AS FILED
WITH THE SEC

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

OR

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

FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission File Number 0-9781

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

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

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

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 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 X No _____

____

As of April 11, 1997, 8,589,530 shares of Class A common stock and 48,992,814 shares of Class B common stock were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended March 31, 1997	1996
	(Unaudited)	
Operating Revenue:		
Passenger	$1,564	$1,375
Cargo, mail and other	134	114
	1,698	1,489
Operating Expenses:		
Wages, salaries and related costs . . .	414	364
Aircraft fuel	229	177
Aircraft rentals.	131	124
Commissions	138	126
Maintenance, materials and repairs. . .	125	112
Other rentals and landing fees.	97	84
Depreciation and amortization	60	65
Other	358	317
	1,552	1,369
Operating Income	146	120
Nonoperating Income (Expense):		
Interest expense.	(42)	(47)
Interest capitalized.	6	1
Interest income	13	9
Other, net.	1	12
	(22)	(25)
Income before Income Taxes and Minority Interest	124	95
Income Tax Provision	(46)	(2)

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

	Three Months Ended March 31, 1997	1996
	(Unaudited)	
Income before Minority Interest.	$ 78	$ 93
Minority Interest.	-	(1)
Distributions on Preferred Securities of Trust, net of applicable income taxes of $2 and $2, respectively.	(4)	(4)

Net Income	74	88
Preferred Dividend Requirements	(1)	(1)
Income Applicable to Common Shares	$ 73	$ 87
Earnings per Common and Common Equivalent Share	$ 1.13	$ 1.35
Earnings per Common Share Assuming Full Dilution	$ 0.95	$ 1.18

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)

ASSETS	March 31, 1997 (Unaudited)	December 31, 1996
Current Assets:		
Cash and cash equivalents, including restricted cash and cash equivalents of $79 and $76, respectively	$ 927	$1,061
Accounts receivable, net	407	377
Spare parts and supplies, net	118	111
Prepayments and other	122	85
Total current assets	1,574	1,634
Property and Equipment:		
Owned property and equipment:		
Flight equipment	1,271	1,199
Other	363	338
	1,634	1,537
Less: Accumulated depreciation	389	370
	1,245	1,167
Purchase deposits for flight equipment	232	154

Capital leases:		
Flight equipment.	400	396
Other	35	31
	435	427
Less: Accumulated amortization	158	152
	277	275
Total property and equipment	1,754	1,596
Other Assets:		
Routes, gates and slots, net.	1,469	1,473
Reorganization value in excess of amounts allocable to identifiable assets, net.	233	237
Investments	132	134
Other assets, net	139	132
Total other assets	1,973	1,976
Total Assets.	$5,301	$5,206

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1997 (Unaudited)	December 31, 1996
Current Liabilities:		
Current maturities of long-term debt. . .	$ 169	$ 201
Current maturities of capital leases. . .	68	60
Accounts payable.	608	705
Air traffic liability	788	661
Accrued payroll and pensions.	175	149
Accrued other liabilities	352	328
Total current liabilities.	2,160	2,104
Long-Term Debt	1,318	1,368
Capital Leases	239	256
Deferred Credits and Other Long-Term Liabilities:		
Deferred income taxes	119	75
Accruals for aircraft retirements and excess facilities.	177	188
Other	324	331
Total deferred credits and other long-term liabilities	620	594
Commitments and Contingencies		
Minority Interest.	16	15
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely		

Convertible Subordinated Debentures (A).	242	242
Redeemable Preferred Stock	47	46

(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.

