 747
Accounts receivable, net of allowance for doubtful receivables of \$27 and \$44, respectively	377	351
Spare parts and supplies, net of allowance for obsolescence of \$47 and \$36, respectively	111	127
Prepayments and other assets	85	90
Total current assets	1,634	1,315

Property and Equipment:

Owned property and equipment:

Flight equipment	1,199	1,107
Other	338	288
	1,537	1,395
Less: Accumulated depreciation	370	285
	1,167	1,110

Purchase deposits for flight equipment	154	48
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Capital leases:

Flight equipment	396	394
Other	31	28
	427	422
Less: Accumulated amortization	152	119
	275	303
Total property and equipment	1,596	1,461

Other Assets:

Routes, gates and slots, net of accumulated amortization of \$212 and \$154, respectively	1,473	1,531
Reorganization value in excess of amounts allocable to identifiable assets, net of accumulated amortization of \$60 and \$46, respectively	237	251
Investments	134	163
Other assets, net	132	100
Total other assets	1,976	2,045
Total Assets	\$5,206	\$4,821

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS

(In millions of dollars, except for share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1996	December 31, 1995
Current Liabilities:		
Current maturities of long-term debt	\$ 201	\$ 163
Current maturities of capital leases	60	58
Accounts payable	705	617
Air traffic liability	661	579
Accrued payroll and pensions	149	181
Accrued other liabilities	328	386
Total current liabilities	2,104	1,984
Long-Term Debt	1,368	1,352
Capital Leases	256	306
Deferred Credits and Other Long-Term Liabilities:		
Deferred income taxes	75	46
Accruals for aircraft retirements and excess facilities	188	175
Other	331	343
Total deferred credits and other		

long-term liabilities.	594	564
Commitments and Contingencies		
Minority Interest	15	27
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures (A)		
	242	242
Redeemable Preferred Stock.	46	41
Common Stockholders' Equity:		
Class A common stock - \$.01 par, 50,000,000 shares authorized; 9,280,000 and 12,602,112 shares issued and outstanding, respectively	-	-
Class B common stock - \$.01 par, 200,000,000 shares authorized; 47,943,343 and 42,856,548 shares issued and outstanding, respectively.	-	-
Additional paid-in capital	693	733
Accumulated deficit.	(109)	(428)
Unvested portion of restricted stock	(5)	(10)
Additional minimum pension liability	(2)	(8)
Unrealized gain on marketable equity securities.	4	18
Total common stockholders' equity	581	305
Total Liabilities and Stockholders' Equity	\$5,206	\$4,821

(A) The sole assets of the Trust are convertible subordinated debentures with an aggregate principal amount of \$250 million, which bear interest at the rate of 8-1/2% per annum and mature on December 1, 2020. Upon repayment, the Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust will be mandatorily redeemed.

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

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions of dollars)

	Year Ended December 31,		
	1996	1995	1994
Cash Flows From Operating Activities:			
Net income (loss).	\$ 319	\$224	\$(613)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.	254	253	258
Provision for aircraft and facilities.	128	14	447
Gain on sale of America West stock and warrants.	(18)	-	-
Gain on System One transactions.	-	(108)	-
Other, net	83	98	(52)
Changes in operating assets and liabilities:			
Increase in accounts receivable	(42)	(21)	(64)
Increase in spare parts and supplies	(43)	(8)	(10)
(Increase) decrease in prepayments and other assets	88	(84)	(29)
Increase in accounts payable.	103	48	89
Increase (decrease) in air traffic liability.	82	(5)	(7)
Increase (decrease) in accrued liabilities, deferred credits and other.	(123)	(92)	7
Net cash provided by operating activities.	831	319	26

Cash Flows from Investing Activities:			
Capital expenditures, net of returned purchase deposits	(314)	(82)	(227)
Purchase deposits refunded in connection with aircraft delivered. . .	20	97	96
Proceeds from disposition of property, equipment and other assets.	11	60	29
Proceeds from sale/leaseback transactions.	47	-	-
Proceeds from sale of America West stock and warrants.	32	-	-
Investment in America West	-	-	(19)
Net cash provided (used) by investing activities	(204)	75	(121)

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions of dollars)

	Year Ended December 31,		
	1996	1995	1994
Cash Flows From Financing Activities:			
Net proceeds from issuance of long-term debt.	\$ 797	\$ 9	\$ 33
Payments on long-term debt and capital lease obligations	(975)	(318)	(280)
Net proceeds from issuance of common stock.	18	13	-
Net proceeds from issuance of preferred securities of trust	-	242	-
Dividends paid on preferred securities of trust.	(22)	-	-
Dividend paid to minority interest holder in connection with secured term loan financing	(13)	-	-
Purchase of warrants	(50)	(14)	-
Net cash used by financing activities .	(245)	(68)	(247)
Net Increase (Decrease) in Cash and Cash Equivalents	382	326	(342)
Cash and Cash Equivalents Beginning of Period (A).	603	277	619
Cash and Cash Equivalents End of Period (A).	\$ 985	\$603	\$ 277
Supplemental Cash Flows Information:			
Interest paid.	\$ 161	\$179	\$ 202
Income taxes paid, net	\$ 4	\$ 11	\$ -

Financing and Investing Activities
Not Affecting Cash:

Reclassification of accrued rent, capital leases and interest to long-term debt	\$ 11	\$ 65	\$ 28
Capital lease obligations incurred. . .	\$ 32	\$ 10	\$ 14
Property and equipment acquired through the issuance of debt	\$ 119	\$ 92	\$ 10
Investment in AMADEUS acquired in connection with System One transactions .	\$ -	\$120	\$ -

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions of dollars)

	Year Ended December 31,		
	1996	1995	1994
Reduction of debt in connection with System One transactions	\$ -	\$ 42	\$ -
Issuance of debt in connection with purchase of Air Canada warrants	\$ -	\$ 42	\$ -
Issuance of convertible secured debentures in connection with the aircraft settlements	\$ -	\$158	\$ -
Exchange of preferred stock for long-term debt	\$ -	\$ 21	\$ -
Financed purchase deposits for flight equipment	\$ 19	\$ 5	\$ -
Return of financed purchase deposits	\$ -	\$ 10	\$ -
Reclassification of accrued management fees to long-term debt	\$ -	\$ 21	\$ -
Reduction of capital lease obligations in connection with the exchange of ATR aircraft	\$ 19	\$ -	\$ -

(A) Excludes restricted cash of \$76 million, \$144 million, \$119 million and \$102 million at December 31, 1996, 1995, 1994 and 1993, respectively.

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

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED
STOCK AND COMMON STOCKHOLDERS' EQUITY
(In millions of dollars)

	Redeemable Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Other
Balance, December 31, 1993	\$ 47	\$ 764	\$ (39)	\$ (6)
Net Loss	-	-	(613)	-
Restricted Stock Grant to Employees	-	20	-	(20)
Amortization of Restricted Stock Grants	-	-	-	6
Accumulated Unpaid Dividends:				
8% Cumulative Redeemable Preferred Stock	2	(2)	-	-
12% Cumulative Redeemable Preferred Stock	4	(4)	-	-
Additional Minimum Pension Liability	-	-	-	(1)
Unrealized Loss on Marketable Equity Securities	-	-	-	(2)
Balance, December 31, 1994	53	778	(652)	(23)
Net Income	-	-	224	-
Purchase of Warrants	-	(51)	-	-

Accumulated Dividends:				
8% Cumulative Redeemable Preferred Stock	2	(2)	-	-
12% Cumulative Redeemable Preferred Stock	2	(2)	-	-
Series A 12% Cumulative Preferred Stock	2	(2)	-	-
Issuance of Note in Exchange for Series A 8% Cumulative Preferred Stock	(18)	(3)	-	-
Additional Minimum Pension Liability	-	-	-	(1)
Unrealized Gain on Marketable Equity Securities	-	-	-	20
Other	-	15	-	4
Balance, December 31, 1995	41	733	(428)	-

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED
STOCK AND COMMON STOCKHOLDERS' EQUITY
(In millions of dollars)

	Redeemable Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Other
Net Income	\$ -	\$ -	\$ 319	\$ -
Purchase of Warrants	-	(50)	-	-
Accumulated Dividends:				
Series A 12% Cumulative Preferred Stock	5	(5)	-	-
Additional Minimum Pension Liability	-	-	-	6
Unrealized Gain on Marketable Equity Securities, net	-	-	-	4
Sale of America West Stock and Warrants	-	-	-	(18)
Other	-	15	-	5
Balance, December 31, 1996	\$ 46	\$ 693	\$ (109)	\$ (3)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED
STOCK AND COMMON STOCKHOLDERS' EQUITY
NUMBER OF SHARES

	Redeemable Preferred Stock	Class A Common Stock	Class B Common Stock	Treasury Stock
Balance, December 31, 1993	471,000	12,026,432	39,018,704	-
Conversion of Class B to Class A Common Stock by Air Canada	-	575,680	(575,680)	-
Restricted Stock Grant to Employees	-	-	2,364,000	-
Forfeiture of Restricted Class B Common Stock	-	-	(60,000)	60,000
Balance, December 31, 1994	471,000	12,602,112	40,747,024	60,000
Cancellation of 8% and 12% Cumulative Redeemable Preferred Stock	(471,000)	-	-	-
Issuance of Series A 8% and 12% Cumulative Preferred Stock	589,142	-	-	-
Issuance of Note in Exchange for Series A 8% Cumulative Preferred Stock	(202,784)	-	-	-
Forfeiture of Restricted Class B Common Stock	-	-	(55,000)	55,000
Reissuance of Treasury Stock	-	-	115,000	(115,000)
Issuance of Preferred Stock	11,590	-	-	-
Issuance of Common Stock under Company Stock Plans	-	-	863,978	-
Other	-	-	1,185,546	-
Balance, December 31, 1995	397,948	12,602,112	42,856,548	-

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED
STOCK AND COMMON STOCKHOLDERS' EQUITY
NUMBER OF SHARES

	Redeemable Preferred Stock	Class A Common Stock	Class B Common Stock	Treasury Stock
Conversion of Class A to Class B Common Stock by Air Canada	-	(3,322,112)	3,322,112	-
Forfeiture of Restricted Class B Common Stock	-	-	(60,000)	60,000
Purchase of Common Stock	-	-	(133,826)	133,826
Reissuance of Treasury Stock	-	-	193,826	(193,826)
Issuance of Preferred Stock	49,134	-	-	-
Issuance of Common Stock under Company Stock Plans	-	-	1,764,683	-
Balance, December 31, 1996	447,082	9,280,000	47,943,343	-

CONTINENTAL AIRLINES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continental Airlines, Inc. (the "Company" or "Continental") is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by 1996 revenue passenger miles) and, together with its wholly owned subsidiary, Continental Express, Inc. ("Express"), and its 91%-owned subsidiary, Continental Micronesia, Inc. ("CMI"), each a Delaware corporation, serves 188 airports worldwide. Internationally, Continental flies to 58 destinations and offers additional connecting service through alliances with foreign carriers. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations there than any other United States airline. In addition, Continental flies to four cities in South America. Through its Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

As used in these Notes to Consolidated Financial Statements, the terms "Continental" and "Company" refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its subsidiaries.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation -

The consolidated financial statements of the Company include the accounts of Continental and its operating subsidiaries, Express, CMI, and prior to April 27, 1995, System One Information Management, Inc. ("System One"). See Note 11. All significant intercompany transactions have been eliminated in consolidation.

The minority interest holder of CMI has rights to acquire the minimum number of additional shares of CMI necessary to cause Continental's equity interest to decline below 80.0% if certain events relating to the defined benefit plans of Continental occur.

(b) Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents -

Cash and cash equivalents consist of cash and short-term, highly liquid investments which are readily convertible into cash and have a maturity of three months or less when purchased. Approximately \$76 million and \$144 million of cash and cash equivalents at December 31, 1996 and 1995, respectively, were held in restricted arrangements relating primarily to payments for workers' compensation claims and in accordance with the terms of certain other agreements.

(d) Spare Parts and Supplies -

Flight equipment expendable parts and supplies are valued at average cost. An allowance for obsolescence for flight equipment expendable parts and supplies is accrued to allocate the costs of these assets, less an estimated residual value, over the estimated useful lives of the related aircraft and engines.

(e) Property and Equipment -

Property and equipment were recorded at fair market values as of April 27, 1993; subsequent purchases were recorded at cost and are depreciated to estimated residual values (10% of cost) over their estimated useful lives using the straight-line method. Estimated useful lives for such assets are 25 years from the date of manufacture for all owned jet and commuter aircraft; up to 25 years, depending on the lease period, for aircraft acquired under long-term capital leases; and two to 25 years for other property and equipment, including airport facility improvements.

(f) Intangible Assets -

Routes, Gates and Slots

Routes are amortized on a straight-line basis over 40 years, gates over the stated term of the related lease and slots over 20 years. Routes, gates and slots are comprised of the following (in millions):

	Balance at December 31, 1996	Accumulated Amortization at December 31, 1996
Routes	\$ 915	\$ 92
Gates	423	89
Slots	135	31
	\$1,473	\$212

Reorganization Value In Excess of Amounts Allocable to Identifiable Assets

Reorganization value in excess of amounts allocable to identifiable assets, arising from its emergence from bankruptcy reorganization in 1993, is amortized on a straight-line basis over 20 years. The carrying value of this intangible asset is reviewed if the facts and circumstances suggest it may be impaired. If this review indicates that this intangible asset will not be recoverable, as determined based on the undiscounted cash flows over the remaining amortization periods, the carrying value is reduced by the estimated shortfall of cash flows.

(g) Air Traffic Liability -

Passenger revenue is recognized when transportation is provided rather than when a ticket is sold. The amount of passenger ticket sales not yet recognized as revenue is reflected in the accompanying Consolidated Balance Sheets as air traffic liability. The Company performs periodic evaluations of this estimated liability, and any adjustments resulting therefrom, which can be significant, are included in results of operations for the periods in which the evaluations are completed.

Continental sponsors a frequent flyer program ("OnePass") and records an estimated liability for the incremental cost associated with providing the related free transportation at the time a free travel award is earned. The liability is adjusted periodically based on awards earned, awards redeemed and changes in the OnePass program.

The Company also sells mileage credits to participating partners in the OnePass program, such as hotels, car rental agencies and credit card companies. The resulting revenue, net of the estimated incremental cost of the credits sold, is recorded as other operating revenue in the accompanying Consolidated Statements of Operations during the period in which the credits are sold.

(h) Passenger Traffic Commissions -

Passenger traffic commissions are recognized as expense when the transportation is provided and the related revenue is recognized. The amount of passenger traffic commissions not yet recognized as expense is included in Prepayments and other assets in the accompanying Consolidated Balance Sheets.

(i) Deferred Income Taxes -

Deferred income taxes are provided under the liability method and reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

(j) Maintenance and Repair Costs -

Maintenance and repair costs for owned and leased flight equipment, including the overhaul of aircraft components, are charged to operating expense as incurred.

(k) Advertising Costs -

The Company expenses the costs of advertising as incurred. Advertising expense was \$76 million, \$94 million and \$133 million for the years ended December 31, 1996, 1995 and 1994, respectively.

(l) Stock Split -

On June 26, 1996, the Board of Directors of the Company (the "Board") declared a two-for-one stock split (the "Stock Split") pursuant to which (a) one share of the Company's Class A common stock, par value \$.01 per share ("Class A common stock"), was issued for each share of Class A common stock outstanding on July 2, 1996 (the "Record Date") and (b) one share of the Company's Class B common stock, par value \$.01 per share ("Class B common stock"), was issued for each share of Class B common stock outstanding on the Record Date. Shares issuable pursuant to the Stock Split were distributed on or about July 16, 1996. All references in these consolidated financial statements and notes thereto as to the number of shares of common stock or warrants, options, per share amounts, exercise prices, and market prices relating to the Company's common stock, have been retroactively restated to reflect the Stock Split.

(m) Earnings (Loss) per Share -

The earnings (loss) per common share computations are based upon earnings (loss) applicable to common shares and the average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding. The number of shares used in the primary and fully diluted earnings per share computations (before and after the extraordinary loss) for the year ended December 31, 1996 was 64,599,550 and 81,943,112, respectively. The number of shares used in the primary and fully diluted earnings per share computations for the year ended December 31, 1995 was 64,086,854 and 71,138,298, respectively. The number of shares used in both the primary and fully diluted loss per share computations for the year ended December 31, 1994 was 52,113,794. Preferred stock dividend requirements, including additional dividends on unpaid dividends, accretion to redemption value and the accelerated accretion on the redeemed Series A 8% Cumulative Preferred Stock ("Series A 8% Preferred") caused by the exchange thereof for debt of the Company on September 29, 1995 (see Note 6) decreased net income for these computations by \$5 million and \$9 million for the years ended December 31, 1996 and 1995, respectively, and increased net loss for this computation by \$6 million for the year ended December 31, 1994.

(n) Reclassifications -

Certain reclassifications have been made in the prior years' financial statements to conform to the current year presentation.

Long-term debt as of December 31 is summarized as follows (in millions):

	1996	1995
Secured		
Floating rate notes, interest rates of Eurodollar plus 1.75% to 2.0% or Prime plus 0.75% to 1.0% payable through 2003	\$ 320	\$ -
Notes payable, interest rates of 6.0% to 12.09% (imputed interest rates of 7.86% to 9.9%), payable through 2008.	241	286
Floating rate notes, interest rates of Prime plus 0.5% to 0.75% and LIBOR plus 0.75% to 4.0% and Eurodollar plus 0.75%, payable through 2006.	187	178
Notes payable, interest rates of 5.84% to 14.00%, payable through 2019.	155	193
Notes payable, interest rates of 7.13% to 7.15% payable through 1999 and floating rates thereafter of LIBOR plus 2%, payable through 2011.	97	51
Notes payable, interest rates of 8.0% to 9.86%, payable through 2003	-	546
Series A convertible debentures, interest rate of 6.0%, payable through 2002.	-	124
Other.	4	7
Unsecured		
Senior notes payable, interest rate of 9.5%, payable through 2001.	250	-
Convertible subordinated notes, interest rate of 6.75%, payable through 2006	230	-
Notes payable, interest rates of 8.38% to 12% (imputed interest rates 10.22% to 21.8%), payable through 2001.	78	122
Other.	7	8
	1,569	1,515
Less: current maturities.	201	163
Total.	\$1,368	\$1,352

As of December 31, 1996 and 1995, the Prime, LIBOR and Eurodollar rates associated with Continental's indebtedness approximated 8.3% and 8.5%, 5.6% and 5.6%, and 5.6% and 5.8%, respectively.

Substantially all of Continental's property and equipment is subject to agreements securing indebtedness of Continental.

In July 1996, CMI consummated a \$320 million secured term loan financing with a group of banks and other financial institutions. The loan was made in two tranches - a \$180 million five-year amortizing term loan with a current floating interest rate of either Eurodollar plus 1.75% or Prime plus 0.75% and a \$140 million seven-year amortization extended loan with a floating interest rate of either Eurodollar plus 2.00% or Prime plus 1.00%. See discussion of the related interest rate cap agreement and interest rate swap agreement in "Note 4 - Financial Instruments and Risk Management". The loan is secured by the stock of CMI and substantially all of its unencumbered assets, consisting primarily of CMI's route authorities, and is guaranteed by Continental and Air Micronesia, Inc., CMI's parent company. The bank financing contains significant financial covenants relating to CMI, including maintenance of a minimum fixed charge coverage ratio, a minimum consolidated net worth and minimum liquidity, and covenants restricting CMI's leverage, its incurrence of certain indebtedness and its pledge of assets. The financial covenants also limit the ability of CMI to pay dividends to Continental. As of December 31, 1996, CMI had a minimum cash balance requirement of \$25 million, net assets of \$185 million and was restricted from paying cash dividends in excess of \$6 million.

CMI used the net proceeds of the financing to prepay \$160 million in principal amount of indebtedness to General Electric Capital Corporation, General Electric Company and certain affiliates (any one or more such entities, "GE") and to pay transaction costs, and Continental used the \$136 million in proceeds received by it as a dividend from CMI, together with approximately \$28 million in cash on hand, to prepay approximately \$164 million in principal amount of indebtedness to GE. In connection with the prepayment,

Continental recorded a \$6 million after-tax extraordinary loss relating to early extinguishment of debt.

In March 1996, the Company issued \$230 million of 6-3/4% Convertible Subordinated Notes (the "Notes"). The Notes are convertible into shares of Class B common stock prior to their maturity date, April 15, 2006, at a conversion price of \$30.20 per share. The Notes are redeemable at the option of the Company on or after April 15, 1999, at specified redemption prices.

Maturities of long-term debt due over the next five years are as follows (in millions):

Year ended December 31,	
1997.	\$201
1998.	143
1999.	147
2000.	134
2001.	367

NOTE 3 - LEASES

Continental leases certain aircraft and other assets under long-term lease arrangements. Other leased assets include real property, airport and terminal facilities, sales offices, maintenance facilities, training centers and general offices. Most leases also include renewal options and some aircraft leases include purchase options.

At December 31, 1996, the scheduled future minimum lease payments under capital leases and the scheduled future minimum lease rental payments required under aircraft and engine operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows (in millions):

	Capital Leases	Operating Leases
Year ended December 31,		
1997.	\$ 89	\$ 583
1998.	80	529
1999.	75	491
2000.	63	479
2001.	48	455
Later years	58	2,472
Total minimum lease payments	413	\$5,009
Less: amount representing interest.	97	
Present value of capital leases.	316	
Less: current maturities of capital leases.	60	
Long-term capital leases	\$256	

Not included in the above operating lease table is \$210 million in annual minimum lease payments relating to non-aircraft leases, principally airport and terminal facilities and related equipment.

The Company's total rental expense for all operating leases, net of sublease rentals, was \$719 million, \$720 million and \$675 million in 1996, 1995 and 1994, respectively.

NOTE 4 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As part of the Company's risk management program, Continental uses a variety of financial instruments, including petroleum call options, foreign currency average rate options, and interest rate swap and interest rate cap agreements. The Company does not hold or issue derivative financial instruments for trading purposes.

Notional Amounts and Credit Exposure of Derivatives

The notional amounts of derivative financial instruments summarized below do not represent amounts exchanged between parties and, therefore, are not a measure of the Company's exposure resulting from its use of derivatives. The amounts exchanged are calculated based upon the notional amounts and other terms of the instruments, which relate to interest rates, exchange rates and other indices.

The Company is exposed to credit losses in the event of non-

performance by counterparties to these financial instruments, but it does not expect any of the counterparties to fail to meet its obligations. To manage credit risks, the Company selects counterparties based on credit ratings, limits its exposure to a single counterparty under defined guidelines, and monitors the market position with each counterparty.

Fuel Price Risk Management

The Company has entered into petroleum call option contracts to provide some short-term protection against a sharp increase in jet fuel prices. The petroleum call option contracts generally cover the Company's forecasted jet fuel needs for three to six months. Gains, if any, on these option contracts are recognized as a component of fuel expense when the underlying fuel being hedged is used. At December 31, 1996, the Company had petroleum call option contracts outstanding with an aggregate notional amount of \$185 million. The fair value of the Company's call option contracts at December 31, 1996, representing the amount the Company would receive if the option contracts were closed, was immaterial. During the year ended December 31, 1996, the Company recognized gains of approximately \$65 million under this risk reduction strategy.

Foreign Currency Exchange Risk Management

CMI purchases foreign currency average rate option contracts that effectively enable it to sell Japanese yen expected to be received from yen-denominated ticket sales over the next six to nine months at specified dollar amounts. The option contracts have only nominal intrinsic value at the time of purchase. These contracts are designated and effective as hedges of probable monthly yen-denominated sales transactions, which otherwise would expose the Company to foreign currency risk. Gains, if any, on these average rate option contracts are deferred and recognized as a component of passenger revenue when the related sale is recognized. At December 31, 1996, CMI had average rate option contracts outstanding with a notional value of \$118 million and the fair value, representing the amount CMI would receive to terminate the agreements, was immaterial.

Interest Rate Risk Management

The Company entered into an interest rate swap agreement and an interest rate cap agreement to reduce the impact of potential increases in interest rates on the CMI bank financing. The interest rate swap agreement effectively converted the floating rate on bank financing to a fixed rate of 5.875%. The notional value on the interest rate swap agreement is \$320 million and was effective from August 30, 1996 through January 30, 1997. The interest rate cap agreement has a notional value of \$153 million and is effective from January 31, 1997 through July 31, 2001. The interest rate cap limits the amount of potential increase in the Eurodollar or Prime rate component of the floating rate to a maximum of 9% over the term of the contract. The fair values are immaterial.

The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the obligation. The related amount payable to or receivable from counterparties is included in current liabilities or assets. Payments to be received as a result of the cap agreement are accrued as a reduction in interest expense.

Fair Value of Other Financial Instruments

(a) Cash equivalents -

Cash equivalents consist primarily of commercial paper with original maturities of three months or less and approximate fair value due to the short maturity of three months or less.

(b) Investment in Equity Securities -

Continental's investment in America West Airlines, Inc. ("America West") is classified as available-for-sale and carried at an aggregate market value of \$8 million and \$37 million at December 31, 1996 and 1995, respectively. Included in stockholders' equity at December 31, 1996 and 1995 is a net unrealized gain of \$4 million and \$18 million, respectively.

Since a readily determinable market value does not exist for the Company's investment in AMADEUS (see Note 11), the investment is carried at cost in the accompanying consolidated balance sheet.

(c) Debt -

The fair value of the Company's debt with a carrying value of \$1.36 billion and \$1.35 billion as of December 31, 1996 and 1995, respectively, estimated based on the discounted amount of future cash flows using the current incremental rate of borrowing for a similar liability or quoted market prices, approximates \$1.37 billion and \$1.38 billion, respectively. The fair value of the remaining debt (with a carrying value of \$209 million and \$171 million, respectively, and primarily relating to aircraft modification notes and various loans with immaterial balances) was not practicable to estimate due to the large number and small dollar amounts of these notes.

(d) Preferred Securities -

As of December 31, 1996, the fair value of Continental's 8-1/2% Convertible Trust Originated Preferred Securities ("TOPrS") (with a carrying value of \$242 million), estimated based on quoted market prices, approximates \$321 million. The fair value approximated the carrying value as of December 31, 1995. See Note 5.

NOTE 5 - PREFERRED SECURITIES OF TRUST

In 1995, Continental Airlines Finance Trust, a Delaware statutory business trust (the "Trust") with respect to which the Company owns all of the common trust securities, completed a private placement of 4,997,000 8-1/2% Convertible Trust Originated Preferred Securities. The TOPrS have a liquidation value of \$50 per preferred security and are convertible at any time at the option of the holder into shares of Class B common stock at a conversion rate of 2.068 shares of Class B common stock for each preferred security (equivalent to \$24.18 per share of Class B common stock), subject to adjustment in certain circumstances. Distributions on the preferred securities are payable by the Trust at the annual rate of 8-1/2% of the liquidation value of \$50 per preferred security and are included in Distributions on Preferred Securities of Trust in the accompanying Consolidated Statements of Operations. The proceeds of the private placement, which totaled \$242 million (net of \$8 million of underwriting commissions and expense) are included in Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures in the accompanying Consolidated Balance Sheets.

The sole assets of the trust are 8-1/2% Convertible Subordinated Deferrable Interest Debentures ("Convertible Subordinated Debentures") with an aggregate principal amount of \$250 million issued by the Company and which mature on December 1, 2020. The Convertible Subordinated Debentures are redeemable by Continental, in whole or in part, on or after December 1, 1998 at designated redemption prices. If Continental redeems the Convertible Subordinated Debentures, the Trust must redeem the TOPrS on a pro rata basis having an aggregate liquidation value equal to the aggregate principal amount of the Convertible Subordinated Debentures redeemed. Otherwise, the TOPrS will be redeemed upon maturity of the Convertible Subordinated Debentures, unless previously converted.

Taking into consideration the Company's obligations under (i) the Preferred Securities Guarantee relating to the TOPrS, (ii) the Indenture relating to the Convertible Subordinated Debentures to pay all debts and obligations and all costs and expenses of the Trust (other than U.S. withholding taxes) and (iii) the Indenture, the Declaration relating to the TOPrS and the Convertible Subordinated Debentures, Continental has fully and unconditionally guaranteed payment of (i) the distributions on the TOPrS, (ii) the amount payable upon redemption of the TOPrS, and (iii) the liquidation amount of the TOPrS.

The Convertible Subordinated Debentures and related income statement effects are eliminated in the Company's consolidated financial statements.

In June 1996, the Board and the stockholders of the Company approved an amendment to Continental's Restated Certificate of Incorporation ("Certificate of Incorporation") to increase the total number of shares of capital stock authorized for issuance to 310 million, comprised of 10 million shares of preferred stock, 50 million shares each of Class A common stock and Class D common stock, par value \$.01 per share and 200 million shares of Class B common stock and to eliminate the Class C common stock, par value \$.01 per share, of which no shares were outstanding.

Redeemable Preferred Stock

Redeemable preferred stock consists of 1,000,000 authorized shares of Series A 12% Cumulative Preferred Stock ("Series A 12% Preferred") with 447,082 and 397,948 shares issued and outstanding at December 31, 1996 and 1995, respectively.

Effective June 30, 1995 and in exchange for the 300,000 shares of 12% Cumulative Redeemable Preferred Stock outstanding as of June 30, 1995 and all of the accrued and unpaid dividends accumulated thereon as of such date, the Company issued 386,358 shares of its new Series A 12% Preferred to an affiliate of Air Canada, a Canadian corporation ("Air Canada"). Holders of Series A 12% Preferred are entitled to receive, when and if declared by the Board, cumulative dividends payable quarterly in additional shares of such preferred stock for dividends accumulating through December 31, 1996, and thereafter in cash at an annual rate of \$12 per share. To the extent net income, as defined, for any calendar quarter is less than the amount of dividends due on all outstanding shares of Series A 12% Preferred for such quarter, the Board may declare dividends payable in additional shares of Series A 12% Preferred in lieu of cash. At any time, the Company may redeem, in whole or in part, on a pro rata basis among the stockholders, any outstanding shares of Series A 12% Preferred, and all outstanding shares are mandatorily redeemable on April 27, 2003 out of legally available funds. The redemption price is \$100 per share plus accrued unpaid dividends. The Series A 12% Preferred is not convertible into shares of common stock and has no voting rights, except under limited circumstances. The Board declared and issued 49,134 and 11,590 additional shares of Series A 12% Preferred in lieu of cash dividends in 1996 and 1995, respectively.

Effective June 30, 1995 and in exchange for the 171,000 shares of 8% Cumulative Redeemable Preferred Stock outstanding as of June 30, 1995 and all of the accrued and unpaid dividends accumulated thereon as of such date, the Company issued 202,784 shares of its new Series A 8% Preferred. On September 29, 1995, Continental issued a secured promissory note with a principal amount of \$21 million to GE in exchange for its 202,784 shares of Series A 8% Preferred, together with accumulated dividends thereon (representing all of the outstanding Series A 8% Preferred). As a result of this transaction, the Company recorded a \$3 million charge against additional paid-in capital related to the unamortized accretion of the difference between the Series A 8% Preferred redemption value and its fair market value at the date of issuance.

Common Stock

Continental has two classes of common stock issued and outstanding, Class A common stock and Class B common stock. Holders of shares of Class A common stock and Class B common stock are entitled to receive dividends when and if declared by the Board. Each share of Class A common stock is entitled to 10 votes per share and each share of Class B common stock is entitled to one vote per share.

In January 1994, Air Canada converted 575,680 shares of Class B common stock into an equal number shares of Class A common stock to preserve its percentage of total voting power. In July 1994, 2,014,000 shares of restricted Class B common stock were granted and issued to substantially all employees at or below the manager or equivalent level. During 1996, 1995 and 1994, 20,000 shares, 306,000 shares and 364,000 shares, respectively, of restricted Class B common stock were granted and issued to key officers. See Note 7. In May 1996, Air Canada converted all of its 3,322,112 shares of Class A common stock into Class B common stock (pursuant to certain rights granted to it under the Company's Certificate of Incorporation) and sold, on the open market, 4,400,000 shares of

Class B common stock pursuant to an underwritten public offering arranged by the Company. In January 1997, Air Canada divested the remainder of its initial investment in Continental common stock by selling on the open market 5,600,000 shares of Class B common stock.

Pursuant to certain provisions provided for in the Company's Certificate of Incorporation, shares of the Company's Class A common stock may be freely converted into an equal number of shares of Class B common stock at any time after January 1, 1997.

Warrants

As of December 31, 1996, the Company has outstanding 7,190,353 Class A Warrants and Class B Warrants (collectively, the "Warrants"), all of which are held by Air Partners. Each Warrant entitles the holder to purchase one share of Class A common stock or Class B common stock as follows: (i) 2,298,134 Class A Warrants and 2,500,821 Class B Warrants have an exercise price of \$7.50 per share, and (ii) 741,334 Class A Warrants and 1,650,064 Class B Warrants have an exercise price of \$15 per share. The Warrants expire on April 27, 1998.

On November 21, 1996, Air Partners exercised its right to sell to the Company, and the Company subsequently purchased, for \$50 million, Warrants to purchase 2,614,379 shares of Class B common stock (representing a portion of the total Warrants held by Air Partners) pursuant to an agreement entered into earlier in 1996 with the Company.

On September 29, 1995, Continental purchased 2,735,760 Class A Warrants and 9,699,510 Class B Warrants held by Air Canada for an aggregate purchase price of \$56 million (including a waiver fee of \$5 million paid to a major creditor of the Company).

NOTE 7 - STOCK PLANS AND AWARDS

Continental has elected to follow Accounting Principles Board Opinion No. 25 - "Accounting for Stock Issued to Employees" ("APB 25") in accounting for the Continental Airlines, Inc. 1994 Incentive Equity Plan, as amended (the "Incentive Plan"), and the purchase rights under the Company's 1994 Employee Stock Purchase Plan (the "Stock Purchase Plan") because the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123 - "Accounting for Stock-Based Compensation" ("SFAS 123") requires use of option valuation models that were not developed for use in valuing employee stock options or purchase rights. Under APB 25, since the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Furthermore, under APB 25, since the Stock Purchase Plan is considered a noncompensatory plan, no compensation expense is recognized.

Stock Options

Under the Incentive Plan, key officers and employees of the Company and its subsidiaries may receive stock options and/or restricted stock. The Incentive Plan also provides for each outside director to receive on the day following the annual stockholders' meeting options to purchase 5,000 shares of Class B common stock. The maximum number of shares of Class B common stock that may be issued under the Incentive Plan will not in the aggregate exceed 9,000,000. The total remaining shares available for grant under the Incentive Plan at December 31, 1996 was 511,750. In 1995, the Incentive Plan was amended to provide for the exchange and repricing of substantially all the outstanding stock options for new options bearing a shorter exercise term and generally exercisable at a price lower than that of the cancelled options, subject to certain conditions. The exercise price for the repriced options equaled the market value per share on the date of grant (\$8.00). As a result of the repricing, stock options generally vest over a period of three years with a term of five years.

The table on the following page summarizes stock option transactions pursuant to the Company's Incentive Plan for the years ended December 31, 1996, 1995 and 1994 (share data in thousands):

	1996		1995		1994	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at Beginning of Year	4,769	\$ 8.41	3,443	\$10.19	-	-
Granted*	3,307	\$25.07	4,322	\$ 8.43	3,977	\$10.26
Exercised	(1,747)	\$ 8.23	(361)	\$ 9.25	-	-
Cancelled	(513)	\$14.83	(2,635)	\$10.58	(534)	\$10.69
Outstanding at End of Year	5,816	\$17.37	4,769	\$ 8.41	3,443	\$10.19
Options exercisable at end of year	659	-	1,079	-	247	-

*The option price for all stock options is equal to 100% of the fair market value at the date of grant.

As shown in the above table, options granted during 1995 include the grant of repriced options; options cancelled during 1995 include the cancellation of the higher priced options.

The following tables summarize the range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at December 31, 1996 (share data in thousands):

Options Outstanding

Range of Exercise Prices	Outstanding at 12/31/96	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$3.88- \$7.06	464	6.95	\$5.87
\$8.00	1,827	3.33	\$8.00
\$8.19-\$22.88	638	4.65	\$16.34
\$23.00-\$31.00	2,887	4.34	\$25.38
\$3.88-\$31.00	5,816	4.26	\$17.37

Options Exercisable

Range of Exercise Prices	Exercisable at 12/31/96	Weighted Average Exercise Price
\$3.88- \$7.06	53	\$5.80
\$8.00	376	\$8.00
\$8.19-\$22.88	189	\$15.29
\$23.00-\$31.00	41	\$29.11
\$3.88-\$31.00	659	\$11.22

Restricted Stock

In addition, the Incentive Plan permits awards of restricted stock to participants, subject to one or more restrictions, including a restriction period, and a purchase price, if any, to be paid by the participant. In connection with the plan, 600,000 shares have been authorized for issuance as restricted stock. As of December 31, 1996, 35,000 shares were available to be issued at no cost to the participant.

Additionally, on March 4, 1994, the Board approved a one-time grant of 2,014,000 shares of restricted stock to substantially all employees at or below the manager level. These shares were issued at no cost to the employees and vest over a four-year period. Unvested shares of restricted stock are subject to certain transfer restrictions and forfeiture under certain circumstances. The

unvested portion of restricted stock, representing the fair market value of the stock on the date of award, is being amortized to wages, salaries and related costs over the vesting period.

Employee Stock Purchase Plan

Under the Stock Purchase Plan, which terminated on December 31, 1996, substantially all full and part-time employees of the Company could purchase shares of Class B common stock at 85.0% of the lower of the fair market value on the first or last business day of a calendar quarter. Subject to adjustment, a maximum of 8,000,000 shares of Class B common stock were authorized for purchase under the Stock Purchase Plan. During 1996 and 1995, 191,809 and 518,428 shares, respectively, of Class B common stock were issued at prices ranging from \$15.81 to \$23.96 in 1996 and \$4.31 to \$10.63 in 1995 in connection with the Stock Purchase Plan.

Pro Forma SFAS 123 Results

Pro forma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options and purchase rights under the fair value method of SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1996 and 1995, respectively: risk-free interest rates of 5.8% and 6.2%; dividend yields of 0%; volatility factors of the expected market price of the Company's common stock of 39%; and a weighted-average expected life of the option of 2.6 years and 2.3 years. The weighted average fair value of the stock options granted in 1996 and 1995 was \$7.55 and \$2.35, respectively. The fair value of the purchase rights under the Stock Purchase Plan was also estimated using the Black-Scholes model with the following weighted-average assumptions for 1996 and 1995, respectively: risk free interest rates of 5.2% and 5.8%; dividend yields of 0%; expected volatility of 39%; and an expected life of 0.25 years. The weighted-average fair value of those purchase rights granted in 1996 and 1995 was \$5.75 and \$1.89, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferrable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options and purchase rights have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options and purchase rights.

Pro forma net income and earnings per share assuming that the Company had accounted for its employee stock options using the fair value method and amortized such to expense over the options' vesting period would not be materially different from those reported.

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Company has noncontributory defined benefit pension and defined contribution (including 401(k) savings) plans. Substantially all domestic employees of the Company are covered by one or more of these plans. The benefits under the active defined benefit pension plan are based on years of service and an employee's final average compensation. For the years ended December 31, 1996, 1995 and 1994, total pension expense for the defined benefit plans was \$45 million, \$40 million and \$51 million, respectively. Total expense for the defined contribution plans was \$7 million, \$6 million and \$1 million, for each of 1996, 1995 and 1994, respectively.

Net periodic pension cost of the Company's defined benefit plans for 1996, 1995 and 1994 included the following components (in millions):

	1996	1995	1994
Service cost - benefits earned during the year	\$38	\$30	\$39
Interest cost on projected			

benefit obligations	45	40	39
Loss (return) on plan assets . .	(63)	(79)	14
Net amortization and deferral. .	25	49	(41)
Net periodic pension costs . . .	\$45	\$40	\$51

The following table sets forth the defined benefit plans' funded status amounts as of December 31, 1996 and 1995 (in millions):

	1996		1995	
	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits
Actuarial present value of benefit obligations:				
Vested	\$308	\$ 91	\$359	\$ 73
Non-vested	96	3	20	1
Accumulated benefit obligations . . .	404	94	379	74
Effect of projected future salary increases.	107	-	149	-
Projected benefit obligation. . . .	511	94	528	74
Plan assets at fair value.	393	115	303	89
Projected benefit obligation in excess of (less than) plan assets.	118	(21)	225	(15)
Unrecognized prior service costs . .	(9)	-	-	-
Unrecognized net gain (loss). . . .	42	7	(41)	(3)
Additional minimum liability . .	2	-	8	-
Accrued (pre-paid) pension liability	\$153	\$(14)	\$192	\$(18)

In accordance with Statement of Financial Accounting Standards No. 87 - "Employers' Accounting for Pensions", an additional minimum pension liability for certain plans, representing the excess of accumulated benefits over plan assets and accrued pension costs, was recognized at December 31, 1996 and 1995. A corresponding amount was recognized as a separate reduction to stockholders' equity.

Plan assets consist primarily of equity securities (including 100,000 shares of Class B common stock), long-term debt securities and short-term investments.

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.75%, 7.25% and 8.75% for 1996, 1995 and 1994, respectively. The expected long-term rate of return on assets (which is used to calculate the Company's return on pension assets for the current year) was 9.25% for each of 1996, 1995 and 1994. The weighted average rate of salary increases was 5.5% for 1996 and 6.3% for 1995 and 1994. The unrecognized net gain (loss) is amortized on a straight-line basis over the average remaining service period of employees expected to receive a plan benefit.

Continental's policy is to fund the noncontributory defined benefit pension plans in accordance with Internal Revenue Service ("IRS") requirements as modified, to the extent applicable, by agreements with the IRS.

The Company also has a profit sharing program under which an award pool consisting of 15.0% of the Company's annual pre-tax earnings, subject to certain adjustments, is distributed each year to substantially all employees (other than those employees whose collective bargaining agreement provides otherwise) on a pro rata basis according to base salary. The profit sharing expense

included in the accompanying Consolidated Statements of Operations for the years ended December 31, 1996 and 1995 was \$68 million and \$31 million, respectively.

NOTE 9 - INCOME TAXES

The reconciliations of income tax computed at the United States federal statutory tax rates to income tax provision (benefit) for the years ended December 31, 1996, 1995 and 1994 are as follows (in millions):

	Amount			Percent		
	1996	1995	1994	1996	1995	1994
Income tax provision (benefit) at United States statutory rates . .	\$150	\$109	\$(228)	35.0 %	35.0 %	(35.0)%
State income tax provision (benefit)	6	5	(2)	1.4	1.6	(0.3)
Reorganization value in excess of amounts allocable to identifiable assets.	5	20	6	1.2	6.5	0.9
Meals and entertainment disallowance.	7	6	7	1.6	1.9	1.0
Net operating loss not benefitted (benefitted).	(88)	(67)	170	(20.5)	(21.6)	26.1
Other.	6	5	5	1.4	1.6	0.8
Income tax provision (benefit), net. . .	\$ 86	\$ 78	\$(42)	20.1 %	25.0 %	(6.5)%

The significant component of the provision (benefit) for income taxes for the year ended December 31, 1996, 1995 and 1994 was a deferred tax provision (benefit) of \$80 million, \$71 million and \$(42) million, respectively. The provision for income taxes for the period ended December 31, 1996, 1995 and 1994 also reflects a current tax provision in the amount of \$6 million, \$7 million and \$0, respectively, as the Company is in an alternative minimum tax position.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1996 and 1995 are as follows (in millions):

	1996	1995
Spare parts and supplies, fixed assets and intangibles	\$ 635	\$ 674
Deferred gain.	62	62
Capital and safe harbor lease activity . .	34	-
Other, net	34	26
Gross deferred tax liabilities	765	762
Capital and safe harbor lease activity . .	-	(10)
Accrued liabilities.	(370)	(472)
Revaluation of leases.	(34)	(35)
Net operating loss carryforwards	(804)	(859)
Investment tax credit carryforwards.	(45)	(45)
Minimum tax credit carryforward.	(10)	(7)
Gross deferred tax assets.	(1,263)	(1,428)
Deferred tax assets valuation allowance. .	694	782
Net deferred tax liability	196	116
Less: current deferred tax liability. . .	121	70
Non-current deferred tax liability	\$ 75	\$ 46

At December 31, 1996, the Company has estimated net operating loss carryforwards ("NOLs") of \$2.3 billion for federal income tax purposes that will expire through 2009 and federal investment tax credit carryforwards of \$45 million that will expire through 2001. As a result of the change in ownership of the Company on April 27, 1993, the ultimate utilization of the Company's net operating losses and investment tax credits could be limited.

For financial reporting purposes, a valuation allowance of \$694 million has been recognized to offset the deferred tax assets related to a portion of the NOLs. The Company has considered prudent and feasible tax planning strategies in assessing the need for the valuation allowance. Realization of a substantial portion of the Company's remaining NOLs will require the completion by April 27, 1998 of transactions resulting in recognition of built-in gains for federal income tax purposes. The Company has consummated several such transactions and currently intends to consummate one or more additional transactions. If the Company were to determine in the future that such transactions will not be completed and if future income is not sufficient to recognize the benefit of previously completed transactions, an adjustment to the net deferred tax liability of up to \$85 million would be charged to income in the period such determination was made. In the event the Company recognizes additional tax benefits related to NOLs and investment tax credit carryforwards attributable to the Company's predecessor, Continental Airlines Holdings, Inc., together with its operating subsidiaries, those benefits would be applied to reduce reorganization value in excess of amounts allocable to identifiable assets and other intangibles to zero, and thereafter as an addition to paid-in capital.

The deferred tax valuation allowance decreased from \$782 million at December 31, 1995 to \$694 million at December 31, 1996. This decrease is related to the realization of deferred tax assets associated with net operating losses that had not previously been benefitted.

Approximately \$532 million of the Company's net operating losses can only be used to offset the separate parent company taxable income of Continental Airlines, Inc. Approximately \$13 million of the Company's investment tax credits can only be used to offset the separate parent company tax liability of Continental Airlines, Inc.

NOTE 10 - FLEET DISPOSITION CHARGE

During the third quarter of 1996, the Company made the decision to accelerate the replacement of 30 DC-9-30 aircraft, six DC-10-10 aircraft, 31 727-200 aircraft, 13 737-100 aircraft and 17 737-200 aircraft between August 1997 and December 1999. As a result of its decision to accelerate the replacement of these aircraft, the Company recorded a fleet disposition charge of \$128 million. The fleet disposition charge relates primarily to (i) the writedown of Stage 2 aircraft inventory, which is not expected to be consumed through operations, to its estimated fair value; and (ii) a provision for costs associated with the return of leased aircraft at the end of their respective lease terms. The majority of the aircraft are being accounted for as operating leases and therefore, the Company will continue to recognize rent and amortization expense on these aircraft through the respective dates they are removed from service. The Company classified the \$128 million fleet disposition charge as a component of continuing operations in the accompanying Consolidated Statements of Operations in accordance with Statement of Financial Accounting Standards No. 121 - "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (which the Company adopted effective January 1, 1996). Prior to January 1, 1996, such charges were classified as Nonoperating Expenses in accordance with industry practice. See Note 11. Cash outlays of approximately \$54 million will be incurred in connection with costs associated with the return of the leased aircraft to the applicable lessors during the period August 1997 to December 1999. At December 31, 1996, the Company had total remaining accruals for these fleet disposition charges of approximately \$54 million, which was included in Accruals for aircraft retirements and excess facilities in the accompanying Consolidated Balance Sheets.

NOTE 11 - NONOPERATING INCOME (EXPENSE)

In February 1996, Continental sold approximately 1.4 million of the 1.8 million shares it owned in America West, realizing net proceeds

of \$25 million and recognizing a gain of \$13 million. In May 1996, the Company sold all of its 802,860 America West warrants, realizing net proceeds of \$7 million and recognizing a gain of \$5 million. The gains are included in Other, net in the accompanying Consolidated Statements of Operations.

Continental and its former System One subsidiary entered into a series of transactions on April 27, 1995 whereby a substantial portion of System One's assets (including the travel agent subscriber base and travel-related information management products and services software), as well as certain liabilities of System One, were transferred to a newly formed limited liability company, System One Information Management, L.L.C. ("LLC"). LLC is owned equally by Continental CRS Interests, Inc. ("Continental CRS") (formerly System One, which remains a wholly owned subsidiary of Continental), Electronic Data Systems Corporation ("EDS") and AMADEUS, a European computerized reservation system ("CRS"). Substantially all of System One's remaining assets (including the CRS software) and liabilities were transferred to AMADEUS. In addition to the one-third interest in LLC, Continental CRS received cash proceeds of \$40 million and an equity interest in AMADEUS valued at \$120 million, and outstanding indebtedness of \$42 million of System One owed to EDS was extinguished. In connection with these transactions, the Company recorded a pretax gain of \$108 million, which amount was included in Nonoperating Income (Expense) in the accompanying Consolidated Statements of Operations for the year ended December 31, 1995. The related tax provision totaled \$78 million (which differs from the federal statutory rate due to certain nondeductible expenses), for a net gain of \$30 million. System One's revenue, included in Cargo, mail and other revenue, and related net earnings were not material to the consolidated financial statements of Continental.

Also during the year ended December 31, 1995, the Company increased the existing accrual for underutilized airport facilities (discussed below) by \$14 million, recorded a \$5 million fee in connection with the Air Canada warrant redemption and a gain of \$12 million relating to a bankruptcy court approved settlement for the return of certain aircraft purchase deposits. Such amounts were included in Other, net in the accompanying Consolidated Statements of Operations.

During the fourth quarter of 1994, the Company recorded a provision of \$447 million associated with (i) the planned early retirement of certain aircraft (\$278 million) and (ii) closed or underutilized airport and maintenance facilities and other assets (\$169 million). This provision was included in Other, net in the accompanying Consolidated Statements of Operations. Approximately \$123 million of the provision represented a non-cash charge associated with a write-down of certain assets (principally inventory and flight equipment) to expected net realizable value. The total provision represented a net charge after taking into consideration \$119 million of credits primarily related to the write-off of operating lease deferred credits associated with the aircraft to be retired.

The following represents the activity within these accruals during the two years ended December 31, 1996 (in millions):

	1996	1995
Total accruals at beginning of year.	\$220	\$443
Net cash payments:		
Return conditions on grounded aircraft.	(41)	(35)
Other aircraft related.	(11)	(24)
Other	(17)	(20)
Issuance of the Convertible Secured Debentures.	-	(158)
Increase in accrual for underutilized facilities.	-	14
Total accruals at end of year.	151	220
Portion included in accrued other liabilities	(17)	(45)
Portion included in accrual for aircraft retirement and excess facilities.	\$134	\$175

The remaining accruals relate primarily to anticipated cash outlays associated with (i) underutilized airport facilities (primarily associated with Denver International Airport), (ii) the remaining liability associated with the grounded aircraft, and (iii) the

closure of the Los Angeles maintenance facilities. The Company has assumed certain sublease rental income for these closed and under-utilized facilities and grounded aircraft in determining the accrual at December 31, 1996. However, should actual sublease rental income be different from the Company's estimates, the actual charge could be different from the amount estimated. The remaining accrual represents cash outlays to be incurred over the remaining lease terms (from one to 14 years). The Company expects to finance the cash outlays primarily with internally generated funds.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

As of December 31, 1996, Continental has firm commitments with The Boeing Company ("Boeing") to take delivery of a total of 127 jet aircraft during the years 1997 through 2003 with options for an additional 90 aircraft (exercisable subject to certain conditions). These new aircraft will replace older, less efficient Stage 2 aircraft and allow for growth of operations. The estimated aggregate cost of the Company's firm commitments for the Boeing aircraft is approximately \$4.3 billion. Continental has firm commitments of approximately \$1.4 billion of backstop financing for its Boeing aircraft orders. Continental currently plans on financing the new Boeing aircraft with enhanced equipment trust certificates or similar financing, subject to availability and market conditions. However, further financing will be needed to satisfy Continental's capital commitment for other aircraft-related expenditures such as spare parts, simulators (including Express's new Embraer ("EMB") 145 aircraft described below) and related items. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments. Continental has also entered into agreements or letters of intent with several outside parties to lease or purchase five DC-10-30 aircraft and one Boeing 747 aircraft which are expected to be delivered by mid 1997.

In September 1996, Express placed an order for 25 firm EMB-145 50-seat regional jets, with options for an additional 175 aircraft. Neither Express nor Continental will have any obligation to take aircraft that are not financed by a third party and leased to the Company. However, if the Company fails to confirm the first tranche of 25 options by August 1997, the rent associated with the 25 firm aircraft will increase by an aggregate of \$33.6 million over the 16-year life of the leases. Express took delivery of two of the firm aircraft in late December 1996 and will take delivery of the remaining 23 firm aircraft during the period from January 1, 1997 through the second quarter of 1998. The Company expects to account for all of these aircraft as operating leases.

Continental expects its cash outlays for 1997 capital expenditures, exclusive of fleet plan requirements, to aggregate \$125 million primarily relating to mainframe, software application and automation infrastructure projects, aircraft modifications and mandatory maintenance projects, passenger terminal facility improvements and office, maintenance, telecommunications and ground equipment.

Continental remains contingently liable until December 1, 2015, on \$202 million of long-term lease obligations of USAir, Inc. ("USAir") related to the East End Terminal at LaGuardia Airport in New York. In the event USAir defaulted on these obligations, Continental could be required to cure the default, at which time it would have the right to reoccupy the terminal.

CMI's collective bargaining agreement with its flight attendants became amendable in September 1996 and negotiations are in progress to amend this contract. The Company's collective bargaining agreements with its CMI agent-classification employees, CMI mechanics and mechanic-related employees, its Continental airlines jet pilots and its Express pilots become amendable in March 1997, March 1997, July 1997 and October 1997, respectively. Negotiations are expected to begin in early 1997 to amend these contracts. The Company believes that mutually acceptable agreements can be reached with such employees, although the ultimate outcome of the Company's negotiations is unknown at this time.

Legal Proceedings

The Company and certain of its subsidiaries are defendants in various lawsuits, including suits relating to certain environmental claims, the Company's consolidated Plan of Reorganization under Chapter 11 of the federal bankruptcy code which became effective on

April 27, 1993, and proceedings arising in the normal course of business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on the Company's financial position, results of operations and cash flows, it is the opinion of management, after consulting with counsel, that the ultimate disposition of such suits will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 13 - RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions which have occurred during 1996, 1995 and 1994 other than those discussed elsewhere in the Notes to Consolidated Financial Statements.

CMI and United Micronesia Development Association, Inc. ("UMDA"), the 9% minority stockholder of CMI, have a services agreement whereby UMDA is paid a fee of one percent of CMI's gross revenue, as defined, through January 1, 2012. For the years ended December 31, 1996, 1995 and 1994, these fees totaled \$6 million, \$6 million and \$5 million, respectively. As of December 31, 1996, 1995 and 1994, the Company had a payable of \$7 million maturing in 2011 to UMDA. Annual payments aggregating \$1 million per year are applied to reduce the 1.0% fee.

In connection with the Company's \$320 million secured term loan financing (see Note 2), CMI paid UMDA a dividend of approximately \$13 million in 1996.

In connection with Air Canada's investment in the Company, Air Canada, Air Partners and the Company agreed to identify and pursue opportunities to achieve cost savings, revenue enhancement or other synergies from areas of joint operation between the Company and Air Canada. The Company and Air Canada have entered into a series of synergies agreements, primarily in the areas of aircraft maintenance and commercial and marketing alliances (including agreements regarding coordination of connecting flights). The Company believes that the synergies agreements allocate potential benefits to the Company and Air Canada in a manner that is equitable and commercially reasonable, and contain terms at least as favorable to the Company as could be obtained from unrelated parties. As a result of these agreements, Continental paid Air Canada \$16 million, \$38 million and \$29 million for the years ended December 31, 1996, 1995 and 1994, respectively, and Air Canada paid Continental \$17 million, \$16 million and \$13 million in 1996, 1995 and 1994, respectively, primarily relating to aircraft maintenance.

The Company and America West, in which David Bonderman holds a significant interest, entered into a series of agreements during 1994 related to code-sharing and ground handling that have created substantial benefits for both airlines. Mr. Bonderman is a director of the Company and holds a significant interest in the Company. The services provided are considered normal to the daily operations of both airlines. As a result of these agreements, Continental paid America West \$15 million, \$11 million and \$1 million in 1996, 1995 and 1994, respectively, and America West paid Continental \$22 million, \$14 million and \$2 million in 1996, 1995 and 1994, respectively.

On July 27, 1995 and August 10, 1995, Air Partners purchased from the Company an aggregate of 308,226 and 657,320 shares of Class B common stock, respectively, at purchase prices of \$7.93 per share (with respect to a total of 710,660 shares) and \$6.70 per share (with respect to a total of 254,886 shares). Of the total, 316,640 shares were purchased pursuant to the exercise of antidilution rights granted to Air Partners under the Certificate of Incorporation and the remaining 648,906 shares were purchased pursuant to the exercise of antidilution rights granted to Air Canada under the Certificate of Incorporation (which rights were purchased by Air Partners immediately prior to their exercise on August 10, 1995).

On November 21, 1996, Air Partners exercised its right to sell to the Company, and the Company subsequently purchased, for \$50 million, Warrants to purchase 2,614,379 shares of Class B common stock (representing a portion of the total warrants held by Air Partners) pursuant to an agreement entered into earlier in 1996 with the Company.

In May 1996, Air Canada converted all of its 3,322,112 shares of

Class A common stock into Class B common stock (pursuant to certain rights granted to it under the Company's Certificate of Incorporation) and sold, on the open market, 4,400,000 shares of the Company's common stock pursuant to the Secondary Offering. In January 1997, Air Canada divested the remainder of its initial investment in Continental common stock by selling on the open market 5,600,000 shares owned in the Company.

NOTE 14 - FOREIGN OPERATIONS

Continental conducts operations in various foreign countries. Operating revenue from foreign operations are as follows (in millions):

	Year Ended December 31,		
	1996	1995	1994
Pacific	\$ 699	\$ 742	\$ 678
Atlantic	494	390	400
Latin America	372	311	310
	\$1,565	\$1,443	\$1,388

NOTE 15 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited summarized financial data by quarter for 1996 and 1995 is as follows (in millions, except per share data):

	Three Months Ended			
	March 31	June 30	September 30	December 31
1996				
Operating revenue	\$1,489	\$1,639	\$1,671	\$1,561
Operating income	120	229	77	99
Nonoperating income (expense), net	(25)	(23)	(30)	(19)
Net income	88	167	17	47
Earnings per common and common equivalent share:				
Income before extraordinary loss (a)	\$ 1.35	\$ 2.53	\$ 0.35	\$ 0.71
Extraordinary loss, net of tax	-	-	(0.10)	-
Net income (a)	\$ 1.35	\$ 2.53	\$ 0.25	\$ 0.71
Earnings per common share assuming full dilution:				
Income before extraordinary loss (a)	\$ 1.18	\$ 2.04	\$ 0.34	\$ 0.61
Extraordinary loss, net of tax	-	-	(0.09)	-
Net income (a)	\$ 1.18	\$ 2.04	\$ 0.25	\$ 0.61
1995				
Operating revenue	\$1,409	\$1,478	\$1,515	\$1,423
Operating income	29	109	153	94
Nonoperating income (expense), net	(57)	72	(40)	(50)
Net income (loss)	(30)	102	111	41
Earnings (loss) per common and common equivalent share (a)	\$(0.60)	\$ 1.51	\$ 1.54	\$ 0.63
Earnings (loss) per common share assuming full dilution (a)	\$(0.60)	\$ 1.49	\$ 1.34	\$ 0.55

(a) The sum of the four quarterly earnings (loss) per share amounts does not agree with the earnings (loss) per share as calculated for the full year due to the fact that the full year calculation uses a weighted average number of shares based on the sum of the four quarterly weighted average shares divided by four quarters.