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

	March 31, 1997 (Unaudited)	December 31, 1996
Common Stockholders' Equity:		
Class A common stock - $.01 par, 50,000,000 shares authorized; 8,593,030 and 9,280,000 shares issued and outstanding, respectively.	$ -	$ -
Class B common stock - $.01 par, 200,000,000 shares authorized; 48,983,580 and 47,943,343 shares issued and outstanding, respectively . .	-	-
Additional paid-in capital	697	693
Accumulated deficit	(35)	(109)
Other	(3)	(3)
Total common stockholders' equity. . . .	659	581
Total Liabilities and Stockholders' Equity	$5,301	$5,206

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

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

	Three Months Ended March 31, 1997	1996
	(Unaudited)	
Net Cash Provided by Operating Activities	$154	$145
Cash Flows from Investing Activities:		
Capital expenditures	(171)	(20)
Purchase deposits refunded in connection with aircraft delivered	11	6
Proceeds from sale of America West stock	-	25
Proceeds from sale/leaseback transactions	-	12
Other	(8)	2
Net cash (used) provided by investing activities	(168)	25
Cash Flows from Financing Activities:		
Payments on long-term debt and capital lease obligations	(128)	(458)
Proceeds from issuance of long-term debt, net	6	223
Proceeds from issuance of common stock	5	1
Dividends paid on preferred securities of trust	(6)	(6)
Net cash used by financing activities	(123)	(240)
Net Decrease in Cash and Cash Equivalents	(137)	(70)
Cash and Cash Equivalents - Beginning of Period (A)	985	603
Cash and Cash Equivalents - End of Period (A)	$848	$533

(A) Excludes restricted cash of $76 million and $144 million at January 1, 1997 and 1996, respectively, and $79 million and $124 million at March 31, 1997 and 1996, respectively.

(continued on next page)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions of dollars)

	Three Months Ended March 31, 1997	1996
	(Unaudited)	
Supplemental Cash Flow Information:		
Interest paid	$ 26	$ 46
Income taxes paid	$ -	$ -
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through the issuance of debt	$ 28	$ 28
Capital lease obligations incurred. . .	$ 9	$ 1

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

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

In the opinion of management, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Such adjustments are of a normal recurring nature. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Annual

Report of Continental Airlines, Inc. (the "Company" or "Continental") on Form 10-K for the year ended December 31, 1996.

NOTE 1 - EARNINGS PER SHARE

The earnings per common share ("EPS") computations are based upon earnings applicable to common shares and the average number of shares of common stock, common stock equivalents (stock options, warrants and restricted stock) and potentially dilutive securities (e.g., convertible securities) outstanding. The number of shares used in the primary EPS computations for the three months ended March 31, 1997 and 1996 was 64,356,176 and 64,069,152, respectively. The number of shares used in the fully-diluted EPS computations for the three months ended March 31, 1997 and 1996 was 82,787,287 and 78,627,072, respectively. Preferred stock dividend requirements decreased net income for this computation by approximately $1 million for each of the three-month periods ended March 31, 1997 and 1996.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 - "Earnings per Share" ("SFAS 128") which specifies the computation, presentation and disclosure requirements for EPS. SFAS 128 replaces the presentation of primary and fully diluted EPS pursuant to Accounting Principles Board Opinion No. 15 - "Earnings per Share" ("APB 15") with the presentation of basic and diluted EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The Company is required to adopt SFAS 128 with its December 31, 1997 financial statements and restate all prior-period EPS data. The Company will continue to account for EPS under APB 15 until that time. Under SFAS 128, the Company's basic EPS for the three months ended March 31, 1997 and 1996 was $1.28 and $1.60 per share, respectively, and the Company's diluted EPS for the three months ended March 31, 1997 and 1996 was $0.96 and $1.19 per share, respectively.

NOTE 2 - INCOME TAXES

Income taxes for the three months ended March 31, 1997 were provided at the estimated annual effective tax rate. Such rate differs from the federal statutory rate of 35%, primarily due to state income taxes and the effect of certain expenses that are not deductible for income tax purposes. The income tax provision for the three months ended March 31, 1996 consists of foreign income taxes. No provision for federal income taxes was recorded for the three months ended March 31, 1996 since the Company had previously incurred net operating losses for which a tax benefit had not previously been recorded.

At December 31, 1996, the Company had 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, as of December 31, 1996, 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 would not be completed and if future income were 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.