During the first quarter of 1996, the Company recorded a pretax gain of \$12.5 million related to the sale of approximately 1.4 million shares of America West common stock.

During the second quarter of 1996, the Company recorded a \$5 million gain related to the sale of the America West warrants.

During the third quarter of 1996, the Company recorded a fleet disposition charge of \$128 million (\$77 million after-tax) related to the Company's decision to accelerate the replacement of certain aircraft. In addition, in connection with the prepayment of certain indebtedness, Continental recorded a \$6 million after tax

extraordinary loss relating to early extinguishment of debt.

During the second quarter of 1995, the Company recorded a pretax gain of \$108 million (\$30 million after-tax) in connection with a series of transactions with System One. See Note 11.

ITEM 9. CHANGES IN AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There were no changes in or disagreements on any matters of accounting principles or financial statement disclosure between the Company and its independent public accountants during the registrant's two most recent fiscal years or any subsequent interim period.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 1997.

ITEM 11. EXECUTIVE COMPENSATION.

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 1997.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 1997.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

- (a) The following financial statements are included in Item 8. "Financial Statements and Supplementary Data":

Report of Independent Auditors
Consolidated Statements of Operations for each of the Three Years in the Period Ended December 31, 1996
Consolidated Balance Sheets as of December 31, 1996 and 1995
Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 1996
Consolidated Statements of Redeemable Preferred Stock and Common Stockholders' Equity for each of the Three Years in the Period Ended December 31, 1996
Notes to Consolidated Financial Statements

- (b) Financial Statement Schedules:

Report of Independent Auditors
Schedule I - Condensed Financial Information of Registrant (Parent Company Only)
Schedule II - Valuation and Qualifying Accounts

All other schedules have been omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or notes thereto.

- (c) Reports on Form 8-K.

(i) Report dated October 10, 1996 reporting an Item 5. "Other Event". No financial statements were filed with the report, which announced an order for 60 firm 737-

- 500 and the new-600 model aircraft.
- (ii) Report dated November 21, 1996 reporting an Item 5. "Other Event". No financial statements were filed with the report, which announced Continental's \$50 million purchase of warrants from Air Partners, L.P. to purchase 2,614,379 shares of Class B common stock.
 - (iii) Report dated December 4, 1996 reporting an Item 5. "Other Event". No financial statements were filed with the report, which announced Continental's proposed issuance of \$250 million of 9-1/2% Senior Notes due December 15, 2001 in a private placement.
 - (iv) Report dated December 10, 1996 reporting an Item 5. "Other Event". No financial statements were filed with the report, which announced the issuance of \$250 million of 9-1/2% Senior Notes due December 15, 2001 in a private placement.
- (d) See accompanying Index to Exhibits.

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements of Continental Airlines, Inc. as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, and have issued our report thereon dated February 10, 1997 (included elsewhere in this Form 10-K). Our audits also included the financial statement schedules for these related periods listed in Item 14(b) of this Form 10-K. These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Houston, Texas
February 10, 1997

CONTINENTAL AIRLINES, INC.
(Parent Company Only)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENT OF OPERATIONS (a)
(In millions of dollars)

	Year Ended December 31,		
	1996	1995	1994
Operating Revenue:			
Passenger	\$4,885	\$4,354	\$4,211
Cargo, mail and other	458	419	411
	5,343	4,773	4,622
Operating Expenses:			
Wages, salaries and related costs	1,368	1,252	1,347
Aircraft fuel	645	567	642
Aircraft rentals	481	471	419
Commissions	415	397	353
Maintenance, materials and repairs	332	304	366
Other rentals and landing fees	291	294	328
Depreciation and amortization	213	215	211
Fleet disposition charge	128	-	-
Other	1,076	1,035	1,040
	4,949	4,535	4,706
Operating Income (Loss)	394	238	(84)
Nonoperating Income (Expense):			
Interest expense	(132)	(185)	(210)
Interest capitalized	5	6	17

Interest income	39	27	20
Interest income from subsidiaries	9	11	12
Other, net	20	(4)	(426)
	(59)	(145)	(587)
Income (Loss) before Equity in Net Income (Loss) of Subsidiaries, Income Taxes and Extraordinary Loss	335	93	(671)
Income Tax Benefit (Provision)	(54)	37	73
Equity in Net Income (Loss) of Subsidiaries	53	96	(15)
Distributions on Preferred Securities of Trust, net of applicable income taxes of \$8 in 1996	(14)	(2)	-
Income (Loss) before Extraordinary Loss	320	224	(613)
Extraordinary Loss, net of applicable income taxes of \$1 (g)	(1)	-	-
Net Income (Loss)	\$ 319	\$ 224	\$ (613)

These Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto and Notes to Schedule I.

CONTINENTAL AIRLINES, INC.
(Parent Company Only)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED BALANCE SHEET (a)
(In millions of dollars, except for share data)

ASSETS	December 31, 1996	December 31, 1995
Current Assets:		
Cash and cash equivalents, including restricted cash and cash equivalents of \$76 and \$144, respectively	\$ 989	\$ 675
Accounts receivable, net	298	282
Accounts receivable from subsidiaries, net	-	18
Notes receivable from subsidiaries	78	79
Spare parts and supplies, net	85	107
Prepayments and other assets	82	85
Total current assets	1,532	1,246
Property and Equipment:		
Owned property and equipment, net of accumulated depreciation of \$333 and \$263, respectively	996	984
Purchase deposits for flight equipment	137	47
Capital leases, net of accumulated amortization of \$128 and \$102, respectively	251	272
Total property and equipment	1,384	1,303
Other Assets:		
Routes, gates and slots, net of accumulated amortization of \$160 and \$116, respectively	961	1,005
Reorganization value in excess of amounts allocable to identifiable assets, net of accumulated amortization of \$46 and \$35, respectively	185	196
Investment in subsidiaries	194	276
Investments	8	37
Other assets, net	113	90
Total other assets	1,461	1,604
Total Assets	\$4,377	\$4,153

These Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto and Notes to Schedule I.

CONTINENTAL AIRLINES, INC.
(Parent Company Only)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED BALANCE SHEET (a)
(In millions of dollars, except for share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1996	December 31, 1995
Current Liabilities:		
Current maturities of long-term debt (b)	\$ 155	\$ 156
Current maturities of capital leases	52	50
Accounts payable	636	564
Accounts payable to subsidiaries, net.	6	-
Air traffic liability.	639	541
Accrued other liabilities.	450	537
Total current liabilities	1,938	1,848
Long-Term Debt (b)	970	1,118
Capital Leases.	227	269
Deferred Credits and Other Long-Term Liabilities.	373	330
Commitments and Contingencies (c)		
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures (d)	242	242
Redeemable Preferred Stock (e)	46	41
Common Stockholders' Equity:		
Class A common stock - \$.01 par, 50,000,000 shares authorized; 9,280,000 and 12,602,112 shares issued and outstanding at December 31, 1996 and 1995, respectively (e),(f)	-	-
Class B common stock - \$.01 par, 200,000,000 shares authorized; 47,943,343 and 42,856,548 shares issued and outstanding at December 31, 1996 and December 31, 1995, respectively (e),(f)	-	-
Additional paid-in capital	693	733
Accumulated deficit.	(109)	(428)
Unvested portion of restricted stock	(5)	(10)
Additional minimum pension liability	(2)	(8)
Unrealized gain on marketable equity securities.	4	18
Total common stockholders' equity	581	305
Total Liabilities and Stockholders' Equity.	\$4,377	\$4,153

These Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto and Notes to Schedule I.

CONTINENTAL AIRLINES, INC.
(Parent Company Only)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF CASH FLOWS (a)
(In millions of dollars)

Year Ended December 31,
1996 1995 1994

Net cash provided (used) by operating activities	\$788	\$245	\$(56)
Cash Flows from Investing Activities:			
Capital expenditures, net of returned purchase deposits	(283)	(68)	(196)
Proceeds from disposition of property, equipment and other assets	11	20	28
Purchase deposits refunded in connection with aircraft delivered . .	18	97	96
Proceeds from sale/leaseback transactions	47	-	-
Proceeds from sale of America West stock and warrants	32	-	-
Dividends received from subsidiaries . .	136	81	-
Investment in America West	-	-	(19)
Net cash provided (used) by investing activities	(39)	130	(91)
Cash Flows from Financing Activities:			
Net proceeds from issuance of long-term debt	484	7	31
Payments on long-term debt and capital lease obligations	(797)	(299)	(256)
Net proceeds from issuance of common stock	18	13	-
Net proceeds from issuance of preferred securities of trust	-	242	-
Dividends paid on preferred securities of trust	(22)	-	-
Purchase of warrants	(50)	(14)	-
Net cash provided (used) by financing activities	(367)	(51)	(225)
Net Increase (Decrease) in Cash and Cash Equivalents	382	324	(372)
Cash and Cash Equivalents - Beginning of Period (A)	531	207	579
Cash and Cash Equivalents - End of Period (A)	\$913	\$531	\$207

(continued on next page)

CONTINENTAL AIRLINES, INC.
(Parent Company Only)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF CASH FLOWS (a)
(In millions of dollars)

	Year Ended December 31,		
	1996	1995	1994
Supplemental Cash Flows Information:			
Interest paid	\$129	\$156	\$179
Income taxes paid	3	7	-
Financing and Investing Activities Not Affecting Cash:			
Reclassification of accrued rent, capital leases and interest to long-term debt	\$ 11	\$ 65	\$ 26
Capital Lease obligations incurred . . .	\$ 31	\$ 10	\$ 14
Property and equipment acquired through the issuance of debt	\$ 69	\$ 15	\$ 10
Issuance of debt in connection with purchase of Air Canada warrants	\$ -	\$ 42	\$ -
Issuance of convertible secured debentures in connection with the aircraft settlements	\$ -	\$158	\$ -

Exchange of preferred stock for long-term debt	\$ -	\$ 21	\$ -
Financed purchase deposits for flight equipment	\$ 19	\$ 5	\$ -
Return of financed purchase deposits. .	\$ -	\$ 10	\$ -
Reduction of capital lease obligations in connection with the exchange of ATR aircraft	\$ 19	\$ -	\$ -

(A) Excludes restricted cash of \$76 million, \$144 million, \$119 million and \$102 million at December 31, 1996, 1995, 1994 and 1993, respectively.

These Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto and Notes to Schedule I.

NOTES TO SCHEDULE I

- (a) The Condensed Financial Information of Registrant includes the accounts of Continental and its wholly owned subsidiaries, Rubicon Indemnity, Ltd., which was formed for workers' compensation purposes and Continental Airlines Finance Trust, which was formed for the issuance of preferred securities. These subsidiaries have been included in Schedule I to properly reflect the parent company's workers' compensation liability and redeemable preferred securities.
- (b) Continental's long-term debt (parent company only) was recorded at fair market value at April 27, 1993. Long-term debt as of December 31, 1996 and 1995 is summarized as follows (in millions):

	1996	1995
Secured		
Notes payable, interest rates of 6.0% to 12.09% (imputed interest rates of 7.86% to 9.9%), payable through 2008	\$ 218	\$ 262
Floating rate notes, interest rates of Prime plus 0.5% to 0.75%, LIBOR plus 0.75% to 4.0% and Eurodollar plus 0.75%, payable through 2006.	187	173
Notes payable, interest rates of 6.14% to 14.00% (imputed interest rates approximate stated interest rates), payable through 2019	152	187
Notes payable, interest rates of 8.0% to 9.86%, payable through 2003	-	392
Series A convertible debentures, interest rate of 6.0%, payable through 2002	-	124
Other	4	7
Unsecured		
Senior notes payable, interest rate of 9.5%, payable through 2001.	250	-
Convertible subordinated notes, interest rate of 6.75%, payable through 2006.	230	-
Notes payable, interest rates of 8.38% to 12% (imputed interest rates of 10.22% to 21.8%), payable through 2001.	78	122
Other.	6	7
	1,125	1,274
Less: current maturities.	155	156
Total.	\$ 970	\$1,118

Long-term debt maturities due over the next five years are as follows (in millions):

Year ending December 31,	
1997	\$155
1998	102
1999	101
2000	84
2001	307

- (c) See Note 12 of Notes to Consolidated Financial Statements.
- (d) See Note 5 of Notes to Consolidated Financial Statements.
- (e) See Note 6 of Notes to Consolidated Financial Statements.
- (f) The Company has not paid dividends on its common stock.
- (g) During 1996, an extraordinary loss of \$1 million was recorded, net of \$1 million income tax benefit, related to the early extinguishment of debt. See Note 2 to Consolidated Financial Statements.

CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 1996, 1995, and 1994
(In millions of dollars)

	Allowance for Doubtful Receivables	Allowance for Obsolescence
Balance, December 31, 1993 . . .	\$35	\$ 5
Additions charged to expense .	25	32
Deductions from reserve. . . .	(21)	(1)
Other.	(1)	-
Balance, December 31, 1994 . . .	38	36
Additions charged to expense .	24	12
Deductions from reserve. . . .	(15)	(12)
Other.	(3)	-
Balance, December 31, 1995 . . .	44	36
Additions charged to expense .	16	18
Deductions from reserve. . . .	(31)	(8)
Other.	(2)	1
Balance, December 31, 1996 . . .	\$27	\$47

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By /s/ LAWRENCE W. KELLNER
Lawrence W. Kellner
Executive Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: February 21, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities indicated on February 21, 1997.

Signature

Capacity

/s/ GORDON M. BETHUNE Gordon M. Bethune	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ LAWRENCE W. KELLNER Lawrence W. Kellner	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ MICHAEL P. BONDS Michael P. Bonds	Vice President and Controller (Principal Accounting Officer)
THOMAS J. BARRACK, JR.* Thomas J. Barrack, Jr.	Director
LLOYD M. BENTSEN, JR.* Lloyd M. Bentsen, Jr.	Director
DAVID BONDERMAN* David Bonderman	Director
/s/GREGORY D. BRENNEMAN Gregory D. Brenneman	Director
PATRICK FOLEY* Patrick Foley	Director
DOUGLAS McCORKINDALE* Douglas McCorkindale	Director
GEORGE G.C. PARKER* George G.C. Parker	Director
RICHARD W. POGUE* Richard W. Pogue	Director
WILLIAM S. PRICE III* William Price III	Director
DONALD L. STURM* Donald L. Sturm	Director
KAREN HASTIE WILLIAMS* Karen Hastie Williams	Director
CHARLES A. YAMARONE* Charles A. Yamarone	Director

*By /s/ LAWRENCE W. KELLNER
Lawrence W. Kellner
Attorney-in-Fact
February 21, 1997

INDEX TO EXHIBITS
OF
CONTINENTAL AIRLINES, INC.

- 2.1 Revised Third Amended Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code with Respect to Debtors' Revised Second Amended Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code, as filed with the Bankruptcy Court on January 13, 1993 -- incorporated by reference from Exhibit 2.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 1992 (File no. 0-09781) (the "1992 10-K").
- 2.2 Modification of Debtors' Revised Second Amended Joint Plan of Reorganization dated March 12, 1993 -- incorporated by reference to Exhibit 2.2 to Continental's Current Report on Form 8-K, dated April 16, 1993 (the "April 8-K").
- 2.3 Second Modification of Debtors' Revised Second Amended Joint Plan of Reorganization, dated April 8, 1993 -- incorporated by reference to Exhibit 2.3 to the April 8-K.
- 2.4 Third Modification of Debtors' Revised Second Amended Joint Plan of Reorganization, dated April 15, 1993 -- incorporated by reference to Exhibit 2.4 to the April 8-

K.

- 2.5 Confirmation Order, dated April 16, 1993 -- incorporated by reference to Exhibit 2.5 to the April 8-K.
- 3.1 Amended and Restated Certificate of Incorporation of Continental -- incorporated by reference to Exhibit 4.1(a) to Continental's Form S-8 registration statement (No. 333-06993) (the "1996 S-8").
- 3.2 By-laws of Continental, as amended to date -- incorporated by reference to Exhibit 3.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 (the "1996 Third Quarter 10-Q").
- 4.1 Specimen Class A Common Stock Certificate of the Company -- incorporated by reference to Exhibit 4.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 10-K").
- 4.2 Specimen Class B Common Stock Certificate of the Company -- incorporated by reference to Exhibit 4.1 to Continental's Form S-1 Registration Statement (No. 33-68870) (the "1993 S-1").
- 4.3 Certificate of Designations of Series A 12% Cumulative Preferred Stock -- incorporated by reference to Exhibit 1.2 to Continental's Form 8-A Registration Statement, as amended to date.
- 4.4 Subscription and Stockholders' Agreement -- incorporated by reference to Exhibit 4.5 to the April 8-K.
- 4.4(a) Amendment to Stockholders' Agreement dated April 19, 1996 among the Company, Air Partners and Air Canada -- incorporated by reference to Exhibit 10.1 to Continental's Form S-3 Registration Statement (No. 333-02701) (the "1996 S-3").
- 4.5 Amended and Restated Registration Rights Agreement dated April 19, 1996 among the Company, Air Partners and Air Canada -- incorporated by reference to Exhibit 10.2 to the 1996 S-3.
- 4.6 Warrant Agreement dated as of April 27, 1993, between Continental and Continental as warrant agent -- incorporated by reference to Exhibit 4.7 to the April 8-K.
- 4.7 Continental hereby agrees to furnish to the Commission, upon request, copies of certain instruments defining the rights of holders of long-term debt of the kind described in Item 601(b)(4)(iii)(A) of Regulation S-K.
- 10.1 Litigation Settlement Agreement, dated as of August 31, 1992, among the Pension Benefit Guaranty Corporation and, jointly and severally, each of the debtors (as defined) -- incorporated by reference to Exhibit 10.10 to the 1992 10-K.
- 10.2 Agreement of Lease dated as of January 11, 1985, between the Port Authority of New York and New Jersey and People Express Airlines, Inc., regarding Terminal C (the "Terminal C Lease") -- incorporated by reference to Exhibit 10.61 to the Annual Report on Form 10-K (File No. 0-9781) of People Express Airlines, Inc. for the year ended December 31, 1984.
 - 10.2(a) Supplemental Agreements Nos. 1 through 6 to the Terminal C Lease -- incorporated by reference to Exhibit 10.3 to Continental's Annual Report on Form 10-K (File No. 1-8475) for the year ended December 31, 1987 ("the 1987 10-K").
 - 10.2(b) Supplemental Agreement No. 7 to the Terminal C Lease -- incorporated by reference to Exhibit 10.4 to Continental's Annual Report on Form 10-K (File No. 1-8475) for the year ended December 31, 1988.
 - 10.2(c) Supplemental Agreements No. 8 through 11 to the Terminal C Lease -- incorporated by reference to Exhibit 10.10 to

the 1993 S-1.

- 10.2(d) Supplemental Agreements No. 12 through 15 to the Terminal C Lease -- incorporated by reference to Exhibit 10.2(d) to the 1995 10-K.
- 10.3 Assignment of Lease with Assumption and Consent dated as of August 15, 1987, among the Port Authority of New York and New Jersey, People Express Airlines, Inc. and Continental -- incorporated by reference to Exhibit 10.2 to the 1987 10-K.
- 10.4* Amended and restated employment agreement between the Company and Gordon M. Bethune -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 (the "1996 Second Quarter 10-Q").
- 10.4(a)* Amendment to employment agreement, dated as of September 30, 1996, between the Company and Gordon M. Bethune -- incorporated by reference to Exhibit 10.1 to the 1996 Third Quarter 10-Q.
- 10.5* Amended and restated employment agreement between the Company and Gregory D. Brenneman -- incorporated by reference to Exhibit 10.2 to the 1996 Second Quarter 10-Q.
- 10.5(a)* Amendment to employment agreement, dated as of September 30, 1996, between the Company and Gregory D. Brenneman -- incorporated by reference to Exhibit 10.2 to the 1996 Third Quarter 10-Q.
- 10.6* Amended and restated employment agreement between the Company and Lawrence W. Kellner -- incorporated by reference to Exhibit 10.3 to the 1996 Second Quarter 10-Q.
- 10.7* Amended and restated employment agreement between the Company and Barry P. Simon -- incorporated by reference to Exhibit 10.7 to the 1995 10-K.
- 10.8* Amended and restated employment agreement between the Company and C. D. McLean -- incorporated by reference to Exhibit 10.8 to the 1995 10-K.
- 10.9* Form of amendment to employment agreement between the Company and Lawrence W. Kellner, C.D. McLean and Barry P. Simon -- incorporated by reference to Exhibit 10.4 to the 1996 Second Quarter 10-Q.
- 10.9(a)* Form of amendment to employment agreement, dated as of September 30, 1996, for each of Lawrence W. Kellner, C. D. McLean and Barry P. Simon -- incorporated by reference to Exhibit 10.3 to the 1996 Third Quarter 10-Q.
- 10.10* Continental Airlines, Inc. 1994 Incentive Equity Plan -- incorporated by reference to Exhibit 4.3 to the Company's Form S-8 Registration Statement (No. 33-81324).
- 10.10(a)* First Amendment to Continental Airlines, Inc. 1994 Incentive Equity Plan -- incorporated by reference to Exhibit 10.1 to the 1995 Third Quarter 10-Q.
- 10.10(b)* Second Amendment to Continental Airlines, Inc. 1994 Incentive Equity Plan -- incorporated by reference to Exhibit 4.3(c) to the 1996 S-8.
- 10.10(c)* Third Amendment to Continental Airlines, Inc. 1994 Incentive Equity Plan -- incorporated by reference to Exhibit 10.4 to the 1996 Third Quarter 10-Q.
- 10.11 Purchase Agreement No. 1783, including exhibits and side letters thereto, between the Company and Boeing, effective April 27, 1993, relating to the purchase of Boeing 757-224 aircraft -- incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 (the "1993 Second Quarter 10-Q"). (1)
- 10.11(a) Supplemental Agreement No. 4 to Purchase Agreement No. 1783 between the Company and Boeing, dated March 31, 1995, relating to the purchase of Boeing 757-224 aircraft

-- incorporated by reference to Exhibit 10.12(a) to Continental's Annual Report on Form 10-K for the year ended December 31, 1994 (File no. 0-09781) (the "1994 10-K"). (1)

- 10.11(b) Supplemental Agreement No. 6 to Purchase Agreement No. 1783 between the Company and Boeing, dated June 13, 1996, relating to the purchase of Boeing 757-224 aircraft -- incorporated by reference to Exhibit 10.6 to the 1996 Second Quarter 10-Q. (2)
- 10.11(c) Supplemental Agreement No. 7 to Purchase Agreement No. 1783 between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 757-224 aircraft -- incorporated by reference to Exhibit 10.6(a) to the 1996 Second Quarter 10-Q. (2)
- 10.11(d) Supplemental Agreement No. 8 to Purchase Agreement No. 1783 between the Company and Boeing, dated October 27, 1996, relating to the purchase of Boeing 757-224 aircraft. (2)(3)
- 10.13 Purchase Agreement No. 1785, including exhibits and side letters thereto, between the Company and Boeing, effective April 27, 1993, relating to the purchase of Boeing 777-224 aircraft -- incorporated by reference to Exhibit 10.4 to the 1993 Second Quarter 10-Q. (1)
- 10.13(a) Supplemental Agreement No. 3 to Purchase Agreement No. 1785 between the Company and Boeing, dated March 31, 1995, relating to the purchase of Boeing 777-224 aircraft -- incorporated by reference to Exhibit 10.14(a) to the 1994 10-K. (1)
- 10.13(b) Supplemental Agreement No. 4 to Purchase Agreement No. 1785 between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 777-224 aircraft -- incorporated by reference to Exhibit 10.7 to the 1996 Second Quarter 10-Q. (2)
- 10.14 Purchase Agreement No. 1951, including exhibits and side letters thereto, between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 737-724 and 737-824 aircraft -- incorporated by reference to Exhibit 10.8 to the 1996 Second Quarter 10-Q. (2)
- 10.14(a) Supplemental Agreement No. 1 to Purchase Agreement No. 1951 between the Company and Boeing, dated October 10, 1996, relating to the purchase of Boeing 737 aircraft. (2)(3)
- 10.15 Lease Agreement dated as of May 1992 between the City and County of Denver, Colorado and Continental regarding Denver International Airport -- incorporated by reference to Exhibit 10.17 to the 1993 S-1.
- 10.15(a) Supplemental Lease Agreement, including an exhibit thereto, dated as of April 3, 1995 between the City and County of Denver, Colorado and Continental and United Air Lines, Inc. regarding Denver International Airport -- incorporated by reference to Exhibit 10.15(a) to the 1994 10-K.
- 10.16 Stock Subscription Warrant of Continental Micronesia granted to United Micronesia Development Association, Inc. -- incorporated by reference to Exhibit 10.18 to the 1993 S-1.
- 10.17 Lease Agreement, as amended and supplemented, between the Company and the City of Houston, Texas regarding Terminal C of Houston Intercontinental Airport -- incorporated by reference to Exhibit 10.5 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (the "1993 Third Quarter 10-Q").
- 10.18 Agreement and Lease dated as of May 1987, as supplemented, between the City of Cleveland, Ohio and Continental regarding Cleveland Hopkins International Airport -- incorporated by reference to Exhibit 10.6 to the 1993 Third Quarter 10-Q.

- 10.19 Third Revised Investment Agreement, dated April 21, 1994, between America West Airlines, Inc. and AmWest Partners, L.P. -- incorporated by reference to Exhibit 1 to Continental's Schedule 13D relating to America West Airlines, Inc. filed on August 25, 1994.
- 10.20* Form of Letter Agreement relating to certain flight benefits between the Company and each of its nonemployee directors -- incorporated by reference to Exhibit 10.19 of the 1995 10-K.
- 11.1 Statement Regarding Computation of Per Share Earnings. (3)
- 21.1 List of Subsidiaries of Continental. (3)
- 23.1 Consent of Ernst & Young LLP. (3)
- 24.1 Powers of attorney executed by certain directors and officers of Continental. (3)
- 27.1 Financial Data Schedule. (3)

*These exhibits relate to management contracts or compensatory plans or arrangements.

- (1) The Commission has granted confidential treatment for a portion of this agreement.
- (2) The Company has applied to the Commission for confidential treatment of a portion of this exhibit.
- (3) Filed herewith.

Supplemental Agreement No. 8

to

Purchase Agreement No. 1783

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 757-224 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of October 27, 1996 by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and CONTINENTAL AIRLINES, INC., a Delaware corporation with its principal office in Houston, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1783 dated March 18, 1993, as amended and supplemented, relating to Boeing Model 757-224 aircraft (the Agreement); and

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

WHEREAS, Boeing and Buyer have agreed to amend the Agreement to incorporate certain other changes, including [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT];

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

1. Table of Contents and Articles:

1.1 Remove and replace, in its entirety, the Table of Contents with a new Table of Contents (attached hereto) to reflect amendment of the Agreement as of the date of this Supplemental Agreement.

1.2 Remove and replace, in its entirety, Article 1, Subject Matter of Sale, with new Article 1 (attached hereto) to incorporate a revised delivery schedule for the Block B Aircraft.

1.3 Remove and replace, in its entirety, Article 2, Delivery, Title and Risk of Loss, with new Article 2 (attached hereto) to incorporate a revised delivery schedule for the Block B Aircraft.

1.4 Remove and replace, in its entirety, Article 3, Price of Aircraft, with new Article 3 (attached hereto) to incorporate revised Advance Payment Base Prices for the Block B Aircraft.

1.5 Remove and replace, in its entirety, the Delivery Schedule for Model 757-224 Aircraft, following Article 15, with a revised delivery schedule (attached hereto) to incorporate current Aircraft delivery data and the Block B Aircraft.

1.6 Remove and replace, in its entirety, page A-1 of the second part of Exhibit A relating to Block A-1 Aircraft, with new page A-1 (attached hereto) to add a reference to Block B Aircraft.

1.7 Remove and replace, in its entirety, page 1 of Exhibit D with new page 1 (attached hereto) to add a reference to Block B Aircraft.

2. Letter Agreements:

2.1 Add revised Letter Agreement 1783-10R1, Option Aircraft, to incorporate [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.3 Add revised Letter Agreement 6-1162-WLJ-367R4,

Disclosure of Confidential Information, to incorporate the reference to the addition of the Block B Aircraft.

3. Payment of Additional Advance Payments.

Within three (3) business days after execution of this Supplemental Agreement, Buyer shall transfer to Boeing's account at Chase Manhattan Bank, New York, N.Y., the sum of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and option deposits then due with respect to the Option Aircraft as of the effective date of the Supplemental Agreement.

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

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

THE BOEING COMPANY CONTINENTAL AIRLINES, INC.

By: /s/ M. Monica Fix By:/s/ Brian Davis

Its: Attorney-In-Fact Its: V.P. Fleet Management

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1783-4	Waiver of Aircraft Demonstration Flights		SA#2

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

1783-6	Configuration Matters		SA#2
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1783-8	Spare Parts Provisioning		SA#2
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1783-10R1	Option Aircraft		SA#8
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6-1162-WLJ-367R4	Disclosure of Confidential Info		SA#8
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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SUPPLEMENTAL	Dated as of:
Supplemental Agreement No. 1	April 29, 1993
Supplemental Agreement No. 2	November 4, 1993
Supplemental Agreement No. 3	July 15, 1994
Supplemental Agreement No. 4	March 31, 1995
Supplemental Agreement No. 5	November 30, 1995
Supplemental Agreement No. 6	June 13, 1996
Supplemental Agreement No. 7	July 23, 1996
Supplemental Agreement No. 8	October 27, 1996

ARTICLE 1. Subject Matter of Sale.

1.1 The Aircraft. Boeing will manufacture and deliver to Buyer and Buyer will purchase and accept delivery from Boeing of the following Boeing Model 757-224 aircraft (the Aircraft).

1.1.1 Block A and B Aircraft. Twenty-five (25) Block A Aircraft (the Block A Aircraft) and Six (6) Block B Aircraft (the Block B Aircraft) manufactured in accordance with Boeing detail specification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST

FOR CONFIDENTIAL TREATMENT], dated as of even date herewith, as described in Exhibit A, and as modified from time to time in accordance with this Agreement (Detail Specification).

1.2 Additional Goods and Services. In connection with the sale of the Aircraft, Boeing will also provide to Buyer certain other things under this Agreement, including data, documents, training and services, all as described in this Agreement.

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

1.4 Defined Terms. For ease of use, certain terms are treated as defined terms in this Agreement. Such terms are identified with a capital letter and set forth and/or defined in Exhibit F.

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, and Buyer will accept delivery of the Aircraft, in accordance with the following schedule:

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

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. Boeing will give Buyer at least 7 days' notice of the delivery date of the Aircraft. If an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be delivered at a facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Documents of Title. Upon delivery of and payment for each Aircraft, Boeing shall deliver to Buyer a bill of sale duly conveying to Buyer good title to such Aircraft free and clear of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features listed in Exhibit A which have been selected by Buyer.

3.1.2 Base Airframe Price is the Aircraft Basic Price excluding the price of Special Features and Engines.

3.1.3 Engine Price is the price established by the Engine manufacturer for the Engines installed on the Aircraft including all accessories, equipment and parts set forth in Exhibit D.

3.1.4 Aircraft Basic Price is comprised of the Base Airframe Price, the Engine Price and the price of the Special Features.

3.1.5 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airframe, Engine and Special Features) as calculated pursuant to Exhibit D.

3.1.6 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.1.7 Price First Published is the first price published by Boeing for the same model of aircraft to be delivered in the same general time period as the affected Aircraft and is used to establish the Base Airframe Price when the Base Airframe Price was not established at the time of execution of this Agreement.

3.2 Aircraft Basic Price.

3.2.1 Block A Aircraft. The Aircraft Basic Price of the Block A Aircraft, expressed in July 1992 dollars, is set forth below:

Base Airframe Price:	[CONFIDENTIAL MATERIAL OMITTED
Special Features	AND FILED WITH THE SECURITIES
Engine Price	AND EXCHANGE COMMISSION PURSUANT
	TO A REQUEST FOR CONFIDENTIAL
Block A Aircraft	TREATMENT]
Basic Price	

3.2.2 Block A-1 and Block B Aircraft. The Aircraft Basic Price of the Block A-1 and Block B Aircraft with delivery, expressed in July 1992 dollars, is set forth below:

Base Airframe Price:	[CONFIDENTIAL MATERIAL OMITTED
Special Features	AND FILED WITH THE SECURITIES
Engine Price	AND EXCHANGE COMMISSION PURSUANT
	TO A REQUEST FOR CONFIDENTIAL
Block A-1/B Aircraft	TREATMENT]
Basic Price	

The special features value above for the Block A-1 and Block B Aircraft incorporates the special features reprice activity noted in Exhibit A-1 which includes Exhibit A, Change Orders 1,2, and 3 plus accepted Master Changes as of June 1, 1996.

3.3 Aircraft Price.

3.3.1 Block A Aircraft, Block A-1 Aircraft and Block B Aircraft. The Aircraft Price of the Block A Aircraft, Block A-1 Aircraft and Block B Aircraft will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1.1 the Block A Aircraft Basic Price, which is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], and the Block A-1 Aircraft and Block B Aircraft which is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]; plus

3.3.1.2 the Economic Price Adjustments for the respective Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Airframe and Engine - Block A, Block A-1 and Block B Aircraft) plus

3.3.1.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth below:

Month and Year of Scheduled Delivery	Advance Payment Base Price per Aircraft
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Block A-1 Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE

Block B Aircraft

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

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of the first Aircraft scheduled for delivery in a calendar year (First Aircraft), Boeing will increase or decrease the Advance Payment Base Price of the First Aircraft and all Aircraft scheduled for delivery after the First Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

Continental Airlines, Inc.
Delivery Schedule for Model 757-224 Aircraft

A/C#	Cont Dlv	Cont Blk	MSN	Tab Blk	Reg No.	Eng1 S/N	Eng2 S/N	Delivery Date
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

EXHIBIT A

AIRCRAFT CONFIGURATION

Dated October 27, 1996

relating to

BOEING MODEL 757-224 BLOCK A-1 and Block B AIRCRAFT

The Detail Specification is Boeing Detail Specification D6-44010 dated April 16, 1990, (excluding the option features defined within the Configuration Specification) as amended to reflect the effect of the changes set forth in the Change Requests listed below, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Change Requests are set forth in Boeing Document D9-24N104-3, Revision E, dated April 15, 1996. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price reflects and includes all effects of such changes of price, except such Aircraft Basic Price does not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

This part of Exhibit A relating to Block A-1 and Block B Aircraft includes the reprice activity for special features in the first part of this Exhibit A relating to Block A Aircraft plus Change Orders No. 1, 2, and 3 plus accepted Master Changes as of June 1, 1996 yet to be incorporated into a Change Order.

Exhibit D
Page 1

PRICE ADJUSTMENT DUE TO
ECONOMIC FLUCTUATIONS
AIRFRAME PRICE ADJUSTMENT
(1992 Base Price)

(Relating to Block A and A-1 and B Aircraft)

1. Formula.

The Airframe Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

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

P = Aircraft Basic Price (as set forth in Article 3.2 of this Agreement) less the base price of Engines (as defined in this Exhibit D) in the amount of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

ECI = A value using the "Employment Cost Index for workers in aerospace manufacturing" (aircraft manufacturing, standard industrial classification code 3721, compensation, base month and year June 1989 = 100), as released by the Bureau of Labor Statistics, U.S. Department of Labor on a quarterly basis for the months of March, June, September and December, calculated as follows: A three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) will be determined using the months set forth in the table below for the applicable Aircraft, with the released Employment Cost Index value described above for the month of March also being used for the months of January and February; the value for June also used for April and May; the value for September also used for July and August; and the value for December also used for October and November.

1783-10R1
October 27, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 1783-10R1 to
Purchase Agreement No. 1783 -
Option Aircraft

This Letter Agreement amends Purchase Agreement No. 1783 dated March 18, 1993 (the Purchase Agreement) between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to Model 757-224 aircraft (Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1783-10.

All terms used and not defined herein shall have the same meaning as in the Purchase Agreement.

In consideration of Buyer's purchase of the Aircraft, Boeing hereby agrees to manufacture and sell up to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Buyer, on the same terms and conditions set forth in the Purchase Agreement, except as otherwise described in Attachment A hereto, and subject to the terms and conditions set forth below.

1. Delivery.

The Option Aircraft will be delivered to Buyer during or before the months set forth in the following schedule:

Month and Year of Delivery	Number of Option Aircraft
Block A Option Aircraft	

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

Block R Option Aircraft

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

2. Price. The basic price of the Option Aircraft shall be the same price as the Firm Aircraft pursuant to Article 3 to the Purchase Agreement, adjusted to reflect changes as set forth in paragraph 2 of Attachment A hereto and any other applicable written agreements executed by Boeing and Buyer.

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, and concurrent with Buyer's payment to Boeing of initial advance payments required under Supplemental Agreement No. 6 to the Purchase Agreement for the Aircraft, Buyer will pay a deposit to Boeing of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for each Option Aircraft (the Option Deposit). In the event Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Purchase Agreement.

In the event that Buyer does not exercise its option to purchase a particular Option Aircraft pursuant to the terms and conditions set forth herein, Boeing shall be entitled to retain the Option Deposit for such Option Aircraft.

4. Option Exercise.

To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

Option Aircraft	Option Exercise Date
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Block A Option Aircraft	
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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

5. Contract Terms.

Within thirty (30) days after Buyer exercises an option to purchase Option Aircraft pursuant to paragraph 4 above, Boeing and Buyer will use their best reasonable efforts to enter into a supplemental agreement amending the Purchase Agreement to add the applicable Option Aircraft to the Purchase Agreement as a firm Aircraft (the Option Aircraft Supplemental Agreement).

In the event the parties have not entered into such an Option Aircraft Supplemental Agreement within the time period contemplated herein, either party shall have the right, exercisable by written or telegraphic notice given to the other within ten (10) days after such period, to cancel the purchase of such Option Aircraft.

6. Cancellation of Option to Purchase.

Either Boeing or Buyer may cancel the option to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this letter agreement, or in the Purchase Agreement, as the case may be:

(i) purchase of an Aircraft under the Purchase Agreement for any reason not attributable to the cancelling party;

(ii) payment by Buyer of the Option Deposit with respect to such Option Aircraft pursuant to paragraph 3 herein; or

(iii) exercise of the option to purchase such Option Aircraft pursuant to the terms hereof.

Any cancellation of an option to purchase by Boeing which is based on the termination of the purchase of an Aircraft under the Purchase Agreement shall be on a one-for-one basis, for each Aircraft so terminated.

Cancellation of an option to purchase provided by this letter agreement shall be caused by either party giving written notice to the other within ten (10) days after the respective date in question. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the option to purchase has been cancelled shall thereupon terminate.

Boeing shall promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft. Boeing shall be entitled to retain the Option Deposit unless cancellation is attributable to Boeing's fault, in which case the Option Deposit shall also be returned to Buyer without interest.

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

8. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] are added to the Purchase Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Purchase Agreement.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-in-fact

ACCEPTED AND AGREED TO this

Date: October 27, 1996

CONTINENTAL AIRLINES, INC.,

By Brian Davis

Its V.P. Fleet Management

Attachment

Model 757-224 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], dated March 18, 1993, as amended and revised pursuant to the Purchase Agreement.

1.2 Changes. The Option Aircraft Detail Specification shall be revised to include:

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

(3) Changes required to obtain a Standard

1.3 Effect of Changes. Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

2. Price Description.

2.1 Price Adjustments.

2.1.1 Base Price Adjustments. The base airframe and base engine price (pursuant to Article 3 of the Purchase Agreement) of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then-current prices as of the date of execution of the Option Aircraft Supplemental Agreement.

2.1.2 Special Features. The price for special features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the Option Aircraft Supplemental Agreement only to the extent that such increase is attributable to an increase in Boeing's cost for purchased equipment.

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

2.1.4 Price Adjustments for Changes. Boeing may adjust the basic price and the advance payment base prices for any changes mutually agreed upon by Buyer and Boeing subsequent to the date that Buyer and Boeing enter into the Option Aircraft Supplemental Agreement.

2.1.5 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Detail Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of such price.

2.1.6 Certification of Rolls-Royce Engines. It is understood by the parties that the price offered hereunder of the Rolls-Royce Engines may be adjusted by Rolls-Royce to reflect changes required to be incorporated to satisfy any new or amended United States Federal Aviation Administration (FAA) regulations. Therefore, in the event that after May 31, 1990, the FAA or other applicable U.S. Federal Agency issues new rules or regulations or changes or amends then-existing rules or regulations, and such new, changed or amended rules or regulations require changes to or modification of the Engines (Engine Modifications), then: (i) Boeing shall adjust the purchase price of the Option Aircraft in the amount by which Rolls-Royce revises its price of the Engines to Boeing as a result of such Engine Modifications; (ii) if the Engine Modifications require any change, modification or alteration to the Option Aircraft (Option Aircraft Modifications), the charge for making the Option Aircraft Modifications shall be added to the purchase price of the Option Aircraft; (iii) notwithstanding the provisions of paragraph 1 of this Letter Agreement, the time of delivery of the Option Aircraft shall be extended to the extent of any delay attributable to the Engine or Option Aircraft Modifications and said delay shall be deemed excusable; and (iv) Boeing shall, if necessary, revise the Option Aircraft Detail Specification as required to reflect the effects of the Engine Modifications or Option Aircraft Modifications.

3. Advance Payments.

3.1 Buyer shall pay to Boeing advance payments for the Option Aircraft pursuant to the schedule for payment of advance payments provided in the Purchase Agreement.

Subject: Letter Agreement No. 6-1162-WLJ-375R4 to
Purchase Agreement No. 1783 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1783 dated March 18, 1993 (the Agreement) between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to firm Model 757-224 aircraft (Aircraft) and option Model 757-224 aircraft (Option Aircraft). Letter Agreement 6-1162-WLJ-375R3 is hereby cancelled and superseded.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

2. Option Deposits. Notwithstanding the amount specified in paragraph 3 of Letter Agreement 1783-10 for the Option Deposit, Boeing and Buyer agree that the Option Deposit shall be [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] per Option Aircraft.

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

(b) Effective Date for Revised Interest Rate. Boeing and Buyer agree that the effective date for the interest calculation in changing from [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Any adjustments due Buyer as a result of this revised interest rate will be incorporated into the credits to be paid Buyer pursuant to paragraph 4 of Supplemental Agreement No. 7 to the Purchase Agreement.

(c) Boeing Invoice. Boeing shall submit to Buyer, not less than fifteen (15) days prior to the end of each quarter, an invoice for interest accrued during each such quarter. Buyer's payment is due and payable to Boeing on the first business day of the following month. Boeing's invoice will show interest accrued during the quarter for each Aircraft for which advance payments have been deferred. The invoice will also include interest accrued on deferred advance payments with respect to other aircraft in other purchase agreements between Buyer and Boeing.

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

7. Simulator Data Package

If Buyer elects to purchase a 757 Full Flight Simulator Data Package prior to February 1996, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The current purchase price of the Simulator Data Package is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] in 1992 dollars.

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

9. Additional Training Materials

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

- Three (3) additional sets of 35 mm slides as described in Paragraph 6.1.
- Three (3) additional full scale colored instrument panel wall charts as described in Paragraph 6.1.
- Three (3) additional sets of FRM/FIM training data as described in 6.6.
- Three (3) additional sets of Video Programs as described in Paragraph 6.5.

The current price of such additional training materials is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] in 1993 STE Dollars.

10. Maintenance Technical Specialist Support

Boeing shall provide, on a mutually agreeable schedule, two (2) technical specialists for a period of two (2) calendar months to advise and instruct Buyer's personnel in the maintenance of Buyer's 757 Aircraft. Boeing's specialist personnel shall be qualified to provide advice and instruction on 757 electrical and avionics systems. The scope of duties of these specialists shall exclude flying on Buyer's Aircraft in any technical capacity, performing maintenance work, and signing-off maintenance log books or aircraft maintenance releases. Boeing personnel shall be assigned to one of Buyer's maintenance bases within the United States and Buyer shall specify the base or bases prior to the assignment by Boeing of the specialist. Boeing personnel shall be assigned to a normal work shift, but not exceed eight (8) hours in any 24 hour period and five (5) days in any seven (7) day period. Buyer shall reimburse Boeing for all airfares incurred in the assignment or reassignment of Boeing's personnel.

Buyer shall pay, or reimburse Boeing for all taxes, fees, duties, licenses, permits and other similar requirements or expenses incurred by Boeing or its assigned employees, resulting from providing such technical support.

The services to be provided hereunder are of the type contemplated in paragraph 4, Part B of the Customer Support Document and such provisions shall be applicable to Boeing's undertaking set forth herein.

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

12. Confidential Treatment. Boeing and Buyer understand that certain commercial and financial information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Boeing and Buyer further 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 provided in Letter Agreement 6-1162-WLJ-367R4.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 27, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its/s/ V.P. Fleet Management

Attachment A to 6-1162-WLJ-375R4

Page 1

Continental Airlines, Inc.
Purchase Agreement 1783 - Model 757

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

Supplemental Agreement No. 1

to

Purchase Agreement No. 1951

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of October 10, 1996 by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and CONTINENTAL AIRLINES, INC., a Delaware corporation with its principal office in Houston, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1951 dated July 23, 1996, as amended and supplemented, relating to Boeing Model 737 aircraft (the Agreement); and

WHEREAS, Boeing has agreed to manufacturer and sell to Buyer thirty (30) Model 737-500 Aircraft and thirty (30) Model 737-600 Aircraft (collectively referred to as the Aircraft) [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]; and

WHEREAS, Boeing and Buyer have agreed to amend the Agreement to incorporate these and certain other changes;

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

1. Table of Contents and Articles:

1.1 Remove and replace, in their entirety, the following tables and Articles with corresponding new tables and articles attached hereto:

- Cover page
- Table of Contents
- Page 1, Title page
- Article 1, Subject Matter of Sale
- Article 3, Price of Aircraft
- Article 7, Changes to the Detail Specification
- Article 8, Federal Aviation Requirements and
Certificates and Export License
- Table 1, Aircraft Deliveries and Description

2. Exhibits:

2.1 Exhibit A entitled Aircraft Configuration is revised by adding thereto Exhibits A-3 and A-4 attached hereto to incorporate configurations for the Model 737-524 and Model 737-624 Aircraft, respectively.

2.2 Exhibit B entitled Product Assurance Document is revised to remove and replace, in their entirety, page BI, Part A and Part F and replace with the new page BI, Part A, and Part F1 and F2, respectively, attached hereto to reflect the Product Assurance entitlements for Current Generation Aircraft with revisions specifically to the title page, Part A, Boeing Warranty, paragraph 4.1.1, 4.1.2 and 8.1.1 and Part F, Engine Manufacturer's Warranty and Product Support Plan, with the addition of F1 and F2. All remaining Parts remain unchanged.

2.3 Exhibit C entitled Customer Support Document - Code Two - Major Model Differences is revised to remove and replace, in its entirety, page C-I to Exhibit C with page C-I attached hereto, to reflect the Customer Support entitlements for the Model 737-624 Aircraft.

2.4 Add a new Exhibit C1 entitled Customer Support Document - - Code Three - Minor Model Differences attached hereto for the Current Generation Aircraft.

2.5 Exhibit D entitled Aircraft Price Adjustment is revised to remove and replace, in their entirety, the title page and page D-1 with the title page and page D-1 attached hereto to reflect application of such exhibit to New Generation Aircraft.

2.6 Add a new Exhibit D1 entitled Airframe and Engine Price Adjustment for the Current Generation Aircraft attached hereto. .

2.7 Remove and replace, in its entirety, Exhibit E entitled Buyer Furnished Equipment Provisions Document with the new Exhibit E attached hereto to incorporate the Current Generation Aircraft along with the New Generation Aircraft.

3. Letter Agreements:

3.1 Remove and replace, in its entirety, Letter Agreement 1951-2, Seller Purchased Equipment, with Letter Agreement 1951-2R1, Seller Purchased Equipment, attached hereto to incorporate Model 737-524 and Model 737-624 Aircraft into the letter agreement.

3.2 Remove and replace, in its entirety, Letter Agreement 1951-3, Option Aircraft, with Letter Agreement 1951-3R1, Option Aircraft - Model 737-824 Aircraft, attached hereto to revise subject matter to designate Model 737-824 Aircraft.

3.3 Remove and replace, in its entirety, Letter Agreement 1951-4, Waiver of Aircraft Demonstration, with Letter Agreement 1951-4R1, Waiver of Aircraft Demonstration, attached hereto to incorporate Model 737-524 and Model 737-624 Aircraft into the letter agreement.

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

3.5 Remove and replace, in its entirety, Letter Agreement 1951-7, Spares Initial Provisioning, with Letter Agreement 1951-7R1, Spares Initial Provisioning, attached hereto.

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

3.7 Add new Letter Agreement 1951-9, Option Aircraft - Model 737-624 Aircraft, attached hereto to incorporate purchase option provisions for Buyer to purchase up to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

3.8 Add new Letter Agreement 1951-10, Configuration Matters [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]- Model 737-624 Aircraft, attached hereto to document an undefined configuration for the Model 737-624 Aircraft.

3.9 Add new Letter Agreement 1951-11, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

3.10 Remove and replace, in their entirety, Letter Agreements 6-1162-MMF-308, -309, -310, -311 and -312 with the corresponding Letter Agreements attached hereto to incorporate certain issues regarding the Model 737-524/624 Aircraft as follows:

6-1162-MMF-308R1 Disclosure of Confidential Information [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3.11 Add new Letter Agreement 6-1162-MMF-378, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft.

3.12 Add new Letter Agreement 6-1162-MMF-379, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL

TREATMENT] Aircraft.

4. Payment of Additional Advance Payments.

Within three (3) business days after execution of this Supplemental Agreement, Buyer shall transfer to Boeing's account at Chase Manhattan Bank, New York, N.Y., the sum of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] as of the effective date of the Supplemental Agreement.

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 above written.

THE BOEING COMPANY CONTINENTAL AIRLINES, INC.

By: /s/ M. Monica Fix By: /s/ Brian Davis

Its: Attorney-In-Fact Its: V.P.

PURCHASE AGREEMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Relating to Boeing Model 737 Aircraft

Purchase Agreement Number 1951

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COMMISSION PURSUANT TO A REQUEST FOR
CONFIDENTIAL TREATMENT] - Model 737-624
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1951-11 [CONFIDENTIAL MATERIAL OMITTED AND FILED
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RESTRICTED LETTER AGREEMENTS

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

6-1162-MMF-308R1 Disclosure of Confidential. SA 1
Information

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

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

SUPPLEMENTAL AGREEMENTS. DATED AS OF:

Supplemental Agreement No. 1

PURCHASE AGREEMENT NO. 1951

Relating to

BOEING MODEL 737 AIRCRAFT

This Agreement is entered into as of July 23, 1996 by and
between The Boeing Company, a Delaware corporation, with its
principal office in Seattle, Washington (Boeing), and Continental
Airlines, Inc., a Delaware corporation, with its principal office
in Houston, Texas (Buyer).

Accordingly, Boeing and Buyer agree as follows:

ARTICLE 1. Subject Matter of Sale.

1.1 The Aircraft. Boeing will manufacture and deliver
to Buyer and Buyer will purchase and accept delivery from Boeing
the Model 737 aircraft (the Aircraft) described below in the
quantities of the model types shown in Table 1, Aircraft
Deliveries and Descriptions for Model 737 Aircraft, to this
Agreement and manufactured in accordance with the detail
specifications identified below (Detail Specification).

1.1.1 Current Generation Aircraft.

Model 737-524 Aircraft (the Current
Generation Aircraft) which will be manufactured in accordance

with the Boeing detail specification as described in Exhibit A-4, and as modified from time to time in accordance with this Agreement.

1.1.2 New Generation Aircraft.

Model 737-724, Model 737-824 and Model 737-624 Aircraft (the New Generation Aircraft) which will be manufactured in accordance with the Boeing detail specifications described in Exhibits A-1, A-2 and A-3, respectively, and as modified from time to time in accordance with this Agreement.

1.2 Additional Goods and Services. In connection with the sale of the Aircraft, Boeing will also provide to Buyer certain other things under this Agreement, including data, documents, training and services, all as described in this Agreement.

1.3 Performance Guarantees. Any performance guarantees applicable to the Aircraft will be expressly included in this Agreement. Where performance guarantees are included in this Agreement other than within the Detail Specification, such guarantees will be treated as being incorporated in the Detail Specification by this reference.

1.4 Defined Terms. For ease of use, certain terms are treated as defined terms in this Agreement. Such terms are identified with a capital letter and set forth and/or defined in Exhibit F.

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, and Buyer will accept delivery of the Aircraft, in accordance with the schedule set forth in Table 1.

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. Boeing will give Buyer at least 7 days notice of the delivery date of the Aircraft. If an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be delivered at a facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of any encumbrances.

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Current Generation Aircraft.

3.1.1.1 Special Features are the features listed in Exhibit A-4 which Buyer has selected for incorporation in Current Generation Aircraft.

3.1.1.2 Base Airframe Price is the Aircraft Basic Price excluding the price of Special Features and Engines.

3.1.1.3 Engine Price is the price established by the Engine manufacturer for the Engines installed on the Aircraft including all accessories, equipment and parts set forth in Exhibit D-1.

3.1.1.4 Aircraft Basic Price is comprised of the Base Airframe Price, the Engine Price and the price of the Special Features.

3.1.1.5 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airframe, Engine and Special Features) as calculated pursuant to Exhibit D-1.

3.1.1.6 Base Airplane Price is the Aircraft Basic Price excluding the price of Special Features, but including Engines.

3.1.2 New Generation Aircraft

3.1.2.1 Special Features are the features listed in Exhibits A-1, A-2 and A-3, which Buyer has selected for incorporation in New Generation Aircraft.

3.1.2.2 Base Airplane Price is the Aircraft Basic Price excluding the price of Special Features, but including Engines.

3.1.2.3 Aircraft Basic Price is comprised of the Base Airplane Price and the price of the Special Features.

3.1.2.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airplane and Special Features) as calculated pursuant to Exhibit D.

3.2 Aircraft Basic Price.

3.2.1 Current Generation Aircraft:

3.2.1.1 Model 737-524 Aircraft.

The Aircraft Basic Price of each 737-524 Aircraft, expressed in July 1995 dollars, is set forth below:

Base Airframe Price:	[CONFIDENTIAL MATERIAL
Special Features	OMITTED AND FILED
Engine Price	SEPARATELY WITH THE
	SECURITIES AND EXCHANGE
Aircraft Basic Price	COMMISSION PURSUANT TO
	A REQUEST FOR
	CONFIDENTIAL TREATMENT]

3.2.2 New Generation Aircraft.

3.2.2.1 Model 737-624 Aircraft.

The Aircraft Basic Price of each 737-624 Aircraft, expressed in July 1995 dollars, is set forth below:

Base Airplane Price:	[CONFIDENTIAL MATERIAL
Special Features	OMITTED AND FILED
	SEPARATELY WITH THE
Aircraft Basic Price	SECURITIES AND EXCHANGE
	COMMISSION PURSUANT TO
	A REQUEST FOR
	CONFIDENTIAL TREATMENT]

3.2.2.2 Model 737-724 Aircraft.

The Aircraft Basic Price of each 737-724 Aircraft, expressed in July 1995 dollars, is set forth below:

Base Airplane Price:	[CONFIDENTIAL MATERIAL
Special Features	OMITTED AND FILED
	SEPARATELY WITH THE
Aircraft Basic Price	SECURITIES AND EXCHANGE
	COMMISSION PURSUANT TO
	A REQUEST FOR
	CONFIDENTIAL TREATMENT]

3.2.2.3 Model 737-824 Aircraft.

The Aircraft Basic Price of each 737-824 Aircraft, expressed in July 1995 dollars, is set forth

below:

Base Airplane Price: Special Features	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft Basic Price	

3.3 Aircraft Price. The total amount that Buyer is to pay for the Aircraft at the time of delivery (Aircraft Price) will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, set forth in Table 1; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibits D or D-1, as applicable; plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the estimated delivery prices of the Aircraft have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth in Table 1.

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

ARTICLE 4. Taxes.

4.1 Taxes. Buyer will pay all Taxes imposed by any domestic or foreign taxing authority arising out of or in connection with this Agreement or performance pursuant to it. In this Agreement, "Taxes" are defined as all taxes, fees, charges or duties and any interest, penalties, fines, or other additions to tax, including, but not limited to, sales, use, value added, gross receipts, stamp, excise, transfer and similar taxes, except U.S. federal income taxes and Washington State business and occupation tax imposed on Boeing.

4.2 Taxes Relating to Buyer Furnished Equipment. Buyer is responsible for the proper filing of all tax returns, reports and declarations and payment of all taxes related to or imposed on Buyer Furnished Equipment.

4.3 Reimbursement of Boeing. Buyer will promptly reimburse Boeing on demand, net of additional taxes thereon, for any Taxes that are imposed on and paid by Boeing or for which Boeing is responsible for collecting.

ARTICLE 5. Payment.

5.1 Advance Payment Schedule. Advance payment for each Aircraft will be made to Boeing by Buyer as follows:

Due Date of Payment	Amount Due per Aircraft (Percentage times
---------------------	--

Advance Payment Base Price)

Upon signing the Agreement	1% (less the Deposit)
24 months prior to the first day of the scheduled delivery month of the Aircraft	4%
21 months prior to the first day of the scheduled delivery month of the Aircraft	5%
18 months prior to the first day of the scheduled delivery month of the Aircraft	5%
12 months prior to the first day of the scheduled delivery month of the Aircraft	5%
9 months prior to the first day of the scheduled delivery month of the Aircraft	5%
6 months prior to the first day of the scheduled delivery month of the Aircraft	5%
Total	30%

5.2 Advance Payment Adjustment. For each Aircraft scheduled for delivery 36 months or more after the date of this Agreement and for which the Advance Payment Base Price is adjusted, Buyer will:

5.2.1 pay the advance payment due 24 months prior to the scheduled month of delivery for each affected Aircraft in an amount equal to 5% of an amount equal to the adjusted Advance Payment Base Price of such Aircraft, after subtracting the total amount of all Deposits and advance payments for such Aircraft previously paid to Boeing, and

5.2.2 use the adjusted Advance Payment Base Price in determining the amount of remaining advance payments due Boeing for such Aircraft.

5.3 Payment at Delivery. The Aircraft Price, less Advance Payments received by Boeing, is due on delivery of such Aircraft to Buyer.

5.4 Form of Payments. All payments due hereunder will be made by Buyer to Boeing by unconditional deposit in a bank account in the United States designated by Boeing or in other immediately available funds. All prices and payments set forth in this Agreement are in United States Dollars.