NOTE 3 - OTHER

On February 28, 1997, the Board of Directors adopted the Continental Airlines, Inc. 1997 Stock Incentive Plan (the "Incentive Plan"), subject to approval by the stockholders of the Company at the annual stockholders' meeting to be held on May 16, 1997. Also, on February 28, 1997, the Company granted options to purchase approximately 1.6 million shares of Class B common stock (of which 390,000 options were granted under the Continental Airlines, Inc. 1994 Incentive Equity Plan and the balance was granted under the Incentive Plan). The Incentive Plan provides that the Company may issue shares of restricted Class B common stock or grant options to purchase shares of Class B common stock to non-employee directors of the Company or employees of the Company or its subsidiaries. Subject to adjustment as provided in the Incentive Plan, the aggregate number of shares of Class B common stock that may be issued under the Incentive Plan may not exceed 2,000,000 shares, which may be originally issued or treasury shares or a combination thereof. The maximum number of shares of Class B common stock that may be (i) subject to options granted to any one individual during any calendar year may not exceed 200,000 shares and (ii) granted as restricted stock may not exceed 100,000 shares (in each case subject to adjustment as provided in the Incentive Plan).

In March 1997, Continental completed a transaction involving the issuance of $707 million of pass-through certificates. The pass-through certificates are not direct obligations of, or guaranteed by, Continental and are therefore not included in the accompanying consolidated financial statements. The cash proceeds from the transaction were deposited with an escrow agent and will enable the Company to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 30 new aircraft from The Boeing Company ("Boeing") scheduled to be delivered to Continental between March 1997 and February 1998. One such aircraft was delivered in March 1997 and the financing for such aircraft utilized approximately $37 million of the proceeds from the transaction. As of April 25, 1997 approximately $670 million of the proceeds remain on deposit. If any funds remain as deposits at the end of the delivery period (which may be extended to June 1998), such funds will be distributed back to the certificate holders. Such distribution will include a make-whole premium payable by Continental. Management believes that the likelihood that the Company would be required to pay a material make-whole premium is remote.

In February 1997, the Company began construction of a new hangar and improvements to a cargo facility at the Company's hub at Newark International Airport which is expected to be completed in the fourth quarter of 1997. The Company expects to finance these projects, which will cost approximately $25 million, with tax-exempt bonds. In addition, the Company is also planning a facility expansion at Newark which would require, among other matters, agreements to be reached with the applicable airport authority.

In March 1997, the Company announced plans to expand its facilities at its Hopkins International Airport hub in Cleveland. The expansion, which will include a new jet concourse for the new regional jet service offered by Continental's wholly owned subsidiary, Continental Express, Inc. ("Express"), as well as other facility improvements, is expected to cost approximately $120 million, which the Company expects will be funded principally by the issuance of a combination of tax-exempt special facilities revenue bonds and general airport revenue bonds by the City of Cleveland. In connection therewith, the Company expects to enter into long-term leases with the City of Cleveland providing for the Company to make rental payments sufficient to service the tax-exempt bonds.

The Company has recently begun collective bargaining agreement negotiations with its Continental Airlines and Express pilots whose contracts become amendable in July 1997 and October 1997, respectively. The Company believes that mutually acceptable agreements can be reached with such employees, although the ultimate outcome of the negotiations is unknown at this time.

In February 1996, the Company sold approximately 1.4 million of its 1.8 million shares of America West Airlines, Inc. ("America West") common stock for net proceeds of approximately $25 million in an underwritten public offering. A $13 million gain was realized on the transaction and included in other nonoperating income for the three months ended March 31, 1996.

NOTE 4 - SUBSEQUENT EVENTS

In April 1997, Continental consummated a $160 million floating rate (e.g., LIBOR plus 1.125% or prime) secured revolving credit facility (the "Facility"). The revolving loans made under the Facility will be used for the purpose of making certain predelivery payments to Boeing for new Boeing aircraft to be delivered through December 1999.

In April 1997, Continental redeemed for cash all of the 460,247 outstanding shares of its Series A 12% Cumulative Preferred Stock ("Series A 12% Preferred") held by an affiliate of Air Canada, a Canadian corporation ("Air Canada"), for $100 per share plus accrued dividends thereon. The redemption price, including accrued dividends, totaled $47.7 million.