5.5 Monetary and Government Regulations. Buyer will be responsible for complying with all monetary control regulations and for obtaining necessary governmental authorizations related to payments hereunder.

ARTICLE 6. Excusable Delay.

6.1 General. Boeing will not be liable for or be deemed to be in default under this Agreement on account of any delay in delivery of any Aircraft or other performance hereunder arising out of causes such as: acts of God; war, armed hostilities, riots, fires, floods, earthquakes or serious accidents; governmental acts or failures to act affecting materials, facilities or Aircraft; strikes or labor troubles causing cessation, slowdown or interruption of work; damage to an Aircraft; failure of or delay in transportation; or inability, after due and timely diligence, to procure materials, systems, accessories, equipment or parts; or arising out of any other cause to the extent it is beyond Boeing's control or not occasioned by Boeing's fault or negligence. A delay resulting from such causes is referred to as an "Excusable Delay".

6.2 Excusable Delay of 12 Months.

6.2.1 Anticipated Delay. If Boeing concludes, based on its appraisal of the facts and normal scheduling procedures, that due to an Excusable Delay, delivery of an Aircraft will be delayed more than 12 months beyond the month in which delivery is scheduled, Boeing will promptly so notify Buyer in writing and either party may then terminate this Agreement with respect to such Aircraft by giving written notice to the other within 15 days after receipt by Buyer of Boeing's notice. Failure of a party to terminate the purchase of an Aircraft for an Excusable Delay pursuant to this paragraph results in a waiver of that party's right to terminate the purchase of such Aircraft for any delay in delivery caused by such Excusable Delay.

6.2.2 Actual Delay. If, due to an Excusable Delay, delivery of an Aircraft is delayed for more than 12 months beyond the month in which delivery is scheduled, and such right to terminate has not been waived under paragraph 6.2.1, either party may terminate this Agreement with respect to such Aircraft by giving written notice to the other within 15 days after the expiration of such 12-month period.

6.3 Aircraft Damaged Beyond Repair. If, prior to delivery, an Aircraft is destroyed or damaged beyond economic repair due to any cause, Boeing will promptly notify Buyer in writing and either party may then terminate this Agreement with respect to such Aircraft. If Boeing does not so terminate this Agreement with respect to such Aircraft, such notice will specify the earliest date reasonably possible, consistent with Boeing's other contractual commitments and production capabilities, by which Boeing will deliver a replacement for such Aircraft. This Agreement will thereupon terminate as to such Aircraft, unless Buyer gives Boeing written notice, within 30 days after receipt of Boeing's notice, that Buyer desires the proposed replacement for such Aircraft.

6.4 Agreement Revision. If an Aircraft is delayed, or destroyed or damaged beyond economic repair, and this Agreement is not terminated pursuant to this Article, this Agreement will be appropriately revised.

6.5 Agreement Termination.

6.5.1 Termination under this Article will discharge all obligations and liabilities of Boeing and Buyer hereunder with respect to terminated Aircraft and all related undelivered items and services, except that Boeing will return to Buyer, without interest, all advance payments related to such Aircraft,

6.5.2 If either party terminates this Agreement as to any Aircraft pursuant to this Article, Boeing may, upon written notice to Buyer within 30 days after such termination, purchase from Buyer any Buyer Furnished Equipment related to such Aircraft, at the invoice prices paid, or contracted to be paid, by Buyer.

6.6 Exclusive Rights. The termination rights set forth in this Article are in substitution for any and all other rights of termination or contract lapse or any other claim arising by operation of law by virtue of delays in performance covered by this Article.

ARTICLE 7. Changes to the Detail Specification.

7.1 Development Changes. Boeing may, at its own expense and without Buyer's consent, incorporate Development Changes in the Detail Specification and the Aircraft prior to delivery to Buyer. Development Changes are defined as changes to the basic specification for Model

737-500/-600/-700/-800 aircraft that do not affect the Aircraft Purchase Price or adversely affect Aircraft delivery, guaranteed weight, guaranteed performance or compliance with the interchangeability or replaceability requirements set forth in the Detail Specification. If Boeing makes changes Pursuant to this paragraph, Boeing will promptly notify Buyer of such changes.

ARTICLE 8. Federal Aviation Requirements and Certificates.

8.1 FAA Certificates.

8.1.1 Boeing will obtain from the Federal Aviation Administration (FAA):

8.1.1.1 a Type Certificate (transport category) issued pursuant to Part 21 of the Federal Aviation Regulations for the type of aircraft covered by this Agreement, and

8.1.1.2 a Standard Airworthiness Certificate for each Aircraft issued pursuant to Part 21 of the Federal Aviation Regulations, which will be provided to Buyer with delivery of the Aircraft.

8.1.2 Boeing will not be obligated to obtain any other certificates or approvals for the Aircraft.

8.1.3 If the use of either FAA certificate is discontinued prior to delivery of an Aircraft, references in this Agreement to such discontinued certificate will be deemed references to its superseding FAA certificate. If the FAA does not issue a superseding certificate, Boeing's only obligation under this paragraph will be to comply with the Detail Specification.

8.2 FAA Manufacturer Changes.

8.2.1 If the FAA, or any other governmental agency having jurisdiction, requires any change to the Aircraft, data relating to the Aircraft, or testing of the Aircraft in order to obtain the Standard Airworthiness Certificate (Manufacturer Change), such Manufacturer Change will be made prior to delivery of such Aircraft.

8.2.2 If prior to Aircraft delivery a Manufacturer Change is required to be incorporated in an Aircraft, it will be incorporated at no charge to Buyer, unless the requirement is promulgated subsequent to the date of this Agreement, in which case Buyer will pay Boeing's charge only for Aircraft scheduled for delivery to Buyer (a) 18 months or more after the date of this Agreement or (b) after the date of Boeing's receipt of the Type Certificate for the Model 737-600/-700/-800, whichever is later.

8.3 FAA Operator Changes.

8.3.1 Boeing will deliver each Aircraft with the changes in equipment incorporated (or, at Boeing's sole discretion, with suitable provisions for the incorporation of such equipment) that is required by Federal Aviation Regulations which (i) are generally applicable with respect to transport category aircraft to be used in United States certified air carriage and (ii) have to be complied with on or before the date of delivery of such Aircraft (Operator Changes).

8.3.2 If Operator Changes are incorporated in an Aircraft, Buyer will pay Boeing's charge applicable to such Aircraft.

8.4 Delays; Changes to this Agreement. If delivery of an Aircraft is delayed due to the incorporation of a Manufacturer Change or an Operator Change, the delivery of the Aircraft will be appropriately revised to reflect such delay. This Agreement will also be revised to reflect appropriate changes in the Aircraft Price, design, performance, weight and balance due to the incorporation of a Manufacturer Change or an Operator Change.

ARTICLE 9. Representatives, Inspection, Flights and Test Data.

9.1 Office Space at Boeing. From a date 12 months prior to delivery of the first Aircraft, and until the delivery of the last Aircraft, Boeing will furnish, without additional charge, suitable office space and equipment in or conveniently located near its plant in Seattle for the accommodation of up to three personnel of Buyer.

9.2 Inspection by Buyer. Designated representatives of Buyer may inspect the manufacturing of the Aircraft at all reasonable times. However, if access to any part of Boeing's plant is restricted by the United States Government, Boeing will be allowed a reasonable time to arrange for inspection elsewhere.

All inspections by Buyer's representatives will be performed so as not to hinder manufacture or performance by Boeing.

9.3 Aircraft Flight. Prior to delivery, each Aircraft will be flown by Boeing for such periods as may be required to demonstrate to Buyer the function of the Aircraft and its equipment in accordance with Boeing's production flight test procedures. The aggregate duration of such flights will be not less than 1-1/2 hours or more than 4 hours. Five persons designated by Buyer may participate in such flights as observers.

9.4 Test Data. Boeing will furnish to Buyer, as soon as practicable, flight test data obtained on an aircraft of the type purchased hereunder, certified as correct by Boeing, to evidence compliance with any performance guarantees set forth in this Agreement. Any Performance Guarantee will be deemed to be met if reasonable engineering interpretations and calculations based on such flight test data establish that the Aircraft would, if actually flown, comply with such guarantee.

9.5 Special Aircraft Test Requirements. Boeing may use the Aircraft for flight and ground tests prior to delivery to Buyer, without reduction in the Aircraft Purchase Price, if such tests are deemed necessary by Boeing to:

9.5.1 obtain or maintain the Type Certificate or Standard Airworthiness Certificate for the Aircraft; or

9.5.2 evaluate aircraft improvement changes that may be offered for production or retrofit incorporation in any aircraft.

9.6 Indemnity. Boeing will indemnify and hold harmless Buyer and Buyer's observers from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto, for injury to or death of any person or persons, including employees of Boeing but excluding employees, officers or agents of Buyer, or for loss of or damage to any property, arising out of or in connection with the operation of the Aircraft during all demonstration and test flights conducted under the provisions of this Article, whether or not arising in tort or occasioned in whole or in part by the negligence of Buyer or any of Buyer's observers, whether active, passive or imputed.

ARTICLE 10. Assignment, Resale or Lease.

10.1 Assignment. This Agreement will inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns. Neither the rights nor the duties of either party under this Agreement may be assigned or delegated, or contracted to be assigned or delegated, in whole or part, without the prior written consent of the other party, except that:

10.1.1 Either party may assign its interest to a corporation that (i) results from any merger or reorganization of such party or (ii) acquires substantially all the assets of such party;

10.1.2 Boeing may assign its rights to receive money; and

10.1.3 Boeing may assign all or any part of its rights and obligations under this Agreement to any wholly owned subsidiary of Boeing, provided that Boeing will remain fully and solely responsible to Buyer for all obligations and liabilities as the seller of the Aircraft, and Buyer will continue to deal exclusively with Boeing.

10.2 Transfer by Buyer at Delivery. Buyer may, and at Buyer's request Boeing will, take any action reasonably required for the purpose of causing an Aircraft, at time of delivery, to be subjected to an equipment trust, conditional sale, lien or other arrangement for the financing by Buyer of such Aircraft. No action taken by either party pursuant to this paragraph, however, will require Boeing to divest itself of title to or possession of such Aircraft until delivery and payment therefor pursuant to this Agreement.

10.3 Sale by Buyer After Delivery. If, following

delivery of any Aircraft, Buyer sells such Aircraft (including any sale for financing purposes), then all of Buyer's rights with respect to such Aircraft under this Agreement will inure to the benefit of the purchaser of such Aircraft, effective upon Boeing's receipt of such purchaser's express written agreement, in form satisfactory to Boeing, to be bound by and to comply with all applicable terms, conditions and limitations of this Agreement.

10.4 Lease by Buyer After Delivery. If, following delivery of any Aircraft, Buyer leases such Aircraft, Buyer will not assign to the lessee of such Aircraft any rights under this Agreement without Boeing's prior written consent, which consent will not be unreasonably withheld.

10.5 No Increase in Boeing Liability. No action taken by Buyer or Boeing relating to the assignment, resale or lease of any Aircraft or this Agreement will subject Boeing to any liability beyond that in this Agreement or modify in any way Boeing's obligations under this Agreement.

10.6 Exculpatory or Indemnity Clause in Post-Delivery Sale or Lease. If, following delivery of an Aircraft, Buyer sells or leases such Aircraft and obtains from the transferee an exculpatory or indemnity clause protecting Buyer, Buyer will include the same protection for Boeing.

ARTICLE 11. Termination for Certain Events.

11.1 Termination. This Agreement may be terminated at any time with regard to undelivered Aircraft and items and unperformed services by notice in writing by either party hereto if the other party:

11.1.1 Ceases doing business as a going concern, suspends all or substantially all its business operations, makes an assignment for the benefit of creditors, is insolvent, or generally does not pay its debts, or admits in writing its inability to pay its debts; or

11.1.2 Petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets; commences any legal proceeding such as insolvency, bankruptcy, reorganization, readjustment of debt, dissolution or liquidation available for the relief of financially distressed debtors; or becomes the object of any such proceeding, unless such proceeding is dismissed or stayed within a reasonable period, not to exceed 60 days.

11.2 Repayment of Advance Payments. If this Agreement is terminated with regard to any Aircraft by Buyer under this Article, Boeing will repay to Buyer, without interest, any advance payments received by Boeing from Buyer with respect to such Aircraft.

ARTICLE 12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance.

12.1 Product Assurance. Boeing and Buyer are bound by the provisions of Exhibit B hereto (Product Assurance Document).

12.2 DISCLAIMER AND RELEASE. THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF BOEING AND THE REMEDIES OF BUYER SET FORTH IN THE PRODUCT ASSURANCE DOCUMENT ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND BUYER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF BOEING AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF BUYER AGAINST BOEING, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NONCONFORMANCE OR DEFECT IN ANY AIRCRAFT OR OTHER THING PROVIDED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO:

- (A) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (B) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(C) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF BOEING (WHETHER ACTIVE, PASSIVE OR IMPUTED); AND

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT.

12.3 EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES.

BOEING WILL HAVE NO OBLIGATION OR LIABILITY, WHETHER ARISING IN CONTRACT (INCLUDING WARRANTY), TORT (INCLUDING ACTIVE, PASSIVE OR IMPUTED NEGLIGENCE) OR OTHERWISE, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NONCONFORMANCE OR DEFECT IN ANY AIRCRAFT OR OTHER THING PROVIDED UNDER THIS AGREEMENT.

12.4 Definitions. For the purposes of this Article, the term "BOEING" means The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

12.5 Customer Support and Indemnification; Insurance. Boeing and Buyer are bound by the provisions of Exhibit C hereto (Customer Support Document), which includes indemnification and insurance requirements related to the use of Customer Support Services.

ARTICLE 13. Buyer Furnished Equipment and Spare Parts.

13.1 Buyer Furnished Equipment. Boeing and Buyer are bound by the provisions of Exhibit E (Buyer Furnished Equipment Document), which includes indemnification requirements related to Buyer Furnished Equipment.

13.2 Purchase of Boeing Spare Parts. Boeing will sell to Buyer and Buyer will purchase from Boeing materials, spare parts, assemblies, tools and items of equipment relating to the Aircraft pursuant to Customer Services General Terms Agreement No. 24-1.

ARTICLE 14. Contractual Notices and Requests.

All notices and requests relating to this Agreement will be in English, and may be transmitted by any customary means of written communication addressed as follows:

Buyer: Continental Airlines, Inc.
2929 Allen Parkway
Suite 2010
Houston, TX 77019

Attention: Sr. V.P. Fleet Management

Boeing: Boeing Commercial Airplane Group
P.O. Box 3707
Seattle, Washington 98124-2207
U.S.A.

Attention: Vice President - Contracts
Mail Stop 75-38

or to such other address as specified elsewhere herein or as otherwise directed in writing by either party. The effective date of any such notice or request will be the date on which it is received by the addressee.

ARTICLE 15. Miscellaneous.

15.1 Government Approval. Boeing and Buyer will use their best reasonable efforts to assist each other in obtaining any United States Governmental agency consents or approvals necessary or appropriate to effect certification and sale of the Aircraft under this Agreement.

15.2 Headings. Article and paragraph headings used in this Agreement are for convenient reference only and are not intended to affect the interpretation of this Agreement.

15.3 Entire Agreement; Amendments. This Agreement contains the entire agreement between the parties concerning the

subject matter hereof and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written. This Agreement may be changed only in writing signed by authorized representatives of Boeing and Buyer, except in the case of certain changes permitted or required by this Agreement.

15.4 GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY THE LAW OF THE STATE OF WASHINGTON, U.S.A., EXCLUSIVE OF WASHINGTON'S CONFLICTS OF LAWS RULES.

15.5 Negotiated Agreement. This Agreement, including the provisions of Article 12 relating to DISCLAIMER AND RELEASE, the Exclusion of Consequential and Other Damages, and the provisions relating to indemnification and insurance set forth in this Agreement, has been the subject of discussion and negotiation and is fully understood by the parties; the Aircraft Purchase Price and other agreements of the parties set forth in this Agreement were arrived at in consideration of such provisions.

CONTINENTAL AIRLINES, INC. THE BOEING COMPANY

By /s/ Brian Davis By /s/ M. Monica Fix

Its V.P. Fleet Management Its Attorney-in-Fact

Table 1 to

Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737 Aircraft

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

AIRCRAFT CONFIGURATION

Dated October 10, 1996

relating to

BOEING MODEL 737-624 AIRCRAFT

Exhibit A-3

The Detail Specification is Boeing Detail Specification D6-38808-62 dated as of even date herewith. Such Detail Specification will be comprised of Boeing Configuration Specification D6-38808 Revision F dated March 8, 1996 as amended to incorporate the applicable specification language to reflect the effect of the changes set forth in the Change Requests listed in the Attachment to this Exhibit A-3, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Change Requests are set forth in Boeing Document D6-39060. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price will reflect and include all effects of such changes of price upon configuration completion by no later than December 31, 1996, except such Aircraft Basic Price will not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

The Attachment to this Exhibit will be defined by Boeing and Buyer at a later date.

AIRCRAFT CONFIGURATION

Dated October 10, 1996

relating to

BOEING MODEL 737-524 AIRCRAFT

Exhibit A-4

The Detail Specification is Boeing Detail Specification D6-38606-11, Revision F dated March 1, 1996. Such Detail Specification will be comprised of Boeing Configuration Specification D6-38606 Revision J dated October 17, 1994 as amended to incorporate the applicable specification language to reflect the effect of the changes set forth in the Change Requests listed in the Attachment to this Exhibit A-4, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Change Requests are set forth in Boeing Document D6-77072. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price will reflect and include all effects of such changes of price upon configuration completion by September 3, 1996, except such Aircraft Basic Price will not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

Exhibit A-4
Page 1

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

PRODUCT ASSURANCE DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit B to Purchase Agreement Number 1951

PRODUCT ASSURANCE DOCUMENT NO. 1951

Dated July 23, 1996

Relating to

BOEING MODEL 737 AIRCRAFT

This Product Assurance Document is Exhibit B to and forms a part of Purchase Agreement No. 1951 between The Boeing Company (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to the purchase of Boeing Model 737 aircraft. This Product Assurance Document consists of the following parts:

PART A Boeing Warranty

PART B Warranty Repairs and Modifications by Buyer

PART C	Boeing Service Life Policy
PART D	Boeing Indemnity Against Patent Infringement
PART D-1	Boeing Indemnity Against Copyright Infringement
PART E	Supplier Warranties and Patent Indemnities
PART F	Engine Manufacturer Warranties
PART G	Boeing Interface Commitment
PART H	General

PART A

BOEING WARRANTY

1. Warranties.

Subject to the exceptions set forth herein, Boeing warrants that, at the time of delivery, each Aircraft, including all installed systems, accessories, equipment and parts, will:

1.1 conform to the Detail Specification, as it may be changed pursuant to this Agreement, except such portions stated to be estimates, approximations, design objectives, or design criteria, or described as not guaranteed;

1.2 be free from defects in material and workmanship, including process of manufacture; and

1.3 be free from defects in design, including selection of (i) materials and (ii) process of manufacture, in view of the state of the art at the time of design.

For purposes of this Boeing Warranty, nonconformance with the Detail Specification, defects in material or workmanship and defects in design may hereinafter be called "defects" or a "defect", and the term "system", "accessory", "equipment" or "part" may hereinafter be called "item" or "items."

2. Exceptions.

The warranties above will not apply to BFE. The warranty above covering material and workmanship and the warranty above covering design will not apply to Engines or to any other item purchased by Boeing but not manufactured to Boeing's detailed design. However, any defect in the Boeing workmanship installing such BFE, Engines or other items in an Aircraft will constitute a defect in workmanship covered by such warranties.

3. Survival of Warranties.

Neither the warranty of conformance to the Detail Specification applicable to Engines and other items purchased by Boeing but not manufactured to Boeing's detailed design, nor any Performance Guarantees, will survive delivery of the Aircraft. The remaining warranties set forth herein will survive delivery of the Aircraft, subject to the limitations and conditions set forth herein.

4. Warranty Periods and Claims.

4.1 The warranty periods are:

4.1.1 As to a defect in conformance to the Detail Specification of New Generation Aircraft, 48 months after delivery of each Aircraft; or as to defect in conformance to the Detail Specification of Current Generation Aircraft, 36 months after delivery of each Aircraft, and

4.1.2 As to a defect in material, workmanship or design in any item, 48 months after delivery of each New Generation Aircraft or 36 months after delivery of each Current Generation Aircraft in which such item was initially installed.

4.2 Boeing's Product Assurance Regional Manager at

Renton, Washington must receive the warranty claim in writing at the earliest practicable time after the defect becomes apparent but in no event later than 90 days after expiration of the applicable warranty period.

4.3 Such warranty claim must include the data set forth below and, if requested by Boeing, reasonable evidence that the claimed defect did not result from any act or omission of Buyer.

4.3.1 Identity of the item or Aircraft involved, including Boeing part number, serial number if applicable, nomenclature and the quantity claimed to be defective;

4.3.2 Identity of the Aircraft on which the claimed item was installed as original equipment;

4.3.3 Date the claimed defect became apparent which will be the date such defect was discovered by Buyer or the warranty date set forth in a Boeing service bulletin or service letter, whichever date occurs first; and

4.3.4 Description of the claimed defect and circumstances, including Boeing service bulletin or Boeing service letter number if claim involves a service bulletin or letter.

4.4 Upon completion of Boeing's warranty claim investigation, performed within a reasonable time period, including examination of any item or Aircraft returned to Boeing, Boeing will provide a written disposition of its warranty claim findings to Buyer. In the event Boeing must reject Buyer's warranty claim, Boeing will provide reasonable substantiation of such rejection in its disposition.

5. Remedies.

Buyer's remedies under this Boeing Warranty are as follows:

5.1 As to a defect in conformance to the Detail Specification, the correction at Boeing's expense of such defect; provided, however, that Boeing will not be obligated to correct any defect that has no material adverse effect on the maintenance, use or operation of the Aircraft. The warranty period for the corrected item will be the unexpired warranty period for the defective item.

5.2 As to a defect in material or workmanship, (i) the repair at Boeing's expense of such defect or, (ii) at Boeing's option, the replacement of such item with a similar item free from defect or the issuance of a credit memorandum to reimburse Buyer for a spare part previously purchased from Boeing as the replacement for such defective item. The warranty period for either correction will be the unexpired warranty period for the defective item.

5.3 As to a defect in design, the correction at Boeing's expense of such defect. The warranty period for such correction is 18 months from receipt by Buyer of corrective material or the end of the original design warranty period for the defective item, whichever is later.

5.4 Boeing will issue a credit memorandum to reimburse Buyer at the Warranty Labor Rate for the direct labor hours required for removal from the Aircraft of a defective item and the reinstallation in the Aircraft of the corrected item.

6. Returned Items.

Unless otherwise provided in this Agreement, the Aircraft or item claimed to be defective must be returned to Boeing as soon as practicable. Buyer may also provide specific technical repair or correction instructions with such return. The absence of such instructions will evidence Buyer's authorization for Boeing to proceed using Boeing information and data. The following criteria will apply with respect to return of Aircraft or items to Boeing:

6.1 As to Aircraft:

6.1.1 An Aircraft may be returned only if

6.1.1.1 substantially all the work to be performed by Boeing is covered by this Boeing Warranty, and

6.1.1.2 Buyer does not have the capability to perform, nor is it practical for Boeing personnel to perform, the warranty work away from Boeing's facilities.

6.1.2 All warranty work will be performed at Boeing's expense, with reasonable efforts to minimize Aircraft out-of-service time. In addition, Boeing will reimburse Buyer by issuing a credit memorandum for the cost of fuel, oil and landing fees incurred in ferrying the Aircraft to Boeing's facilities and in ferrying the Aircraft back to Buyer's facilities. Buyer will minimize the length of both ferry flights.

6.1.3 Any nonwarranty work performed by Boeing will be paid for by Buyer at Boeing's then-standard rates.

6.1.4 A separate agreement based on Boeing's then-standard form will be entered into to cover the return of and work on such Aircraft.

6.2 As to any system, accessory, equipment or part:

6.2.1 All warranty work will be performed at Boeing's expense, with reasonable efforts to minimize item out-of-service time for items returned.

6.2.2 Boeing's turnaround-time objectives for repair or replacement are: 10 working days for avionic and electronic items and 30 working days for other items when corrected at Boeing's facilities, or 40 working days when corrected at the facilities of a Boeing subcontractor. Turnaround time starts the date Boeing receives the returned item, together with Buyer's warranty claim describing the work, and ends the date of shipment by Boeing of such item. If a turnaround-time objective is not achieved and a resultant critical parts shortage is experienced by Buyer, and Buyer has procured spare parts for such item in accordance with the Boeing Recommended Spare Parts List, Boeing will, upon request from Buyer, either:

6.2.2.1 expedite repair or replacement of the item or

6.2.2.2 provide a similar item on a no-charge loan or no-charge lease basis until the repaired or replaced item is provided to Buyer.

6.2.3 The freight charge for shipment to Boeing of any item will be paid by Buyer; however, Boeing will reimburse Buyer by issuing a credit memorandum for such charge for any item determined to be defective under this Boeing Warranty. The freight charge for the return shipment to Buyer of any such defective item which has been repaired, replaced or corrected pursuant to this Boeing Warranty will be paid by Boeing.

6.3 Title to and risk of loss of any Aircraft or item returned to Boeing will at all times remain with Buyer and/or any other owner of such Aircraft or item, except that at the time Boeing ships a replacement item to Buyer, title to and risk of loss (i) for the returned item will pass to Boeing and (ii) for the replacement item will pass to Buyer. While Boeing has care, custody and control of an Aircraft or item, Boeing will have only such liabilities as a bailee for mutual benefit would have, but will not be liable for loss of use.

7. Nonrepairable Items.

Buyer may scrap any defective nonrepairable item having a then-current Boeing spare part selling price of \$2,000 or less and make a claim for a replacement item. For a defective nonrepairable item having a then-current Boeing spare part selling price greater than \$2,000, an authorized Boeing representative must confirm the nonrepairability of any such item. Boeing will display best efforts to have such Boeing representative available within 30 days. Buyer's claim for an item with a sparepart selling price exceeding \$2,000 must

include such confirmation.

8. Reimbursement for Certain Inspection Labor Costs.

8.1 In addition to the remedies set forth in this Boeing Warranty, Boeing will reimburse Buyer by issuing a credit memorandum at the Warranty Labor Rate for the direct labor hours expended by Buyer in performing inspections of the Aircraft to determine whether or not a covered defect exists in any system, accessory, equipment or part manufactured to Boeing's detailed design, provided that:

8.1.1 such inspections are recommended by a Boeing service bulletin or service letter issued by Boeing within 48 months after delivery of such New Generation Aircraft or 36 months after delivery of such Current Generation Aircraft, and

8.1.2 such reimbursement will not apply to any inspections performed as an alternative to accomplishing corrective action when such corrective action is available to Buyer at the time such inspections are performed.

8.2 If a covered defect is determined to exist as a result of the foregoing inspections, the remedies under this Boeing warranty will apply to Aircraft in warranty as of the warranty date set forth in the applicable Boeing service bulletin or service letter or the date the defect was discovered by Buyer, whichever date occurs first.

9. Wear and Tear.

Normal wear and tear and the need for regular maintenance and overhaul will not constitute a defect.

10. Disclaimer and Release; Exclusion of Liabilities.

This Part A and the rights and remedies of Buyer and obligations of Boeing herein are subject to the Disclaimer and Release and Exclusion of Consequential and Other Damages provisions of Article 12 of this Agreement.

11. Buyer's Indemnification of Boeing.

The provisions of Part E, "Buyer's Indemnification of Boeing and Insurance" of Exhibit C, will apply to all warranty work performed by Boeing hereunder in accordance with Buyer's specific technical repair or correction instructions, to the extent any legal liability of Boeing is based upon the content of such instructions.

PART F1

Relating to Current Generation Aircraft

ENGINE MANUFACTURER'S WARRANTY
AND PRODUCT SUPPORT PLAN

Boeing has obtained from CFM International, Inc. (CFM) the right to extend to Buyer the provisions of CFM's New Engine Warranty set forth in CFM's "CFM56 Product Support Plan"; subject, however, to Buyer's acceptance of the conditions set forth herein and in such product support plan. Accordingly, Boeing hereby extends to Buyer, and Buyer hereby accepts, the provisions of such CFM warranty and such provisions shall apply to CFM56 turbo-fan engines installed in the Aircraft at the time of delivery to Buyer except that, if Buyer and CFM have executed a General Terms Agreement, then the terms of that Agreement shall be substituted for and supersede the below-stated provisions and such provisions shall be of no force or effect and neither Boeing nor CFM shall have any obligation arising therefrom. In consideration for such extension, Buyer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of said installed CFM56 engines and releases and discharges CFM from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of said installed CFM56 engines except as expressly assumed by CFM in such Product Support Plan or in such General Terms Agreement between Buyer and CFM.

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

PART F2
Relating to New Generation Aircraft

ENGINE MANUFACTURER'S WARRANTY
AND PRODUCT SUPPORT PLAN

Boeing has obtained from CFM International, Inc. (CFMI) the right to extend to Buyer the provisions of CFMI's warranty as set forth below (herein referred to as the "Warranty"); subject, however, to Buyer's acceptance of the conditions set forth herein. Accordingly, Boeing hereby extends to Buyer and Buyer hereby accepts the provisions of CFMI's Warranty as hereinafter set forth, and such Warranty shall apply to all CFM56-7 type Engines (including all Modules and Parts thereof) installed in the Aircraft at the time of delivery or purchased from Boeing by Buyer for support of the Aircraft except that, if Buyer and CFMI or CFM International, S.A. have executed, or hereafter execute, a General Terms Agreement, then the terms of that Agreement shall be substituted for and supersede the provisions of Paragraphs 1 through 10 below and Paragraphs 1 through 10 below shall be of no force or effect and neither Boeing nor CFMI shall have any obligation arising therefrom. In consideration for Boeing's extension of the CFMI Warranty to Buyer, Buyer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CFM56-7 type Engines and Buyer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities. In addition, Buyer hereby releases and discharges CFMI from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CFM56-7 type Engines except as otherwise expressly assumed by CFMI or CFM International, S.A. in such CFMI Warranty or General Terms Agreement between Buyer and CFMI or CFM International, S.A. and Buyer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities.

CFMI INTERNATIONAL INC. WARRANTY

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

CODE TWO -MAJOR MODEL DIFFERENCES

CUSTOMER SUPPORT DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit C to Purchase Agreement Number 1951

CUSTOMER SUPPORT DOCUMENT NO. 1951

Dated October 10, 1996

Relating to

BOEING MODEL 737-624/-724/-824 AIRCRAFT

This Customer Support Document is Exhibit C to and forms a part of Purchase Agreement No. 1951 between The Boeing Company (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to the purchase of Boeing Model 737-624/-724/-824 aircraft. This Customer Support Document consists of the following parts:

- PART A Boeing Maintenance Training Program
- PART B Boeing Customer Support Services
- PART C Boeing Flight Training Program
- PART D Technical Data and Documents
- PART E Buyer's Indemnification of Boeing and Insurance
- PART F Alleviation or Cessation of Performance

CODE THERE - MINOR MODEL DIFFERENCES

CUSTOMER SUPPORT DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit C1 to Purchase Agreement Number 1951

CUSTOMER SUPPORT DOCUMENT NO. 1951

Dated October 10, 1996

Relating to

BOEING MODEL 737-524 AIRCRAFT

This Customer Support Document is Exhibit C1 to and forms a part of Purchase Agreement No. 1951 between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to the purchase of Boeing Model 737-524 aircraft. This Customer Support Document consists of the following parts:

- PART A Boeing Maintenance Training Program
- PART B Boeing Customer Support Services
- PART C Boeing Flight Training Program
- PART D Technical Data and Documents
- PART E Buyer's Indemnification of Boeing and Insurance
- PART F Alleviation or Cessation of Performance

PART A

BOEING MAINTENANCE TRAINING PROGRAM

1. General.

This Part describes the maintenance training to be provided by Boeing (Maintenance Training) at Boeing's training facility at or near Seattle. The Maintenance Training will be provided at no additional charge to Buyer, except as otherwise provided herein.

All instruction, examinations and materials shall be prepared and presented in the English language and in the units of measure used by Boeing.

Buyer will be responsible for the living expenses of Buyer's personnel during Maintenance Training. For Maintenance Training provided at or near Seattle, Boeing will transport Buyer's personnel between their local lodging and the training facility.

2. Maintenance Training Program.

In conjunction with earlier sales to Buyer of the same model type aircraft as the Aircraft, Boeing has provided to Buyer comprehensive maintenance training and/or materials for such aircraft. If requested by Buyer at least 12 months prior to delivery of the first Aircraft, Boeing agrees to provide 1 Maintenance Training course consisting of classroom training to acquaint up to 15 of Buyer's personnel with any operational, structural or systems differences between the first Aircraft scheduled for delivery pursuant to this Agreement and the last aircraft of the same model type for which maintenance training and/or materials were delivered by Boeing to Buyer that are significant to the maintenance of the Aircraft. Such course will be scheduled by mutual agreement of Boeing's and Buyer's maintenance training organizations.

3. Training Materials.

Boeing will provide Buyer with a narrative description defining the expected time to teach the various differences between the first Aircraft scheduled for delivery pursuant to this agreement and the last aircraft of the same model type for which maintenance training and/or materials were delivered by Boeing to Buyer.

If Buyer chooses to have Boeing provide a differences Maintenance Training course, Boeing will provide at the beginning of the course, 1 copy of a training manual for the differences training course to each student attending such course. Boeing will also provide to the Buyer 1 set of visual aid projection transparencies and 1 set of black and white reproducible masters of the training manual graphics and text utilized in the Maintenance Training class. No revision service will be provided for such training manuals and materials.

If Buyer chooses not to have Boeing provide a differences Maintenance Training course, Boeing will provide to Buyer at Buyer's direction, 1 set of visual aid projection transparencies and 1 set of black and white reproducible masters of the training manual graphics and text that would have been utilized in a differences Maintenance Training class. Delivery of requested materials will satisfy difference training entitlements as defined herein. No revision service will be provided for such training manuals and materials.

4. Training at a Facility Other Than Boeing's.

If seasonably requested, Boeing will conduct the classroom training described above at a mutually acceptable alternate training site, subject to the following conditions:

4.1 Buyer will be responsible for providing acceptable classroom space and training equipment required to present the Boeing courseware.

4.2 Buyer will pay Boeing's then-current per diem charge for each Boeing instructor for each day, or fraction thereof, such instructor is away from Seattle, including travel time.

4.3 Buyer will reimburse Boeing for round-trip transportation for Boeing's instructors and training materials between Seattle and such alternate training site.

4.4 Buyer will pay, or reimburse Boeing for, all taxes, fees, duties, licenses, permits and similar expenses incurred by Boeing and its employees as a result of Boeing's providing the training at such alternate site.

4.5 Those portions of training that require the use of Boeing's training devices, if any, will be conducted at Boeing-designated facilities.

PART B

BOEING CUSTOMER SUPPORT SERVICES

1. General.

This Part describes the support services to be provided by Boeing at no additional charge to Buyer, unless otherwise specified herein. Except with respect to Field Services, the services described in this Part will be provided by Boeing during a period commencing with delivery of the first Aircraft and continuing so long as one Aircraft is regularly operated by Buyer in commercial air transport service.

2. Field Service Engineering.

Boeing will furnish field service representation to advise Buyer on maintenance and operation of the Aircraft (Field Services) as follows:

2.1 Field Services will be available to Buyer at or near Buyer's main maintenance or engineering facility for a period beginning prior to delivery of each Aircraft and terminating 12 months after delivery of the Aircraft (Field Service Period(s)). If such Field Service Periods overlap, the Field Services will be provided concurrently.

2.2 Buyer will furnish at no charge to Boeing suitable office space and equipment that will include desks, chairs, file cabinets and an electrical power source in, or convenient to, Buyer's facility where each/any Boeing representative is providing Field Services. As required, Buyer will assist each representative providing Field Services with visas, work permits, customs, mail handling, identification passes, and local airport authorities.

2.3 In addition to the Field Services referred to above, the services of any Boeing field service representative will also be available to Buyer anywhere Buyer may land the Aircraft.

2.4 Boeing may, from time to time, provide additional support services in the form of Boeing personnel visiting Buyer's facilities to work with Buyer's personnel in an advisory capacity.

3. Additional Engineering Support Services.

Boeing will, if requested by Buyer in writing, provide technical advisory assistance with respect to the Aircraft and accessories, equipment and parts manufactured to Boeing's detailed design and installed in the Aircraft at the time of delivery. Such technical advisory assistance, which will be provided from Seattle, will include:

3.1 analysis of and comment on any Aircraft service or operational problem experienced by Buyer in order to determine the nature of the problem and its cause and to suggest possible solutions;

3.2 analysis of and comment on Buyer's engineering releases relating to structural repairs of the Aircraft not covered by Boeing's Structural Repair Manual; and

3.3 analysis of and comment on Buyer's engineering proposals for changes in, or replacement of, parts, accessories or equipment manufactured to Boeing's detailed design (excluding computer software embedded or included therein); provided that Boeing will not analyze or comment on any such change or replacement which constitutes a major structural change, nor on any engineering release related thereto, unless Buyer's request

for such analysis and comment is accompanied by complete detailed drawings, substantiating data (including data, if any, required by applicable government agencies), all stress or other appropriate analysis, and a specific statement from Buyer of the kind of review and response desired by Buyer.

4. Special Services.

4.1 Facilities, Ground Equipment and Maintenance Planning Assistance.

Boeing will, at Buyer's request, send qualified Boeing engineering representatives to Buyer's main base to evaluate Buyer's technical facilities, tools and equipment for servicing and maintaining the Aircraft, to recommend changes where necessary and to assist in the formulation of Buyer's overall maintenance plan.

4.2 Additional Services.

Boeing may, at Buyer's request, provide additional special services with respect to the Aircraft after delivery, which may include such items as Master Changes (Kits and/or Data), training and maintenance and repair of the Aircraft. Providing such additional services will be subject to (i) mutually acceptable price, schedule and scope of work and (ii) Boeing's then-current standard contract therefor including disclaimer and release, exclusion of consequential and other damages and indemnification and insurance requirements.

4.3 Post-Delivery Aircraft Services.

If Boeing performs unanticipated work on an Aircraft after delivery of such Aircraft, but prior to its initial departure flight, or upon its return to Boeing's facilities prior to completion of such flight, the following provisions will apply:

4.3.1 Title to and risk of loss of any such Aircraft will at all times remain with Buyer.

4.3.2 The provisions of the Boeing Warranty set forth in Exhibit B of this Agreement will apply to such work.

4.3.3 Buyer will reimburse Boeing for such work to the extent not covered by the Boeing Warranty applicable to the Aircraft.

4.3.4 The Disclaimer and Release and Exclusion of Consequential and Other Damages provisions set forth in Article 12 of this Agreement and the indemnification and insurance provisions set forth in this Exhibit C will apply to such Boeing work.

4.3.5 In performing such work, Boeing may rely upon the commitment authority of Buyer's personnel requesting such work.

5. Additional Informational Services.

Boeing may, from time to time, provide Buyer with additional services in the form of information about the Aircraft or other aircraft of the same type, including information concerning design, manufacture, operation, maintenance, modification, repair and in-service experience.

PART C

BOEING FLIGHT TRAINING PROGRAM

1. General.

This Part describes the flight training to be provided by Boeing (Flight Training) at or near Seattle, or at some other location to be determined pursuant to this Part. The Flight Training will be provided at no additional charge to Buyer, except as otherwise provided herein.

All instruction, examinations and materials will be prepared and presented in the English language and in the units of measure

used by Boeing.

Buyer will be responsible for the living expenses of Buyer's personnel during the Flight Training Program. For Flight Training provided at or near Seattle, Boeing will transport Buyer's personnel between their local lodging and the training facility.

2. Flight Training Program.

In conjunction with earlier sales to Buyer of aircraft of the same model type as the Aircraft, Boeing has provided to Buyer comprehensive flight training for such aircraft. If requested by Buyer at least 12 months prior to delivery of the first Aircraft, Boeing agrees to provide, if required, 1 classroom training class to acquaint up to 15 of Buyer's personnel with any operational, systems and performance differences significant to the operation of the Aircraft, between the first Aircraft scheduled for delivery pursuant to this Agreement and the last aircraft of the same model type as the aircraft previously delivered by Boeing to Buyer. Such course will be scheduled by mutual agreement of Boeing's and Buyer's flight training organizations.

3. Training Materials.

Any training materials, if required, that are used in Flight Training shall be provided to Buyer at the conclusion of such class. No revision service shall be provided for such training materials.

4. Training at a Facility Other Than Boeing's.

If seasonably requested, Boeing will conduct the Flight Training at a mutually acceptable alternate training site, subject to the following conditions:

4.1 Buyer will be responsible for providing classroom space acceptable to Boeing, a flight simulator and training equipment required to present the Boeing courseware.

4.2 Buyer will pay Boeing's then-current per diem charge for each Boeing instructor for each day, or fraction thereof, such instructor is away from Seattle, including travel time.

4.3 Buyer will reimburse Boeing for round-trip transportation for Boeing's flight training instructors and materials between Seattle and such alternate site.

4.4 Buyer will pay, or reimburse Boeing for, all taxes, fees, duties, licenses, permits and similar expenses incurred by Boeing and its employees as a result of Boeing's providing the training at such alternate site.

4.5 Those portions of the training that require the use of Boeing's training devices, if any, will be conducted at Boeing-designated facilities.

PART D

TECHNICAL DATA AND DOCUMENTS

1. General.

Boeing will furnish to Buyer the data and documents set forth herein at no additional charge to Buyer, unless otherwise specified herein. Such data and documents will, where applicable, be prepared essentially in accordance with the provisions of Revision 29 excluding FRM/FIM to Air Transport Association of America Specification No. 100, dated June 1, 1956, entitled "Specification for Manufacturers' Technical Data," with the following specific exceptions: The Illustrated Parts Catalog, will be prepared essentially in accordance with the provisions of Revision 28. The Overhaul and Component Maintenance Manuals will be written to the ATA Revision level established for the airplane model the component was originally used on. Such data and documents are only intended to provide Buyer with pertinent information on components, equipment and installations designed by Boeing for aircraft of the same model type as the Aircraft. Such data and documents will be in English and in the units of measure used by Boeing, except as otherwise

specified herein or as may be required to reflect Aircraft instrumentation.

Digitally-produced data and documents will, where applicable, be prepared essentially in accordance with the provisions of Revision 0 of Air Transport Association of America (ATA) Specification 2100, dated January 1994, entitled "Digital Data Standards for Aircraft Support."

2. Treatment of Data and Documents.

2.1 The data and documents provided by Boeing under this Agreement ("Documents") are licensed to Buyer. They contain confidential, proprietary and/or trade secret information belonging to Boeing; and Buyer will treat them in confidence and use and disclose them only for Buyer's own internal purposes as specifically authorized herein. If Buyer makes copies of any Documents, the copies will also belong to Boeing and be treated as Documents under this Agreement. Buyer will preserve all restrictive legends and proprietary notices on all Documents and copies.

2.2 All Documents will only be used: (a) for the purpose of maintenance, repair, or modification of an Aircraft or spare part as permitted in the Spare Parts GTA or Customer Services GTA between Buyer and Boeing, and then only in connection with an Aircraft or spare part for which the Document in question is tabulated or identified by Boeing serial number, and (b) for the purpose of Buyer's own development and manufacture of training devices for use by Buyer, in connection with the Aircraft.

2.3 Any Document may be provided to Buyer's contractors for maintenance, repair, or modification of the Aircraft; and Airplane Flight Manuals, Operations Manuals, Aircraft Maintenance Manuals, Wiring Diagram Manuals, System Schematics Manuals, Component Maintenance/Overhaul Manuals and assembly and installation drawings may be provided to Buyer's contractors for development and manufacture of training devices for use by Buyer, but in both cases, only if Buyer's contractor is, at the time of transfer of Documents, bound by a Boeing Customer Services GTA, or other appropriate proprietary information protection agreement with Boeing, applicable to the Documents.

3. Document Formats and Quantities.

The quantities of documents set forth in the Attachment will be provided at a later time to record the quantities and formats of Documents provided to Buyer which are applicable to aircraft previously delivered by Boeing of the same model type as the Aircraft. Revisions to such Documents will be provided as necessary to reflect the configuration, at time of delivery, of the Aircraft to which this Part applies. Space is provided in the Attachment for Buyer and Boeing to indicate changes, to be mutually agreed upon following signing this Agreement, in the quantities and formats of such Documents to be hereinafter provided.

In the event Boeing determines that revisions would not be appropriate for any of the Documents described in the Attachment, Boeing reserves the right to furnish to Buyer, in lieu of such revisions, a separate publication of such Document for the Aircraft in the same format and quantity as indicated in the Attachment. Revision service for such publication shall be the same as for the Document it replaces.

4. Revision Service.

Further revisions to any such Documents will be provided as set forth in the purchase agreement, purchase agreement supplement, or as may have been amended by the parties, for such aircraft.

5. Supplier Technical Data.

Boeing will continue to maintain the supplier data program referred to in the purchase agreement or purchase agreement supplement under which data and documents for Buyer's aircraft of the same model type as the Aircraft were originally provided to Buyer. As indicated in such prior purchase agreement or supplement, the provisions of such supplier data program are not applicable to items of Buyer Furnished Equipment.

6. Additional Data and Documents.

If Boeing provides data or documents other than Documents which are not covered by a Boeing Customer Services GTA or other proprietary information protection agreement between Boeing and Buyer, all such data and documents will be considered things delivered under this Agreement and treated as Documents.

7. Buyer's Shipping Address.

Boeing will ship the Documents furnished hereunder to Buyer's shipping address for data and documents previously provided to Boeing. Buyer shall promptly notify Boeing of any change to such address.

ITEM NAME	ORIGINAL QUANTITY	REVISED QUANTITY	FORMAT
A. FLIGHT OPERATIONS:			
1. Airplane Flight Manual			Printed 1 Side
NOTE: An additional copy is placed aboard each airplane at delivery as required by FAR's.			
2. Operations Manual and Quick Reference Handbook			Printed 2 Sides
3. Weight and Balance Manual			
a. Chapter 1 "Control"			Printed 2 Sides
b. Chapter 2 "Reports"			Printed 1 Side
4. Dispatch Deviation Procedures Guide			Printed 2 Sides
5. Flight Crew Training Manual			Printed 2 Sides
6. Performance Engineer's Manual			Printed 2 Sides
7. Jet Transport Performance Methods (total quantity - all models)			Printed 2 Sides
8. FMC Supplemental Data Document			Printed 2 Sides
9. Operational Performance Software (OPS)			
a. Inflight and Report Software			Digital Magnetic Tape Diskette, IBM Compatible 3.5 Inch (720KB or 1.44MB) Diskette, Macintosh 3.5 Inch (800KB or 1.4MB)
b. Airplane Performance Monitoring (APM/HISTORY) Software			Digital Magnetic Tape Diskette, IBM Compatible: 3.5 Inch (720KB or 1.44MB) 5.25 Inch (360KB or 1.2MB) Diskette, Macintosh 3.5 Inch (800KB or 1.4MB)
c. Takeoff Analysis Software			Digital Magnetic Tape Diskette, IBM Compatible: 3.5 Inch (720KB or 1.44MB) 5.25 Inch (360KB or 1.2MB) (737,747,757,767) Diskette, Macintosh 3.5 Inch (800KB or 1.4MB)

d. Landing Analysis Software				Digital Magnetic Tape Diskette, IBM Compatible: 3.5 Inch (720KB or 1.44MB) 5.25 Inch (360KB or 1.2MB) Diskette, Macintosh 3.5 Inch (800KB or 1.4MB)
10. ETOPS Guide Vol. III (Operational Guidelines and Methods)				Printed 2 Sides
B. MAINTENANCE				
1. Aircraft Maintenance Manual				Printed 2 Sides Printed 1 Side Microfilm, 16mm Duplicate Microfilm, 16mm Master Digital Format
2. Wiring Diagram Manual	1	1		35mm Aperture Cards of all Wiring Diagrams and Charts Standard Printed Copies of Entire Manual Standard Printed Copies of all sections except EDP portion EDP portion in Microfilm, 16mm, Duplicate EDP portion in Microfilm, 16mm, Master Entire Manual, Microfilm, 16mm, Duplicate Entire Manual, Microfilm, 16mm, Master Digital Format
3. System Schematics Manual				Printed 2 Sides 35mm Aperture Cards Microfilm, 16mm, Duplicate Microfilm, 16mm, Master Digital Format
4. Connector Part Number Options Document				Printed 2 Sides
5. Structural Repair Manual				Printed 2 Sides Printed 1 Side Microfilm, 16mm, Duplicate Microfilm, 16mm, Master Magnetic Tape Text (Print File Format) Illustrations (CGM Format)
6. Component Maintenance Overhaul Manuals				Printed 2 Sides Microfilm, 16mm,

	Duplicate
	Microfilm, 16mm, Master
	Magnetic Tape Text (Print File Format) Illustrations (CGM Format)
7. Chapter 20 Standard Overhaul Practices Manual (total quantity - all models)	Printed 2 Sides Printed 1 Side Microfilm, 16mm, Duplicate Microfilm, 16mm, Master
8. Chapter 20 Standard Wiring Practices Manual (total quantity - all models)	Printed 2 Sides Microfilm, 16mm, Duplicate Microfilm, 16mm, Master Digital Format (777)
9. Nondestructive Test Manual	Printed 2 Sides Printed 1 Side Microfilm, 16mm, Duplicate Microfilm, 16mm, Master Magnetic Tape Text (Print File Format) Illustrations (CGM Format)
10. Service Bulletins	Printed 2 Sides
11. Service Bulletins Index	Printed 2 Sides
12. Corrosion Prevention Manual	Printed 2 Sides Printed 1 Side Microfilm, 16mm, Duplicate Microfilm, 16mm, Master Magnetic Tape Text (Print File Format)Illustrations (CGM Format)
13. Fuel Measuring Stick Calibration Document Check One: U. S. Gallons Imperial Gallons Pounds Kilograms Liters	Printed 1 Side
14. Power Plant Buildup Manual	Printed 2 Sides Printed 1 Side Microfilm (16mm) Duplicate Microfilm (16mm) Master
15. FMS BITE Manual	Printed 2 Sides Microfilm, 16mm, Duplicate

16. All Operator Letter	Microfilm, 16mm, Master Printed 1 or 2 sides
17. Service Letters	Printed 1 or 2 sides
18. Structural Item Interim Advisory	Printed 1 or 2 sides
19. Maintenance Tips	Printed 1 or 2 sides
20. Combined Index	Printed 2 sides Digital Format
C. MAINTENANCE PLANNING	
1. Maintenance Planning Data Documents	Printed 2 sides Microfilm (16mm) Duplicate Microfilm (16mm) Master Digital Format
2. Maintenance Task Cards	Printed 1 Side Microfilm (16mm) Duplicate Microfilm (16mm) Master Digital Format
3. Maintenance Task Card Index	Printed 2 sides Digital Format (777)
4. Maintenance Inspection Intervals Report (total quantity - all models)	Printed 2 sides
D. SPARES	
1. Illustrated Parts Catalog (select one format only)	Printed 2 Sides Printed 1 Side Microfilm (16mm) Duplicate Microfilm (16mm) Master
2. Standards Books	
a. Index	Printed 2 Sides Microfilm (16mm) Duplicate
b. Parts Standards	Printed 2 Sides Microfilm (16mm) Duplicate
c. Parts Specifications	Printed 2 Sides Microfilm (16mm) Duplicate
d. Standards for Repair	Printed 2 Sides Microfilm (16mm) Duplicate
e. Obsolete Standards	Printed 2 Sides Microfilm (16mm) Duplicate

f. Commercial Markers	Printed 2 Sides
	Microfilm (16mm) Duplicate
g. Commercial Markers 737	Printed 2 Sides
	Microfilm (16mm) Duplicate
h. Passenger Cabin Symbology (Commercial Placards)	Printed 2 Sides
	Microfilm (16mm) Duplicate
i. Process Standards	Printed 2 Sides
	Microfilm (16mm) Duplicate
j. Material Standards	Printed 2 Sides
	Microfilm (16mm) Duplicate
k. Drafting Standards Practices	Printed 2 Sides
	Microfilm (16mm) Duplicate
l. Specification Support Standards	Printed 2 Sides
	Microfilm (16mm) Duplicate
E. FACILITIES AND EQUIPMENT PLANNING	
1. Facilities and Equipment Planning Document	Printed 2 Sides
	Microfilm (16mm) Master (777)
2. Special Tool and Ground Handling Equipment Drawings	Microfilm, (35mm) Duplicate in Aperture Card Format
3. Special Tool and Ground Handling Equipment Drawings Index	Printed 2 Sides
4. Supplementary Tooling Documentation (total quantity - all models)	Printed 2 Sides
5. System Test Equipment Document	Printed 1 Side
6. Illustrated Tool and Equipment List/Manual	Printed 2 Sides
	Printed 1 Side
	Microfilm, 16mm, Duplicate
	Microfilm, 16mm, Master
7. Aircraft Recovery Document	Printed 2 Sides
8. Airplane Characteristics for Airport Planning	Printed 2 sides
9. Airplane Rescue and Fire Fighting Document (total quantity - all models)	Printed 2 Sides
10. Engine Handling Document	Printed 2 Sides
F. Configuration, Maintenance and Procedures for Extended Range Operations Document	Printed 2 Sides
G. ETOPS Guide Vol. I (Configuration, Maintenance	Printed 2 Sides

and Procedures Supplement)

- H. ETOPS Guide Vol. II
(Maintenance Programs Guidelines)
(total quantity - all models) Printed 2 Sides
- I. Computer Software Index
(total quantity - all models) Printed 2 Sides
- J. Supplier Technical Data
1. Service Bulletins
 2. Ground Support Equipment
Data
 3. Provisioning Information
 4. Component Maintenance/
Overhaul Manuals
 5. Component Maintenance/
Overhaul Manuals Index
(total quantity - all models)
 6. Publications Index
 7. Product Support Supplier
Directory (total quantity -
all models)

PART E

BUYER'S INDEMNIFICATION OF BOEING AND INSURANCE

1. Buyer's Indemnification Of Boeing.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way related to the performance by Boeing of training, services or other obligations pursuant to this Exhibit C1, whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing, whether active, passive or imputed.

1.1 With regard to training, services and obligations other than Revenue Service Training, the foregoing indemnification will not apply to the legal liability to persons or parties other than Buyer or Buyer's assignees arising out of an accident caused solely by a product defect in an Aircraft.

1.2 With regard to Revenue Service Training, the foregoing indemnification will apply to the legal liability to persons or parties other than Buyer or Buyer's assignees, even if arising out of an accident caused solely by a product defect in an Aircraft.

2. Buyer's Insurance.

Evidence of insurance will be required 30 days prior to the scheduled delivery of the first Aircraft. Accordingly, Buyer will provide certificates of insurance specifically referencing the Agreement and paragraph 1 of this Part E. In addition to showing policy number, limits of liability, and effective dates of coverage, such certificates will contain but not be limited to the following provisions:

2.1 Hull All Risk; Hull War & Allied Perils Insurance.

Insurers and/or reinsurers will hold harmless and waive all rights of subrogation against Boeing for any damages or claims arising out of these Exhibit C1 services.

2.2 Aircraft Liability Insurance.

(a) To name Boeing as an additional insured in connection with the performance by Boeing of training, services, or other obligations provided under this Exhibit C1.

(b) To provide that the insurance arranged herein will be primary and without right of contribution with respect to any other insurance which may be available for the protection of Boeing.

(c) To provide that all provisions of the insurance, except the limits of liability, will operate to give each insured or additional insured the same protection as if there were a separate policy issued covering each insured or additional insured.

(d) To provide that no act, omission, breach of any warranty or condition, or misrepresentation on the part of the Insured or any other person or party (other than by Boeing) will void, exclude, minimize, or adversely change this coverage as it applies to Boeing.

2.3 For Coverages Specified in 2.1 and 2.2.

(a) Acknowledgment from Buyer's insurance broker that the insurers and/or reinsurers have been provided a copy of the Agreement and accept and insure the risks and indemnity herein to the extent of the coverage and endorsements as described in this certificate.

(b) To give 30 day written notice of cancellation, termination or adverse material alteration of the policies (7 day written notice in the event of War Risk or such lesser period as may be in effect with prior notice).

(c) That Boeing will not be responsible for payment, set off, or assessment of any kind of any premiums in connection with the policies, endorsements or coverages described herein.

(d) For the purpose of this Part E, "Boeing" is defined as The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each and their respective directors, officers, employees and agents.

If more than one Aircraft is to be delivered under the Purchase Agreement, the insurance certificates must reference all Aircraft when delivered or separate certificates must be supplied for each Aircraft. The certificates of insurance will be kept current and valid.

PART F

Alleviation or Cessation of Performance

Boeing will not be required to provide any services, training, data or goods at a facility (other than its own) while:

1. a labor stoppage or dispute in progress involving Buyer exists;

2. wars or warlike operations, riots or insurrections in the country where such facility is located exist;

3. conditions at such facility which, in the opinion of Boeing, are detrimental to the general health, welfare or safety of its personnel and/or their families exist;

4. the United States Government refuses permission to any Boeing personnel or their families to enter the country where such facility is located, or recommends that any Boeing personnel or their families leave such country; or

5. the United States Government refuses Boeing permission to deliver goods or services to the country where such facility is located.

Boeing further reserves the right, upon the occurrence of any of such events, subsequent to the location of Boeing personnel at Buyer's facility, to immediately and without prior notice relocate its personnel and their families to a place of Boeing's choosing. Any delay resulting therefrom will be deemed a delay by mutual agreement.

AIRCRAFT PRICE ADJUSTMENT
between
THE BOEING COMPANY
and
CONTINENTAL AIRLINES, INC.

Exhibit D to Purchase Agreement Number 1951

New Generation Aircraft

Exhibit D
Page 1

PRICE ADJUSTMENT DUE TO
ECONOMIC FLUCTUATIONS
AIRCRAFT PRICE ADJUSTMENT
(1995 Base Price)

Aircraft Price Adjustment for New Generation Aircraft

1. Formula.

The Aircraft Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

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

P = Aircraft Basic Price (as set forth in Article 3.2 of this Agreement).

ECI = A value using the "Employment Cost Index for workers in aerospace manufacturing" (aircraft manufacturing, standard industrial classification code 3721, compensation, base month and year June 1989 = 100), as released by the Bureau of Labor Statistics, U.S. Department of Labor on a quarterly basis for the months of March, June, September and December, calculated as follows: A three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) will be determined using the months set forth in the table below for the applicable Aircraft, with the released Employment Cost Index value described above for the month of March also being used for the months of January and February; the value for June also used for April and May; the value for September also used for July and August; and the value for December also used for October and November.

AIRFRAME AND ENGINE PRICE ADJUSTMENT
between
THE BOEING COMPANY
and
CONTINENTAL AIRLINES, INC.