In April 1997, the City of Houston (the "City") completed the offering of $190 million aggregate principal amount of tax-exempt special facilities revenue bonds (the "IAH Bonds") payable solely from rentals paid by Continental under long-term lease agreements with the City. The IAH Bonds are unconditionally guaranteed by the Company. The proceeds from the IAH Bonds will be used to finance the acquisition, construction and installation of certain terminal and other airport facilities located at Continental's hub at George Bush Intercontinental Airport in Houston, including a new automated people mover system linking Terminals B and C and 20 aircraft gates in Terminal B into which Continental intends to expand its operations. The expansion project is expected to be completed by the summer of 1999.

In April 1997, the Company announced plans to build a wide-body aircraft maintenance hangar in Honolulu, Hawaii at an estimated cost of $24 million. Construction of the hangar, anticipated to be completed by the second quarter of 1998, is expected to be financed by tax-exempt special facilities revenue bonds issued by the State of Hawaii. In connection therewith, the Company expects to enter into long-term leases under which rental payments will be sufficient to service the related bonds.

ITEM 2. 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 risk factors set forth in the Company's Form 10-K for the year ended December 31, 1996 which identify important factors that could cause actual results to differ materially from those in the forward-looking statements.

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 months ended March 31, 1997 as compared to the corresponding period ended March 31, 1996.

Comparison of Three Months Ended March 31, 1997 to Three Months Ended March 31, 1996

The Company recorded consolidated net income of $74 million for the three months ended March 31, 1997 as compared to consolidated net income of $88 million for the three months ended March 31, 1996. The Company's net income in the first quarter of 1996 included a gain of $13 million on the sale of 1.4 million shares of America West common stock. Management believes that the Company benefitted in the first quarters of 1996 and 1997 from the expiration of the aviation trust fund tax (the "ticket tax"). The ticket tax was reinstated on March 7, 1997. Management believes that the ticket tax has a negative impact on the Company, although neither the amount of such negative impact directly resulting from the reimposition of the ticket tax, nor the benefit realized by its expiration, can be precisely determined.

Passenger revenue increased 13.7%, $189 million, during the quarter ended March 31, 1997 as compared to the same period in 1996, which was primarily due to an 11.7% increase in revenue passenger miles driven by an 8.8% increase in capacity.

Cargo, mail and other revenue increased 17.5%, $20 million, in the three months ended March 31, 1997 as compared to the same period in the prior year, principally as a result of an increase in freight and mail volumes and 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 13.7%, $50 million, during the quarter ended March 31, 1997 as compared to the same period in 1996, due to an increase in accruals for employee profit sharing and other incentive programs, including the payment of bonuses for on-time arrival performance, and an increase in wages and salaries due to an 8.8% increase in average full-time equivalent employees in the first quarter of 1997 compared to the first quarter of 1996. In addition, wage rates were impacted by a longevity pay increase for substantially all employee groups, effective July 1, 1996.

Aircraft fuel expense increased 29.4%, $52 million, in the three months ended March 31, 1997 as compared to the same period in the prior year. The average price per gallon increased 17.0% from 59.31 cents in the first quarter of 1996 to 69.38 cents in the first quarter of 1997. In addition, there was a 10.3% increase in the quantity of jet fuel used from 290 million gallons in the first quarter of 1996 to 320 million gallons in the first quarter of 1997, principally reflecting increased capacity.

Commission expense increased 9.5%, $12 million, in the quarter ended March 31, 1997 as compared to the same period in the prior year, primarily due to increased passenger revenue.

Maintenance, materials and repairs increased 11.6%, $13 million, during the quarter ended March 31, 1997 as compared to the same period in 1996, due principally to the volume and timing of engine overhauls and routine maintenance as part of the Company's ongoing maintenance program.

Other rentals and landing fees increased 15.5%, $13 million, for the three months ended March 31, 1997 compared to the same period in 1996, principally due to higher landing fees resulting from increased operations.

Other operating expense increased 12.9%, $41 million, in the three months ended March 31, 1997 as compared to the same period in the prior year, as a result of increases in passenger services, advertising and publicity, reservations and sales expense and other miscellaneous expense.

Interest expense decreased 10.6%, $5 million, during the three months ended March 31, 1997 as compared to the same period in 1996, primarily due to the Company's refinancing initiatives, including principal reductions of long-term debt and capital lease obligations.

The Company's other nonoperating income (expense) in the quarter ended March 31, 1997 included foreign exchange gains primarily related to the Japanese yen. Other nonoperating income (expense) in the first quarter of 1996 consisted primarily of a $13 million gain related to the sale of 1.4 million shares of America West common stock.

The income tax provision for the three months ended March 31, 1997 of $46 million consisted of federal, state and foreign income taxes. The income tax provision for the three months ended March 31, 1996 consisted solely of foreign income taxes. No provision for federal income taxes was recorded for the three months ended March 31, 1996 due to previously unbenefitted NOLs.

An analysis of statistical information for Continental's jet operations for the periods indicated is as follows:

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1996	Net Increase/ (Decrease)
Revenue passenger miles (millions) (1).	10,891	9,752	11.7 %
Available seat miles (millions) (2).	15,832	14,551	8.8 %
Block hours (thousands) (3). . . .	292	270	8.1 %
Passenger load factor (4).	68.8%	67.0%	1.8 pts.
Breakeven passenger load factor (5).	62.2%	61.0%	1.2 pts.
Passenger revenue per available seat mile (cents) (6).	9.29	8.90	4.4 %
Total revenue per available seat mile (cents) (7)	10.22	9.77	4.6 %
Operating cost per available seat mile (cents) (8)	9.27	8.92	3.9 %
Operating cost per block hour.	$5,017	$4,806	4.4 %
Average yield per revenue			

passenger mile (cents) (9) . . .	13.51	13.28	1.7 %
Average fare per revenue passenger	$151.04	$142.54	6.0 %
Revenue passengers (thousands) . .	9,739	9,087	7.2 %
Average length of aircraft flight (miles)	925	876	5.6 %
Average daily utilization of each aircraft (hours) (10) . . .	10:15	9:39	6.2 %
Actual aircraft in fleet at end of period (11).	321	311	3.2 %

(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) Excludes all-cargo 727 aircraft (four in 1997 and three in 1996) at Continental Micronesia, Inc. ("CMI"), a 91%-owned subsidiary of Continental and three A300 and one 747 Continental aircraft that were removed from service in 1995.

LIQUIDITY AND CAPITAL COMMITMENTS

In the first four months of 1997, the Company completed several transactions intended to strengthen its long-term financial position and enhance earnings.

In March 1997, Continental completed a transaction involving the issuance of $707 million of pass-through certificates that will enable the Company to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 30 new Boeing aircraft scheduled to be delivered to Continental between March 1997 and February 1998. One such aircraft was delivered in March 1997 and the financing for such aircraft utilized approximately $37 million of the proceeds from the transaction.

In April 1997, Continental consummated a $160 million secured revolving credit facility to be used for the purpose of making certain predelivery payments to Boeing for new Boeing aircraft to be delivered through December 1999.

In April 1997, Continental redeemed for cash all of the 460,247 outstanding shares of its Series A 12% Preferred held by an affiliate of Air Canada for $100 per share plus accrued dividends thereon. The redemption price, including accrued dividends, totaled $47.7 million.

As of March 31, 1997, Continental had firm commitments with Boeing to take delivery of a total of 126 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. The pass-through certificate transaction described above will enable the Company to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 29 new Boeing aircraft. In connection with the pass-through equipment financing, owner participants have committed to approximately $160 million of equity financing underlying 21 of these aircraft together with the one aircraft delivered in March 1997. Continental has additional firm commitments for approximately $1.1 billion of backstop financing for its Boeing aircraft orders. However, further financing will be needed to satisfy Continental's capital commitment for other aircraft and aircraft-related expenditures such as spare parts, simulators 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. Deliveries of new Boeing aircraft are expected to increase aircraft rental, depreciation and interest costs while generating cost savings in the areas of maintenance, fuel and pilot training. Continental has also entered into agreements to lease two DC-10-30 aircraft and will take delivery of such aircraft in May 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 has taken delivery of six of the firm aircraft through April 25, 1997 and will take delivery of the remaining 19 firm aircraft during the period from May 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's capital expenditures during the three months ended March 31, 1997, aggregated $33 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 current financings or firm financing commitments.