Current Generation Aircraft

PRICE ADJUSTMENT DUE TO
ECONOMIC FLUCTUATIONS
AIRFRAME PRICE ADJUSTMENT
(1995 Base Price)

Airframe and Engine Price Adjustment for Current Generation Aircraft

1. Formula.

The Airframe Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

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

P = Aircraft Basic Price (as set forth in Article 3.2 of this Agreement) less the base price of Engines (as defined in this Exhibit D1) in the amount of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

ECI = A value using the "Employment Cost Index for workers in aerospace manufacturing" (aircraft manufacturing, standard industrial classification code 3721, compensation, base month and year June 1989 = 100), as released by the Bureau of Labor Statistics, U.S. Department of Labor on a quarterly basis for the months of March, June, September and December, calculated as follows: A three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) will be determined using the months set forth in the table below for the applicable Aircraft, with the released Employment Cost Index value described above for the month of March also being used for the months of January and February; the value for June also used for April and May; the value for September also used for July and August; and the value for December also used for October and November.

ICI = The three-month arithmetic average of the released monthly values for the Industrial Commodities Index as set forth in the "Producer Prices and Price Index" (Base Year 1982 = 100) as released by the Bureau of Labor Statistics, U.S. Department of Labor values (expressed as a decimal and rounded to the nearest tenth) for the months set forth in the table below for the applicable Aircraft.

In determining the value of L, the ratio of ECI divided by 130.1 will be expressed as a decimal rounded to the nearest ten-thousandth and then multiplied by .65 with the resulting value also expressed as a decimal and rounded to the nearest ten-thousandth.

In determining the value of M, the ratio of ICI divided by 123.6 will be expressed as a decimal rounded to the nearest ten-thousandth and then multiplied by .35 with the resulting value also expressed as a decimal and rounded to the nearest ten-thousandth.

Month of Scheduled Aircraft Delivery	Months to be Utilized in Determining the Value of ECI and ICI
January	June B, July B, Aug. B
February	July B, Aug. B, Sept. B
March	Aug. B, Sept. B, Oct. B
April	Sept. B, Oct. B, Nov. B
May	Oct. B, Nov. B, Dec. B
June	Nov. B, Dec. B, Jan. D

July	Dec. B, Jan. D, Feb. D
August	Jan. D, Feb. D, Mar. D
September	Feb. D, Mar. D, Apr. D
October	Mar. D, Apr. D, May D
November	Apr. D, May D, June D
December	May D, June D, July D

The following definitions of B and D will apply:

B = The calendar year before the year in which the scheduled month of delivery as set forth in Article 2.1 occurs.

D = The calendar year during which the scheduled month of delivery as set forth in Article 2.1 occurs.

2. If at the time of delivery of an Aircraft Boeing is unable to determine the Airframe Price Adjustment because the applicable values to be used to determine the ECI and ICI have not been released by the Bureau of Labor Statistics, then:

2.1 The Airframe Price Adjustment, to be used at the time of delivery of each of the Aircraft, will be determined by utilizing the escalation provisions set forth above. The values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to scheduled Aircraft delivery will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment. If no values have been released for an applicable month, the provisions set forth in Paragraph 2.2 below will apply. If prior to delivery of an Aircraft the U.S. Department of Labor changes the base year for determination of the ECI or ICI values as defined above, such rebased values will be incorporated in the Airframe Price Adjustment calculation. The payment by Buyer to Boeing of the amount of the Purchase Price for such Aircraft, as determined at the time of Aircraft delivery, will be deemed to be the payment for such Aircraft required at the delivery thereof.

2.2 If prior to delivery of an Aircraft the U.S. Department of Labor substantially revises the methodology used for the determination of the values to be used to determine the ECI and ICI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Airframe Price Adjustment, the parties will, prior to delivery of any such Aircraft, select a substitute for such values from data published by the Bureau of Labor Statistics or other similar data reported by non-governmental United States organizations, such substitute to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original values as they may have fluctuated during the applicable time period. Appropriate revision of the formula will be made as required to reflect any substitute values. However, if within 24 months from delivery of the Aircraft the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Airframe Price Adjustment, such values will be used to determine any increase or decrease in the Airframe Price Adjustment for the Aircraft from that determined at the time of delivery of such Aircraft.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered null and void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Purchase Price of any affected Aircraft to reflect an allowance for increases or decreases in labor compensation and material costs occurring since February, 1995, which is consistent with the applicable provisions of paragraph 1 of this Exhibit D1.

3. For the calculations herein, the values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to scheduled Aircraft delivery will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment.

Note: Any rounding of a number, as required under this Exhibit D1 with respect to escalation of the airframe price, will be accomplished as follows: if the first digit of the portion to be dropped from the number to

be rounded is five or greater, the preceding digit will be raised to the next higher number.

ENGINE PRICE ADJUSTMENT - CFM INTERNATIONAL, INC.
(1995 BASE PRICE)

(a) The Aircraft Basic Price of each Aircraft set forth in Article 3.2.1 of this Agreement includes an aggregate price for CFM56-3B-1 engines and all accessories, equipment and parts therefor provided by the engine manufacturer (collectively in this Exhibit D1 called "Engines") of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The adjustment in Engine price applicable to each Aircraft ("Engine Price Adjustment" herein) will be determined at the time of Aircraft delivery in accordance with the following formula:

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

(b) The following definitions will apply herein:

D1 = Engine Price Adjustment

Pb = Aggregate Engine Base Price as set forth in Paragraph (a) above.

CPI = The Composite Price Index as determined in accordance with the formula set forth below. The Index values referred to below, to be used in determining the CPI, will be for the ninth month prior to the month of scheduled Aircraft delivery. Such Index values will be those prepared by the Bureau of Labor Statistics, U.S. Department of Labor.

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

L = The Labor Index for such month will be the quotient, expressed as a decimal and rounded to the nearest thousandth, of the "Hourly Earnings of Aircraft Engines and Engine Parts Production Workers" SIC 3724, for such month divided by Eleven Dollars and Sixteen Cents (\$11.16). Such quotient will be multiplied by 100 and then by fifty-five percent (55%) with the value resulting from the latter multiplication expressed as a decimal and rounded to the nearest hundredth.

M1 = The Industrial Commodities Index for such month will be equal to ten percent (10%) of the Producer Price Index for "all commodities other than Farm and Foods," Code 3-15, (Base Year 1982 = 100) for such month, expressed as a decimal and rounded to the nearest hundredth.

M2 = The Metals and Metal Products Index for such month will be equal to twenty-five percent (25%) of the Producer Price Index for "Metals and Metal Products," Code 10, (Base Year 1982 = 100) for such month expressed as a decimal and rounded to the nearest hundredth.

M3 = The Fuel Index for such month will be equal to ten percent (10%) of the Producer Price Index for "Fuel and Related Products and Power," Code 5, (Base Year 1982 = 100) for such month expressed as a decimal and rounded to the nearest hundredth.

138.27 = Composite Price Index for October, 1994.

The factor (CPI divided by 138.27) by which the Aggregate Engine Base Price is to be multiplied will be expressed as a decimal and rounded to the nearest thousandth.

The Engine Price Adjustment will not be made if it would result in a decrease in the aggregate Engine base price.

(c) The values of the Average Hourly Earnings and Producer Price Indices used in determining the Engine Price Adjustment will be those published by the Bureau of Labor Statistics, U.S. Department of Labor as of a date 30 days prior to the scheduled Aircraft delivery to Buyer. Such values will be considered final and no Engine Price Adjustment will be made after Aircraft delivery for any subsequent changes in published Index values.

(d) If the U.S. Department of Labor, Bureau of Labor Statistics (i) substantially revises the methodology (in contrast to benchmark adjustments or other corrections of previously published data) or (ii) discontinues publication of any of the data referred to above, CFMI agrees to meet jointly with Boeing and Buyer to jointly select a substitute for the revised or discontinued data; such substitute data to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original data as it may have fluctuated had it not been revised or discontinued.

Appropriate revision of the Engine Price Adjustment provisions set forth above will be made to accomplish this result for the affected Engines.

In the event the Engine price escalation provisions are made non-enforceable or otherwise rendered null and void by any agency of the United States Government, CFMI agrees to meet with Boeing and Buyer to jointly agree, to the extent such parties may lawfully do so, to adjust equitably the purchase price of any affected Engine(s) to reflect an allowance for increases in labor, material and fuel costs that have occurred from the period represented by the CPI to the ninth month preceding the month of scheduled delivery of the applicable aircraft.

NOTE: Any rounding of a number, as required under this Exhibit D1 with respect to escalation of the Engine price, will be accomplished as follows: if the first digit of the portion to be dropped from the number to be rounded is five or greater, the preceding digit will be raised to the next higher number.

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit E to Purchase Agreement Number 1951

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

Dated October 10, 1996

Relating to

BOEING MODEL 737 AIRCRAFT

This Buyer Furnished Equipment Provisions Document is Exhibit E to and forms a part of Purchase Agreement No. 1951, between The Boeing Company (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to the purchase of Boeing Model 737 aircraft.

1. General.

Certain equipment to be installed in the Aircraft is furnished to Boeing by Buyer at Buyer's expense. This equipment is designated "Buyer Furnished Equipment" (BFE) and is listed in the Detail Specification. On or before April 4, 1997 for Model 737-724, July 3, 1997 for Model 737-824, January 1, 1998 for Model 737-624 and October 15, 1996 for Model 737-524 Boeing will provide to Buyer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth in the attachment to this Exhibit.

2. Supplier Selection.

Buyer will:

2.1 Select and notify Boeing of the suppliers of the following BFE items by the following dates should these items not be selected as SPE by Buyer:

	Model 737-724	Model 737-824
Galley System	10/9/96	2/12/97
Seats (passenger)	9/03/96	9/03/96
	Model 737-624	Model 737-524
Galley System	7/1/97	Complete
Seats (passenger)	2/7/97	Complete

2.2 Meet with Boeing and such selected BFE suppliers promptly after such selection to:

2.2.1 complete BFE configuration design requirements for such BFE; and

2.2.2 confirm technical data submittal dates for BFE certification.

3. Buyer's Obligations.

Buyer will:

3.1 comply with and cause the supplier to comply with the provisions of the BFE Document or BFE Report;

3.1.1 deliver technical data (in English) to Boeing as required to support installation and FAA certification in accordance with the schedule provided by Boeing or as mutually agreed upon during the BFE meeting referred to above;

3.1.2 deliver BFE including production and/or flight training spares to Boeing in accordance with the quantities and schedule provided therein; and

3.1.3 deliver appropriate quality assurance documentation to Boeing as required with each BFE part (D6-56586, "BFE Product Acceptance Requirements");

3.2 authorize Boeing to discuss all details of the BFE directly with the BFE suppliers;

3.3 authorize Boeing to conduct or delegate to the supplier quality source inspection and supplier hardware acceptance of BFE at the supplier location;

3.3.1 require supplier's contractual compliance to Boeing defined source inspection and supplier delegation programs, including availability of adequate facilities for Boeing resident personnel; and

3.3.2 assure that Boeing identified supplier's quality

systems be approved to Boeing document D1-9000;

3.4 provide necessary field service representation at Boeing's facilities to support Boeing on all issues related to the installation and certification of BFE;

3.5 deal directly with all BFE suppliers to obtain overhaul data, provisioning data, related product support documentation and any warranty provisions applicable to the BFE;

3.6 work closely with Boeing and the BFE suppliers to resolve any difficulties, including defective equipment, that arise;

3.7 be responsible for modifying, adjusting and/or calibrating BFE as required for FAA approval and for all related expenses;

3.8 warrant that the BFE will meet the requirements of the Detail Specification; and

3.9 be responsible for providing equipment which is FAA certifiable at time of Aircraft delivery, or for obtaining waivers from the applicable regulatory agency for non-FAA certifiable equipment.

4. Boeing's Obligations.

Other than as set forth below, Boeing will provide for the installation of and install the BFE and obtain certification of the Aircraft with the BFE installed.

5. Nonperformance by Buyer.

If Buyer's nonperformance of obligations in this Exhibit or in the BFE Document causes a delay in the delivery of the Aircraft or causes Boeing to perform out-of-sequence or additional work, Buyer will reimburse Boeing for all resulting expenses and be deemed to have agreed to any such delay in Aircraft delivery. In addition Boeing will have the right to:

5.1 provide and install specified equipment or suitable alternate equipment and increase the price of the Aircraft accordingly; and/or

5.2 deliver the Aircraft to Buyer without the BFE installed.

6. Return of Equipment.

BFE not installed in the Aircraft will be returned to Buyer in accordance with Buyer's instructions and at Buyer's expense.

7. Title and Risk of Loss.

Title to and risk of loss of BFE will at all times remain with Buyer or other owner. Boeing will have only such liability for BFE as a bailee for mutual benefit would have, but will not be liable for loss of use.

8. Indemnification of Boeing.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including any Aircraft, arising out of or in any way connected with any nonconformance or defect in any BFE and whether or not arising in tort or occasioned in whole or in part by the active, passive or imputed negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the BFE.

9. Patent Indemnity.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims, suits, actions, liabilities, damages and costs arising out of any actual or alleged infringement of any patent or other intellectual property rights by BFE or arising

out of the installation, sale or use of BFE by Boeing.

10. Definitions.

For the purposes of the above indemnities, the term "Boeing" includes The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

Attachment A to
Exhibit E

BOEING MODEL 737 AIRCRAFT

Dates for 1st delivery of each model:

Item Preliminary On-Dock Dates

737-724 737-824
[CONFIDENTIAL MATERIAL OMITTED AND FILED
SEPARATELY WITH THE SECURITIES AND
EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT]

Seats

Galleys

Electronics

Furnishings

737-624 737-524
[CONFIDENTIAL MATERIAL OMITTED AND FILED
SEPARATELY WITH THE SECURITIES AND
EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT]

Seats

Galleys

Electronics

Furnishings

1951-2R1
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, TX 77019

Subject: Letter Agreement No. 1951-2R1 to
Purchase Agreement No. 1951 -
Seller Purchased Equipment

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-2 dated July 23, 1996.

For purposes of this Letter Agreement the following definitions apply:

Seller Purchased Equipment (SPE) is Buyer Furnished Equipment (BFE) that Boeing purchases for Buyer.

Developmental Buyer Furnished Equipment (DBFE) is all BFE not previously certified for installation on the Aircraft.

This Letter Agreement does not include developmental avionics.

Developmental avionics are avionics that have not been previously certified for installation on the Aircraft.

All other terms used herein and in the Agreement, and not defined above, will have the same meaning as in the Agreement.

Buyer has requested and Boeing hereby agrees that Boeing will purchase as SPE certain BFE identified by Buyer pursuant to Change Requests. Accordingly, Boeing and Buyer agree with respect to such SPE as follows:

1. Price.

Advance Payments. An estimated SPE price will be included in the Aircraft Advance Payment Base Price for the purpose of establishing the advance payments for each Aircraft. The estimated price of this SPE for each Aircraft is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Aircraft Price. The Aircraft Price will be adjusted to reflect (i) the actual costs charged Boeing by the SPE suppliers, (ii) a handling fee of 10% of such costs and (iii) transportation charges. If all DBFE, except for developmental avionics, is converted to SPE, Boeing will waive the handling fee for all SPE.

2. Responsibilities.

2.1 With respect to SPE, Buyer is responsible for:

- (i) selecting the supplier and advising Boeing as to the price negotiated between Buyer and supplier on or before:

	Model 737-524	Model 737-624	Model 737-724	Model 737-824
galleys	n/a	7/1/97	10/6/96	2/12/97
seats	n/a	2/7/97	9/3/96	9/3/96

- (ii) selecting a FAA certifiable part; and
- (iii) providing to Boeing the SPE part specification/Buyer requirements.

2.2. With respect to SPE, Boeing is responsible for:

- (i) placing and managing the purchase order with the supplier;
- (ii) coordinating with the suppliers on technical issues;
- (iii) ensuring that the delivered SPE complies with the part specification;
- (iv) obtaining certification of the Aircraft with the SPE installed; and
- (v) obtaining for Buyer the supplier's standard warranty for the SPE. SPE is deemed to be BFE for purposes of Exhibit B, the Product Assurance Document, of the Agreement.

3. Supplier Selection For SPE Galleys and Seats.

In addition to those responsibilities described above, for SPE galleys and seats the following provisions apply with respect to Buyer's selection of suppliers:

Galley Requirements. Buyer will provide Boeing not later than August 7, 1996 the definitive galley configuration requirements for the Model 737-724. Buyer will provide Boeing not later than November 27, 1996 the definitive galley configuration requirements for the Model 737-824. Buyer will provide Boeing not later than May 1, 1997 the definitive galley configuration requirements for the Model 737-624.

Bidder's List. Boeing has submitted to Buyer, for

information purposes, a bidder's list of existing suppliers of seats and galleys.

Request for Quotation (RFQ). Boeing has issued its RFQ inviting such potential bidders to submit bids for the galleys and seats by July 15, 1996 for the Model 737-724 and -824 Aircraft. Boeing will advise such date for the Model 737-624 Aircraft.

Recommended Bidders. Boeing has submitted to Buyer a list of recommended bidders from which to choose a supplier for the galleys and seats. The recommendation is based on an evaluation of the bids submitted using price, weight, warranty and schedule as the criteria.

Supplier Selection. If Buyer selects a seat or galley supplier that is not on the Boeing recommended list, such seat or galley will become BFE and the provisions of Exhibit E, Buyer Furnished Equipment Provisions Document, of the Agreement will apply.

4. Changes.

After this Letter Agreement is signed, changes to SPE may only be made by and between Boeing and the suppliers. Buyer's contacts with SPE suppliers relating to design (including selection of materials and colors), weights, prices (except for price negotiation prior to the supplier deletion date) or schedules are for informational purposes only. If Buyer wants changes made to any of the above, requests must be made directly to Boeing for negotiating with the supplier.

5. Proprietary Rights.

Boeing's obligation to purchase SPE will not impose upon Boeing any obligation to compensate Buyer or any supplier for any proprietary rights Buyer may have in the design of the SPE.

6. Remedies.

If Buyer does not comply with the obligations above, Boeing may:

(i) delay delivery of the Aircraft for the period of non-compliance;

(ii) deliver the Aircraft without installing the SPE;

(iii) substitute a comparable part and invoice Buyer for the cost; and/or

(iv) increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance.

7. Buyer Participation in Price Negotiations for SPE. Subject to the following conditions, Boeing agrees that Buyer may negotiate the price with vendors for certain items of BFE which have been changed to SPE pursuant to this Letter Agreement.

a. Number of Items. Boeing and Buyer have mutually agreed on a list of specific equipment (the SPE Item) for which Buyer shall negotiate directly with the vendors to establish the price for each SPE Item. The SPE Item list includes seats, galleys, and interior furnishings. Buyer shall provide the price of the SPE Item when Buyer notifies Boeing of the SPE Item vendor.

b. Required Dates. Boeing's agreement to permit Buyer to negotiate prices with vendors for SPE Items is subject to Buyer's agreement to meet all of Boeing's required dates with respect to each SPE Item.

c. Right to Approve Selected Vendors. Boeing shall retain the right to reasonably approve the list of vendors for each SPE Item.

8. Buyer's Indemnification of Boeing.

Buyer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for

injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any SPE and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing, whether active, passive or imputed. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the SPE.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO as of this

Date: October 10, 1996.

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

1951-3R1
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 1951-3R1 to
Purchase Agreement No. 1951 - Option Aircraft -
Model 737-824 Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-824 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-3 dated July 23, 1996.

All terms used and not defined herein shall have the same meaning as in the Purchase Agreement.

In consideration of Buyer's purchase of the Aircraft, Boeing hereby agrees to manufacture and sell up to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Buyer, on the same terms and conditions set forth in the Purchase Agreement, except as otherwise described in Attachment A hereto, and subject to the terms and conditions set forth below.

1. Delivery.

The Option Aircraft will be delivered to Buyer during or before the months set forth in the following schedule:

Month and Year of Delivery	Number of Option Aircraft
-------------------------------	------------------------------

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

2. Price. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, and concurrent with the execution of the Purchase Agreement for the Aircraft, Buyer will pay a deposit to Boeing of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for each Option Aircraft (the Option Deposit). In the event Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Purchase Agreement.

In the event that Buyer does not exercise its option to purchase a particular Option Aircraft pursuant to the terms and conditions set forth herein, Boeing shall be entitled to retain the Option Deposit for such Option Aircraft.

4. Option Exercise.

To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

Option Aircraft	Option Exercise Date
-----------------	----------------------

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

5. Contract Terms.

Within thirty (30) days after Buyer exercises an option to purchase Option Aircraft pursuant to paragraph 4 above, Boeing and Buyer will use their best reasonable efforts to enter into a supplemental agreement amending the Purchase Agreement to add the applicable Option Aircraft to the Purchase Agreement as a firm Aircraft (the Option Aircraft Supplemental Agreement).

In the event the parties have not entered into such an Option Aircraft Supplemental Agreement within the time period contemplated herein, either party shall have the right, exercisable by written or telegraphic notice given to the other within ten (10) days after such period, to cancel the purchase of such Option Aircraft.

6. Cancellation of Option to Purchase.

Either Boeing or Buyer may cancel the option to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this Letter Agreement, or in the Purchase Agreement, as the case may be:

(i) purchase of the Aircraft under the Purchase Agreement for any reason not attributable to the cancelling party;

(ii) payment by Buyer of the Option Deposit with respect to such Option Aircraft pursuant to paragraph 3 herein; or

(iii) exercise of the option to purchase such Option Aircraft pursuant to the terms hereof.

Any cancellation of an option to purchase by Boeing which is based on the termination of the purchase of an Aircraft under the Purchase Agreement shall be on a one-for-one basis, for each Aircraft so terminated.

Cancellation of an option to purchase provided by this letter agreement shall be caused by either party giving written notice to the other within ten (10) days after the respective date in question. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the option to purchase has been cancelled shall thereupon terminate.

Boeing shall promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft. Boeing shall be entitled to retain the Option Deposit unless cancellation is attributable to Boeing's fault, in which case the Option Deposit shall also be returned to Buyer without interest.

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

8. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] that are added to the Purchase Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Purchase Agreement.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-in-fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.,

By /s/ Brian Davis

Its V.P.

Attachment

Model 737-824 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification D6-38808, Revision E, dated September 15, 1995, as amended and revised pursuant to the Purchase Agreement.

1.2 Changes. The Option Aircraft Detail Specification shall be revised to include:

(1) Changes applicable to the basic Model 737-800 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of an Option Aircraft Supplemental Agreement.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

1.3 Effect of Changes. Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

2. Price Description.

2.1 Price Adjustments.

2.1.1 Base Price Adjustments. The base aircraft

price (pursuant to Article 3 of the Purchase Agreement) of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then-current prices as of the date of execution of the Option Aircraft Supplemental Agreement.

2.1.2 Special Features. The price for special features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the Option Aircraft Supplemental Agreement only to the extent that such increase is attributable to an increase in Boeing's cost for purchased equipment.

2.1.3 Escalation Adjustments. The base airframe and special features price will be escalated according to the applicable airframe and engine manufacturer escalation provisions contained in Exhibit D of the Purchase Agreement.

Buyer agrees that the engine escalation provisions will be adjusted if they are changed by the engine manufacturer prior to signing the Option Aircraft Supplemental Agreement. In such case, the then-current engine escalation provisions in effect at the time of execution of the Option Aircraft Supplemental Agreement will be incorporated into such agreement.

2.1.4 Price Adjustments for Changes. Boeing may adjust the basic price and the advance payment base prices for any changes mutually agreed upon by Buyer and Boeing subsequent to the date that Buyer and Boeing enter into the Option Aircraft Supplemental Agreement.

2.1.5 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Detail Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus 10% of such price.

3. Advance Payments.

3.1 Buyer shall pay to Boeing advance payments for the Option Aircraft pursuant to the schedule for payment of advance payments provided in the Purchase Agreement.

1951-4R1
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, TX 77019

Subject: Letter Agreement No. 1951-4R1 to
Purchase Agreement No. 1951 -
Waiver of Aircraft Demonstration Flights

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety letter Agreement 1951-4 dated July 23, 1996.

All terms not defined herein have the same meaning as in the Agreement.

1. Fuel Entitlement at Delivery.

At the time of delivery of the Aircraft, Boeing will provide to Buyer, at no charge, 1,000 gallons of jet fuel.

2. Waiver of Demonstration Flight.

Notwithstanding the provisions of the Agreement requiring the Aircraft to be test flown prior to delivery for the purpose of demonstrating to Buyer the functioning of such Aircraft and

its equipment, upon notice to Boeing at least 90 days prior to the scheduled date of the Aircraft delivery, or as agreed between the parties, Buyer may waive such flight. With respect to each waived demonstration flight, the following provisions will apply:

2.1. Additional Fuel. Promptly after delivery of the Aircraft, Boeing will load on the Aircraft an amount of jet fuel which together with the 1,000 gallons provided at delivery, equals a full tank.

2.2. Reimbursement for Correction of Flight Discrepancies.

2.2.1 Ferry Flight. Except for Aircraft to be used promptly after delivery for Boeing flight crew training provided to Buyer at or near Seattle, Washington, Boeing will reimburse Buyer for Buyer's direct labor costs (as defined below) and the cost of any material (Correction Costs) required to correct any flight discrepancy detected by Buyer while the Aircraft is being ferried from Seattle, Washington, to Buyer's main base or previously agreed alternate destination, to the extent such Correction Costs and labor costs are not covered under a warranty provided by Boeing or by any of its suppliers. Within 90 days after the date of such ferry flight Buyer will submit to Boeing's Director, Product Assurance Contracts, at Renton, Washington, a written itemized statement describing any such flight discrepancy and indicating the Correction Costs and labor costs incurred by Buyer for the correction of such flight discrepancy.

2.2.2 Training Flights. If the Aircraft will be used promptly after its delivery for Boeing flight crew training at or near Seattle, Washington, Boeing will reimburse Buyer for any Correction Costs, and for any charges by Boeing to Buyer for labor (Boeing Labor Charges) required to correct any flight discrepancy which may be detected by Buyer during such flight crew training to the extent such Correction Costs and such Boeing Labor Charges are not covered under a warranty provided by Boeing or by any of its suppliers. Within 90 days after the completion of such flight crew training, Buyer will submit to Boeing's Director, Product Assurance Contracts, at Renton, Washington, a written itemized statement describing any such flight discrepancy and indicating the Correction Costs and Boeing Labor Charges incurred by Buyer for the correction of such flight discrepancy.

2.2.3 Definitions. For purposes of reimbursement under this paragraph; (i) Buyer's direct labor costs will be determined using the Warranty Labor Rate in effect between the parties as of the date such labor is expended, and (ii) flight discrepancies mean any failure or malfunction of such Aircraft, or the accessories, equipment, systems and parts installed therein which results from a defect or malfunction in such Aircraft, accessories, equipment, systems and parts or a nonconformance to the Detail Specification for such Aircraft which was present at the time of delivery of the Aircraft to Buyer and which, if detected during a Boeing predelivery demonstration flight, would have been reported in the pilot's flight discrepancy report and would have been corrected by Boeing prior to the delivery of such Aircraft to Buyer.

2.3. Return of Aircraft.

If any flight discrepancy as defined above is detected by Buyer during the ferry flight of any Aircraft, which requires the return of such Aircraft to Boeing's facilities at Seattle, Washington, for correction by Boeing, title to and risk of loss of such Aircraft will at all times remain with Buyer and Boeing will have such responsibility for such Aircraft while it is on the ground at Boeing's Seattle, Washington, facilities as is chargeable by law to a bailee for mutual benefit, but Boeing will not be chargeable for loss of use.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

1951-5R1
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, TX 77019

Subject: Letter Agreement No. 1951-5R1 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996(the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-624/-724/-824 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety letter Agreement 1951-5 dated July 23, 1996.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

1951-7R1
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, TX 77019

Subject: Letter Agreement No. 1951-7R1 to

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-7 dated July 23, 1996.

All terms used herein and in the Agreement or Customer Services General Terms Agreement (CSGTA), and not defined herein, will have the same meaning as in the Agreement or the CSGTA.

1. Applicability.

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

2. Initial Provisioning Meeting.

Boeing will conduct an initial provisioning meeting (Initial Provisioning Meeting) with Buyer to establish mutually agreeable procedures to accomplish Buyer's initial provisioning of spare parts for the Aircraft. The parties will agree, during the Initial Provisioning Meeting on the operational data to be provided by Buyer for Boeing's use in preparing its quantity recommendations for initial provisioning of spare parts for the Aircraft, exclusive of special tools, ground support equipment, engines and engine parts (Provisioning Items). Such operational data to be provided by Buyer will be the data described in Section E of Boeing Manual D6-81834, entitled Spares Provisioning Product Guide (Boeing Initial Provisioning Implementation Manual) which will be furnished to Buyer prior to the Initial Provisioning Meeting. The parties will also agree on the provisioning documentation data to be provided by Boeing. Such data will be essentially in accordance with the provisions of Chapter 1 of ATA International Specification 2000, Revision 1, dated April 20, 1989, as described in Boeing Initial Provisioning Implementation Manual D6-49090 (such data will be hereinafter referred to collectively as the "Provisioning Data"). Boeing will provide instruction in the use of the initial provisioning documentation. This instruction will be provided in conjunction with the Initial Provisioning Meeting. In addition, the parties will discuss spares ordering procedures and other matters related to the provisioning for the Aircraft. The time and location for such Initial Provisioning Meeting will be mutually agreed upon between the parties; however, Boeing and Buyer will use their best efforts to convene such meeting within 30 days after execution of the Agreement.

3. Initial Provisioning Documentation.

3.1 Provisioning Data. Boeing will furnish Provisioning Data to Buyer on or about November 1, 1996 for the 737-524 Aircraft, February 1, 1997 for the 737-724/824 Aircraft and January 1, 1998 for the 737-624 Aircraft unless otherwise agreed to between Boeing and Buyer. The Provisioning Data will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Buyer for initial provisioning for the Aircraft. The Provisioning Data will set forth the prices for Provisioning Items which are Boeing Spare Parts and such prices will be firm and remain in effect until the date or dates set forth in Paragraph 4.1, Boeing Spare Parts, by which orders must be placed with Boeing. Boeing will, from time to time, until a date approximately 90 days following delivery of the last Aircraft or until the delivery configuration of each of the Aircraft is reflected in the Provisioning Data, whichever is later, furnish to Buyer revisions to the Provisioning Data.

3.2 Provisioning IPC. Boeing will, on or about January 15, 1997 for the 737-524 Aircraft, March 1, 1997 for the 737-724/824 Aircraft and January 1, 1998 for the 737-624 Aircraft, furnish to Buyer a Boeing Illustrated Parts Catalog (IPC), hereinafter referred to as the "Provisioning IPC." The Provisioning IPC will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Buyer for initial provisioning for the Aircraft. Boeing will, from time to

time, until a date approximately 90 days following delivery of the last Aircraft, or until the delivery configuration of each of the Aircraft is reflected in the Provisioning IPC, whichever is later, furnish to Buyer revisions to the Provisioning IPC.

3.3 Buyer Furnished Equipment (BFE) Provisioning Data.

3.3.1 Boeing's Responsibility. Boeing will include BFE end items in the Provisioning Data and Provisioning IPC for BFE installed on Buyer's Aircraft provided such equipment has been installed on other Aircraft by Boeing and Boeing has data on the BFE.

3.3.2 Buyer's Responsibility. Buyer will be responsible for ensuring BFE data is provided to Boeing by the BFE supplier in a format reasonably acceptable to Boeing for BFE not covered by 3.3.1 above. If the data is not provided to Boeing in a timely manner and in a format reasonably acceptable to Boeing, such BFE equipment will not be included in Boeing's Provisioning Data or IPC.

3.4 Other Data. Boeing will submit to Buyer listings of Raw Materials, Standard Parts and Bulk Materials recommended for use by Buyer in the maintenance and repair of the Aircraft.

4. Purchase from Boeing of Spare Parts as Initial Provisioning for the Aircraft.

4.1 Boeing Spare Parts. Buyer will place orders for Provisioning Items by March 1, 1997 for the 737-524 Aircraft, May 1, 1997 for the 737-724/824 Aircraft and April 1, 1998 for the 737-624 Aircraft; provided, however, that in those instances where Boeing submits any revision to the Provisioning Data, Buyer will place orders for Boeing Spare Parts covered by such revision within 120 days following the date of such submittal. At Buyer's request, Boeing will process "controlled shipments" by shipping full or partial quantities of an order on a schedule specified by Buyer, provided the final shipment is made no later than 24 months after receipt of the order.

4.2 Vendor Provisioning Items. Buyer may place orders with Boeing for Provisioning Items which are manufactured by vendors or to their detailed design and are covered by the Provisioning Data as initial provisioning for the Aircraft. The price to Buyer for any such vendor Provisioning Item will be 112% of the vendor's quoted price to Boeing therefor. If Buyer elects to purchase such vendor Provisioning Items from Boeing, Buyer will place its orders therefor in accordance with the provisions of Paragraph 4.1, Boeing Spare Parts.

4.3 Ground Support Equipment and Special Tools. Buyer may place orders with Boeing for ground support equipment (GSE) and special tools manufactured by vendors which Buyer determines it will initially require for maintenance, overhaul and servicing of the Aircraft and/or engines. The price to Buyer for such GSE or special tools will be one hundred twelve percent (112%) of the vendor's quoted price to Boeing therefor. If Buyer elects to purchase such GSE and special tools from Boeing, Buyer will place its orders therefor by the date set forth in Paragraph 4.1, Boeing Spare Parts or such later date as the parties may mutually agree.

4.4 Spare Engines and Engine Spare Parts. Buyer may place orders with Boeing for spare engines and/or engine spare parts which Buyer determines it will initially require for support of the Aircraft or for maintenance and overhaul of the engines. The price to Buyer for such spare engines or such engine spare parts, will be 105% of the engine manufacturer's quoted price to Boeing for the engine, and 112% of the engine manufacturer's quoted price to Boeing for the engine spare parts. If Buyer elects to purchase such spare engines or engine spare parts through Boeing, Buyer will place its orders on a date to be mutually agreed upon during the Initial Provisioning Meeting.

4.5 QEC Kits. Boeing will, on or about November 1, 1996 for the 737-524 Aircraft, January 1, 1997 for the 737-724/824 Aircraft and December 1, 1997 for the 737-624 Aircraft, furnish to Buyer a listing of all components which could be included in the Quick Engine Change (QEC) kits which may be purchased by Buyer from Boeing. Buyer agrees to review such listing and indicate by marking on one copy of such listing those

components that Buyer desires included in its QEC kits. Buyer will return such marked copy to Boeing within 30 days after Buyer's receipt of such listing. Within 30 days after Boeing's receipt of such marked copy, Boeing will republish such listing to reflect only those components selected by Buyer and will provide copies of such republished listing to Buyer. Boeing will from time to time furnish revisions to such republished listing until a date approximately 90 days after delivery of the last QEC kit ordered by Buyer for the Aircraft. Boeing will furnish to Buyer as soon as practicable a statement setting forth a firm price for the QEC kit configuration selected by Buyer. Buyer agrees to place orders with Boeing for the QEC kits for the Aircraft within 120 days from receipt of the QEC component listing as noted above for each corresponding model.

4.6 Payment for Provisioning Items. The payment provisions of the General Terms Agreement between Boeing and Buyer will be applicable to Provisioning Items ordered by Buyer from Boeing for the Aircraft.

5. Delivery.

Boeing will, insofar as reasonably possible, deliver to Buyer the Spare Parts ordered by Buyer in accordance with the provisions of this letter on dates reasonably calculated to conform to Buyer's anticipated needs in view of the scheduled deliveries of the Aircraft. Buyer and Boeing will agree upon the date to begin delivery of the Provisioning Spare Parts ordered in accordance with this letter. Where appropriate, Boeing will arrange for shipment of such Spare Parts, which are manufactured by vendors, directly to Buyer from the applicable vendor's facility. The routing and method of shipment for initial deliveries and all subsequent deliveries of such Spare Parts will be as mutually agreed between Boeing and Buyer.

6. Substitution for Obsolete Spare Parts.

6.1 Obligation to Substitute. In the event that, prior to delivery of the first Current Generation Aircraft scheduled to delivery in July 1997 with respect to Spare Parts for Current Generation Aircraft and the first New Generation Aircraft scheduled to deliver in January 1998 with respect to Spare parts for New Generation Aircraft pursuant to the Agreement, any Spare Part purchased by Buyer from Boeing in accordance with this letter is rendered obsolete or unusable due to the redesign of the Aircraft or of any accessory, equipment or part therefor, (other than a redesign at Buyer's request), Boeing will deliver to Buyer new and usable Spare Parts in substitution for such obsolete or unusable Spare Parts and Buyer will return the obsolete or unusable Spare Parts to Boeing. Boeing will credit Buyer's account with Boeing with the price paid by Buyer for any such obsolete or unusable Spare Part and will invoice Buyer for the purchase price of any such substitute Spare Part delivered to Buyer.

6.2 Delivery of Obsolete Spare Parts and Substitutes Therefor. Obsolete or unusable Spare Parts returned by Buyer pursuant to this Item will be delivered to Boeing at its Seattle Distribution Center, or such other destination as Boeing may reasonably designate. Spare Parts substituted for such returned obsolete or unusable Spare Parts will be delivered to Buyer at Boeing's Seattle Distribution Center, or such other Boeing shipping point as Boeing may reasonably designate. Boeing will pay the freight charges for the shipment from Buyer to Boeing of any such obsolete or unusable Spare Part and for the shipment from Boeing to Buyer of any such substitute Spare Part.

7. Repurchase of Provisioning Items.

7.1 Obligation to Repurchase. During a period commencing 1 year after delivery of the first Aircraft under the Agreement, and ending 5 years after such delivery, Boeing will, upon receipt of Buyer's written request and subject to the exceptions in Paragraph 7.2, Exceptions, repurchase unused and undamaged Provisioning Items which (i) were recommended by Boeing in the Provisioning Data as initial provisioning for the Aircraft, (ii) were purchased by Buyer from Boeing, and (iii) are surplus to Buyer's needs.

7.2 Exceptions. Boeing will not be obligated under Paragraph 7.1, Obligation to Repurchase, to repurchase any of the

following: (i) quantities of Provisioning Items in excess of those quantities recommended by Boeing in the Provisioning Data for the Aircraft, (ii) QEC Kits, Bulk Material Kits, Raw Material Kits, Service Bulletin Kits, Standards Kits and components thereof (except those components listed separately in the Provisioning Data), (iii) Provisioning Items for which an Order was received by Boeing more than 5 months after delivery of the last Aircraft, (iv) Provisioning Items which have become obsolete or have been replaced by other Provisioning Items as a result of (a) Buyer's modification of the Aircraft or (b) design improvements by Boeing or the vendor (other than Provisioning Items which have become obsolete because of a defect in design if such defect has not been remedied by an offer by Boeing or the vendor to provide no charge retrofit kits or replacement parts which correct such defect), and (v) Provisioning Items which become excess as a result of a change in Buyer's operating parameters, provided to Boeing pursuant to the Initial Provisioning Meeting in Paragraph 2, which were the basis of Boeing's initial provisioning recommendations for the Aircraft.

7.3 Notification and Format. Buyer will notify Boeing, in writing, when Buyer desires to return Provisioning Items which Buyer's review indicates are eligible for repurchase by Boeing under the provisions of this Repurchase of Provisioning Items paragraph. Buyer's notification will include a detailed summary, in part number sequence, of the Provisioning Items Buyer desires to return. Such summary will be in the form of listings, tapes, diskettes or other media as may be mutually agreed between Boeing and Buyer, and will include part number, nomenclature, purchase order number, purchase order date and quantity to be returned. Within 5 business days after receipt of Buyer's notification, Boeing will advise Buyer, in writing, when Boeing's review of such summary will be completed.

7.4 Review and Acceptance by Boeing. Upon completion of Boeing's review of any detailed summary submitted by Buyer pursuant to Paragraph 7.3, Boeing will issue to Buyer a Material Return Authorization (MRA) for those Provisioning Items Boeing agrees are eligible for repurchase in accordance with this Repurchase of Provisioning Items paragraph. Boeing will advise Buyer of the reason that any spare part included in Buyer's detailed summary is not eligible for return. Boeing's MRA will state the date by which Provisioning Items listed in the MRA must be redelivered to Boeing and Buyer will arrange for shipment of such Provisioning Items accordingly.

7.5 Price and Payment. The price of each Provisioning Item repurchased by Boeing pursuant to this Repurchase of Provisioning Items paragraph will be an amount equal to 100% of the original invoice price thereof. In the case of Provisioning Items manufactured by a vendor which were purchased pursuant to Paragraph 4, Purchase from Boeing of Spare Parts as Initial Provisioning for the Aircraft, hereof the repurchase price will not include Boeing's 12% handling charge. Boeing will pay the repurchase price by issuing a credit memorandum in favor of Buyer which may be applied against amounts due Boeing for the purchase of aircraft, Spare Parts, services or data.

7.6 Delivery of Provisioning Items. Provisioning Items repurchased by Boeing pursuant to this Repurchase of Provisioning Items paragraph will be delivered to Boeing F.O.B. at its Seattle Distribution Center, or such other destination as Boeing may reasonably designate. Buyer will pay the freight charges for the shipment from Buyer to Boeing of any such Provisioning Items.

8. Obsolete Spare Parts and Surplus Provisioning Items - Title and Risk of Loss.

Title to and risk of loss of any obsolete or unusable Spare Parts returned to Boeing pursuant to Paragraph 6, Substitution for Obsolete Spare Parts, will pass to Boeing upon delivery thereof to Boeing. Title to and risk of loss of any Spare Part substituted for an obsolete or unusable Spare Part pursuant to Paragraph 6, Substitution for Obsolete Spare Parts, will pass to Buyer upon delivery thereof to Buyer. Title to and risk of loss of any Provisioning Item repurchased by Boeing pursuant to Paragraph 7, Repurchase of Provisioning Items, will pass to Boeing upon delivery thereof to Boeing. With respect to the obsolete or unusable Spare Parts which may be returned to Boeing and the Spare Parts substituted therefor, pursuant to Paragraph 6, and the Provisioning Items which may be repurchased

by Boeing, pursuant to Paragraph 7, the party which has risk of loss of any such Spare Part or Provisioning Item will have the responsibility of providing any insurance coverage for it desired by such party.

9. Supplier Support.

Boeing has entered, or anticipates entering, into product support agreements with suppliers (Boeing Suppliers) of major system components manufactured by such Suppliers to be installed on the Aircraft (Supplier Components). Such product support agreements commit, or are expected to commit, the Boeing Suppliers to provide to Buyer and/or the Buyer's designees support services with respect to the Supplier Components which can be reasonably expected to be required during the course of normal operation. This support includes but is not limited to shelf-stock of certain spare parts, emergency spare parts, timely delivery of spare parts, and technical data related to the Supplier Components. Copies of such product support agreements will be provided to Buyer on or about April 1, 1997 in Boeing Document D6-56115, Volumes 1 and 2. In the event Buyer has used due diligence in attempting to resolve any difficulty arising in normal business transactions between Buyer and a Boeing Supplier with respect to product support for a Supplier Component manufactured by such Supplier and if such difficulty remains unresolved, Boeing will, if requested by Buyer, assist Buyer in resolving such difficulty. Assistance will be provided by the Spares Supplier Support and Data Management Organization within the Boeing Buyer Services Division.

10. Termination of Agreement for Excusable Delay.

In the event of termination of the Agreement with respect to any Aircraft

- (i) pursuant to Article 6.2 of the Agreement, or
- (ii) pursuant to Article 6.3 of the Agreement

such termination will, if Buyer so requests by written notice received by Boeing within 15 days after such termination, also discharge and terminate all obligations and liabilities of the parties as to any Spare Parts which Buyer had ordered pursuant to the Provisions of this letter as initial provisioning for such Aircraft and which are undelivered on the date Boeing receives such written notice.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

1951-8R1
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, TX 77019

Subject: Letter Agreement No. 1951-8R1 to

Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement), between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-624/-724/-824 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-8 dated July 23, 1996.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

1951-9
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 1951-9 to
Purchase Agreement No. 1951 -
Option Aircraft - Model 737-624 Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-624 aircraft (the Aircraft).

All terms used and not defined herein shall have the same meaning as in the Purchase Agreement.

In consideration of Buyer's purchase of the Aircraft, Boeing hereby agrees to manufacture and sell up to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Buyer, on the same terms and conditions set forth in the Purchase Agreement, except as otherwise described in Attachment A hereto, and subject to the terms and conditions set forth below.

1. Delivery.

The Option Aircraft will be delivered to Buyer during or

before the months set forth in the following schedule:

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

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

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, and concurrent with the execution of the Purchase Agreement for the Aircraft, Buyer will pay a deposit to Boeing of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for each Option Aircraft (the Option Deposit). In the event Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Purchase Agreement.

In the event that Buyer does not exercise its option to purchase a particular Option Aircraft pursuant to the terms and conditions set forth herein, Boeing shall be entitled to retain the Option Deposit for such Option Aircraft.

4. Option Exercise.

To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

Option Aircraft	Option Exercise Date
-----------------	----------------------

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

5. Contract Terms.

Within thirty (30) days after Buyer exercises an option to purchase Option Aircraft pursuant to paragraph 4 above, Boeing and Buyer will use their best reasonable efforts to enter into a supplemental agreement amending the Purchase Agreement to add the applicable Option Aircraft to the Purchase Agreement as a firm Aircraft (the Option Aircraft Supplemental Agreement).

In the event the parties have not entered into such an Option Aircraft Supplemental Agreement within the time period contemplated herein, either party shall have the right, exercisable by written or telegraphic notice given to the other within ten (10) days after such period, to cancel the purchase of such Option Aircraft.

6. Cancellation of Option to Purchase.

Either Boeing or Buyer may cancel the option to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this Letter Agreement, or in the Purchase Agreement, as the case may be:

(i) purchase of the Aircraft under the Purchase Agreement for any reason not attributable to the cancelling party;

(ii) payment by Buyer of the Option Deposit with respect to such Option Aircraft pursuant to paragraph 3 herein; or

(iii) exercise of the option to purchase such Option Aircraft pursuant to the terms hereof.

Any cancellation of an option to purchase by Boeing which is based on the termination of the purchase of an Aircraft under the Purchase Agreement shall be on a one-for-one basis, for each Aircraft so terminated.

Cancellation of an option to purchase provided by this letter agreement shall be caused by either party giving written notice to the other within ten (10) days after the respective date in question. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the option to purchase has been cancelled shall thereupon terminate.

Boeing shall promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft. Boeing shall be entitled to retain the Option Deposit unless cancellation is attributable to Boeing's fault, in which case the Option Deposit shall also be returned to Buyer without interest.

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

8. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] that are added to the Purchase Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Purchase Agreement.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-in-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.,

By /s/ Brian Davis

Its V.P.

Attachment

Model 737-624 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification D6-38808-62, dated as of even date herewith, as amended and revised pursuant to the Purchase Agreement.

1.2 Changes. The Option Aircraft Detail Specification shall be revised to include:

(1) Changes applicable to the basic Model 737-800 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of an Option Aircraft Supplemental Agreement.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard

Certificate of Airworthiness.

1.3 Effect of Changes. Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

2. Price Description.

2.1 Price Adjustments.

2.1.1 Base Price Adjustments. The base aircraft price (pursuant to Article 3 of the Purchase Agreement) of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then-current prices as of the date of execution of the Option Aircraft Supplemental Agreement.

2.1.2 Special Features. The price for special features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the Option Aircraft Supplemental Agreement only to the extent that such increase is attributable to an increase in Boeing's cost for purchased equipment.

2.1.3 Escalation Adjustments. The base airframe and special features price will be escalated according to the applicable airframe and engine manufacturer escalation provisions contained in Exhibit D of the Purchase Agreement.

Buyer agrees that the engine escalation provisions will be adjusted if they are changed by the engine manufacturer prior to signing the Option Aircraft Supplemental Agreement. In such case, the then-current engine escalation provisions in effect at the time of execution of the Option Aircraft Supplemental Agreement will be incorporated into such agreement.

2.1.4 Price Adjustments for Changes. Boeing may adjust the basic price and the advance payment base prices for any changes mutually agreed upon by Buyer and Boeing subsequent to the date that Buyer and Boeing enter into the Option Aircraft Supplemental Agreement.

2.1.5 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Detail Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus 10% of such price.

3. Advance Payments.

3.1 Buyer shall pay to Boeing advance payments for the Option Aircraft pursuant to the schedule for payment of advance payments provided in the Purchase Agreement.

1951-10
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, TX 77019

Subject: Letter Agreement No. 1951-10 to
Purchase Agreement No. 1951 -
Configuration Matters
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-624 aircraft (the Aircraft).

All terms used herein and in the Agreement and not defined

herein, have the same meaning as in the Agreement.

1. Aircraft Configuration.

1.1 Initial Configuration. The initial configuration of Buyer's Model 737-624 Aircraft has been defined by Detail Specification D6-38808-62 as described in Exhibit A-3 of the Agreement. Because of the long period of time between the signing of the Agreement and delivery of the first Aircraft, Buyer will require that changes (Change Requests) be incorporated in the Aircraft configuration. Boeing will carefully consider such Change Requests, and if practicable, incorporate these changes into the production of the Aircraft prior to delivery.

1.2 Final Configuration Schedule. Boeing and Buyer will discuss potential configuration changes as soon as practical for both parties but no later than the end of this year. Within 90 days after that meeting, Boeing will provide Buyer with Change Request proposals for those configuration changes that can be incorporated in Aircraft production. Buyer will have 30 days thereafter to accept or reject these Change Requests.

1.3. Buyer's Detail Specification. After Buyer's acceptance or rejection of the Change Requests contemplated above, Boeing will provide to Buyer a Buyer-unique detail specification (Detail Specification) reflecting the Aircraft configuration as defined in the Agreement revised to reflect the effects of accepted Change Requests. Such Detail Specification will also reflect changes made to Boeing's basic Model 737-600 aircraft specification between the Detail Specification referenced in the Agreement and the date Boeing releases such Detail Specification. The price effects, if any, of such Change Requests and changes to the basic specification will also be reflected in an amendment to the Agreement.

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

4. Agreement Amendment.

Within 30 days after reaching agreement as to the final configuration of the Aircraft, Boeing will provide to Buyer for signature an amendment to the Agreement reflecting the effects of the configuration changes agreed to by the parties.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

1951-11
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, TX 77019

Subject: Letter Agreement No. 1951-11 to
Purchase Agreement No. 1951 -

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement), between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-524 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

6-1162-MMF-308R1
October 10, 1996

CONTINENTAL AIRLINES, INC.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-MMF-308R1 to
Purchase Agreement No. 1951 -
Disclosure of Confidential Information

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-308 dated July 23, 1996.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. Boeing and Buyer each understand that certain commercial and financial information contained in the documents listed below (Confidential Documents) is considered by the other party to be confidential.

2. Boeing and Buyer agree that each party will treat the Confidential Documents and the information contained therein as confidential and will not, without the other party's prior written consent, disclose such Confidential Documents or any information contained therein to any other person or entity except as may be required by (i) applicable law or governmental regulations; or (ii) for financing the Aircraft in accordance

with the provisions of Article 10 of the Agreement.

3. In connection with any such disclosure or filing of the Confidential Documents, or the information contained therein pursuant to any such applicable law or governmental regulation, Buyer or Boeing, as applicable, will request and use its best reasonable efforts to obtain confidential treatment of such Confidential Documents and the information contained therein. Boeing and Buyer agree to cooperate with each other in making and supporting any such request for confidential treatment.

Schedule of Confidential Documents

1. Letter Agreement No. 6-1162-MMF-295.
2. Letter Agreement No. 6-1162-MMF-296.
3. Letter Agreement No. 6-1162-MMF-308R1.
4. Letter Agreement No. 6-1162-MMF-309R1.
5. Letter Agreement No. 6-1162-MMF-310R1.
6. Letter Agreement No. 6-1162-MMF-311R1.
7. Letter Agreement No. 6-1162-MMF-312R1.
8. Letter Agreement No. 6-1162-MMF-319.
9. Letter Agreement No. 6-1162-MMF-378
10. Letter Agreement No. 6-1162-MMF-379.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

6-1162-MMF-309R1

October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-MMF-309R1 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated

July 23, 1996(the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-309.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

6. Confidential Treatment. Boeing and Buyer understand that certain commercial and financial information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Boeing and Buyer further 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 provided in Letter Agreement 6-1162-MMF-308R1.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.,

By /s/ Brian Davis

Its V.P.

6-1162-MMF-310R1

October 10, 1996

CONTINENTAL AIRLINES, INC.

2929 Allen Parkway

Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-MMF-310R1 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996(the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-310 dated July 23, 1996.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

9. Confidential Treatment.

Boeing and Buyer understand that certain commercial and financial information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Boeing and Buyer further 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 provided in Letter Agreement 6-1162-MMF-308R1.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

6-1162-MMF-311R1
October 10, 1996

Continental Airlines, Inc.
2929 Allen Parkway
Houston, TX 77019

Subject: Letter Agreement No. 6-1162-MMF-311R1 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1751 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-311 dated July 23, 1996.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

5. Confidential Treatment.

Boeing and Buyer agree that certain commercial and financial information contained in this Letter Agreement is confidential and subject to the confidentiality provisions of Letter Agreement 6-1162-MMF-308R1, Disclosure of Confidential Information.

If this Letter Agreement correctly states your understanding of the matters treated herein, please so indicate by signature

below.

Very truly yours,

THE BOEING COMPANY

/s/ M. Monica Fix
M. Monica Fix
Regional Director
Aircraft Contracts
Boeing Commercial Airplane Group

AGREED and ACCEPTED this 10th day of October, 1996.

CONTINENTAL AIRLINES, INC.

By: /s/ Brian Davis

Its: V.P.

Attachment A to
Letter Agreement 6-1162-MMF-311R1

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

Attachment B to
Letter Agreement 6-1162-MMF-311R1

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

6-1162-MMF-312R1
October 10, 1996

CONTINENTAL AIRLINES, INC.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-MMF-312R1 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-11621-MMF-312 dated July 23, 1996.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

3. Confidential Treatment. Boeing and Buyer understand that certain commercial and financial information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Boeing and Buyer further 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 provided in Letter Agreement 6-1162-MMF-308R1.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By //s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

6-1162-MMF-378
October 10, 1996

CONTINENTAL AIRLINES, INC.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-MMF-378 to

Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996(the Agreement) between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to Model 737-524 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

2. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer 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 provided in Letter Agreement 6-1162-MMF-308R1.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

Attachment

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

6-1162-MMF-379
October 10, 1996

CONTINENTAL AIRLINES, INC.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-MMF-379 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996(the Agreement) between THE BOEING COMPANY (Boeing)

and CONTINENTAL AIRLINES, INC. (Buyer) relating to Model 737-624 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

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

2. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer 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 provided in Letter Agreement 6-1162-MMF-308R1.

Very truly yours,

THE BOEING COMPANY

By /s/ M. Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its V.P.

Attachment

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

CONTINENTAL AIRLINES, INC.
STATEMENT REGARDING COMPUTATION
OF PER SHARE EARNINGS (LOSS)
(In millions of dollars, except per share data)

EXHIBIT 11.1
PAGE 1 OF 2

	Year Ended December 31,		
	1996	1995	1994
Primary:			
Weighted average shares outstanding	53,404,988	52,255,180	52,113,794
Dilutive effect of outstanding stock options, warrants and restricted stock grants (as determined by the application of the treasury stock method).	11,194,562	11,831,674	-
Weighted average number of common shares outstanding, as adjusted	64,599,550	64,086,854	52,113,794
Income (loss) applicable to common shares	\$ 314	\$ 215	\$ (619)
Add interest expense associated with the assumed reduction of borrowings, net of federal income tax effect	-	16	-
Income (loss), as adjusted.	\$ 314	\$ 231	\$ (619)
Per share amount.	\$ 4.87	\$ 3.60	\$ (11.88)

CONTINENTAL AIRLINES, INC.
STATEMENT REGARDING COMPUTATION
OF PER SHARE EARNINGS (LOSS)
(In millions of dollars, except per share data)

EXHIBIT 11.1
PAGE 2 OF 2

	Year Ended December 31,		
	1996	1995	1994
Fully diluted:			
Weighted average shares outstanding	53,404,988	52,255,180	52,113,794
Dilutive effect of outstanding stock options, warrants and restricted stock grants (as determined by the application of the treasury stock method).	11,722,947	11,991,226	-
Dilutive effect of convertible debentures	643,833	5,978,148	-
Dilutive effect of 8 1/2% convertible trust originated preferred securities.	10,332,920	913,744	-
Dilutive effect of 6 3/4% convertible subordinated notes.	5,838,424	-	-
Weighted average number of common shares outstanding, as adjusted	81,943,112	71,138,298	52,113,794
Income (loss) applicable to common shares	\$ 314	\$ 215	\$ (619)
Add interest expense associated with the assumed reduction of borrowings, net of federal income tax effect	-	3	-
Add interest expense associated with the assumed conversion of convertible debentures	-	4	-
Add interest expense associated with the assumed conversion of 8 1/2% convertible trust originated preferred securities, net of federal income tax effect	15	2	-
Add interest expense associated with the assumed conversion of 6 3/4% convertible subordinated notes, net of federal income tax effect.	7	-	-
Income (loss), as adjusted.	\$ 336	\$ 224	\$ (619)
Per share amount.	\$ 4.11	\$ 3.15	\$ (11.88)

SUBSIDIARIES OF CONTINENTAL AIRLINES, INC.

SUBSIDIARY	STATE OF INCORPORATION
Air Micronesia, Inc.	Delaware
Continental Express, Inc.	Delaware
Continental Micronesia, Inc.	Delaware

Consent of Independent Auditors

We consent to the incorporation by reference of our reports dated February 10, 1997, with respect to the consolidated financial statements and schedules of Continental Airlines, Inc. (the "Company") included in this Form 10-K for the year ended December 31, 1996, into the following:

- (i) the Company's Registration Statement on Form S-3 (No. 33-79688) and in the related Prospectus;
- (ii) the Company's Registration Statements on Form S-8 (Nos. 33-81324, 33-60009 and 333-06993) pertaining to the Company's 1994 Incentive Equity Plan;
- (iii) the Company's Registration Statements on Form S-8 (Nos. 33-81326 and 33-59995) pertaining to the Company's 1994 Restricted Stock Grant.
- (iv) the Company's Registration Statement on Form S-8 (No. 333-16723) pertaining to the Company's 1997 Employee Stock Purchase Plan;
- (v) the Company's Registration Statement on Form S-8 (No. 33-81328) pertaining to the Company's 1994 Employee Stock Purchase Plan;
- (vi) the Company's Registration Statement on Form S-4 (No. 333-19627) relating to the Company's 9-1/2% Senior Notes due 2001 and the related Offering Memorandum;
- (vii) the Company's Registration Statement on Form S-3 (No. 333-07899) relating to the Company's 6-3/4% Convertible Subordinated Notes and the related Offering Circular;
- (viii) the Company's Registration Statement on Form S-3 (No. 333-09739) relating to Warrants, Class A Common Stock and Class B Common Stock and sales by certain Selling Securityholders and the related Prospectus; and
- (ix) the Registration Statement on Form S-3 (No. 333-04601) of the Company and Continental Airlines Finance Trust relating to 8-1/2% Convertible Trust Originated Preferred Securities and the related Offering Memorandum.

ERNST & YOUNG LLP

Houston, Texas
February 19, 1997

12-MOS
DEC-31-1996
DEC-31-1996
1,061
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377
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111
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1,596
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325
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6
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319
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4.11