As of March 31, 1997, the Company had $848 million in cash and cash equivalents (excluding restricted cash of $79 million), compared to $985 million (excluding restricted cash of $76 million) as of December 31, 1996. Net cash provided by operating activities increased $9 million during the three months ended March 31, 1997 compared to the same period in the prior year primarily due to an improvement in operating income. Net cash used by investing activities increased $193 million for the three months ending March 31, 1997 compared to the same period in the prior year, principally due to an increase in fleet-related capital expenditures. Net cash used by financing activities for the three months ended March 31, 1997 compared to the same period in the prior year decreased $117 million primarily due to a decrease in payments on long-term debt and capital lease obligations.

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

As a result of the recent weakness of the yen against the dollar and increased fuel costs, CMI's operating earnings declined during the past three quarters as compared to similar periods a year ago, and are not expected to improve materially absent a stronger yen or reduced fuel costs. 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. 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 may prepay additional amounts of its bank financing to remain in compliance with certain covenants contained in such financing.

See Notes 3 and 4 in the Notes to the Financial Statements for a discussion of the Company's plans to expand its airport facilities and the related financing thereof.

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 is 5.5% for April 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 annual NOL utilization would be limited to approximately $111 million.

The Company has recently begun collective bargaining agreement negotiations with its Continental Airlines and Express pilots whose contracts become amendable in July 1997 and October 1997, respectively. In addition, the Company's collective bargaining agreements with its CMI flight attendants and CMI mechanics and mechanic-related employees became amendable in September 1996 and March 1997, respectively. Negotiations are in progress to amend these two contracts. The Company believes that mutually acceptable agreements can be reached with all such employees, although the ultimate outcome of the negotiations is unknown at this time. The CMI agent-classification employees' collective bargaining agreement, which became amendable in March 1997, was ratified and approved in April 1997. The agreement, which becomes amendable in March 2001, provides for an 8.7% increase in wages over a four-year period.

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.

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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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 United States Bankruptcy Court for the District of Delaware (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 approximately $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 on January 3, 1997. On January 31, 1997, the trustees petitioned the U.S. Supreme Court for a rehearing of the trustees' previous petition, which petition was denied on February 25, 1997. The U.S. Supreme Court's action terminated this litigation in favor of Continental.

ITEM 2. CHANGES IN SECURITIES.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

10.1* Continental Airlines, Inc. 1997 Stock Incentive Plan -- incorporated by reference to Exhibit 4.3 to Continental's Form S-8 Registration Statement (No. 333-23165).

10.2* Amended and restated employment agreement between the Company and Jeffery A. Smisek, as amended. (1)

10.3 Supplemental Agreement No. 2 to Purchase Agreement No. 1951 between the Company and Boeing, dated March 5, 1997, relating to the purchase of Boeing 737 aircraft. (1)(2)

10.4 Letter Agreement No. 6-1162-GOC-044 to Purchase Agreement No. 1783 between the Company and Boeing, dated March 21, 1997, relating to the purchase of Boeing 757-224 aircraft. (1)(2)

11.1 Statement Regarding Computation of Per Share Earnings

27.1 Financial Data Schedule.

____

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

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

(b) Reports on Form 8-K:

(i) Report dated January 3, 1997 reporting an Item 5. "Other Event". No financial statements were filed with the report, which announced that the U.S. Supreme Court denied a petition for a writ of certiorari that had been filed in connection with litigation stemming from the Company's 1993 bankruptcy reorganization.

(ii) Report dated March 21, 1997 reporting an Item 5. "Other Event". No financial statements were filed with the report, which announced the completion of a private placement of $707.3 million of pass through certificates.

SIGNATURES

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

CONTINENTAL AIRLINES, INC.
(Registrant)

Date: April 28, 1997 by: /s/ Lawrence W. Kellner
Lawrence W. Kellner
Executive Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: April 28, 1997 /s/ Michael P. Bonds
Michael P. Bonds
Vice President and Controller
(Chief Accounting Officer)

EXHIBIT 10.2

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company"), and Jeffery A. Smisek ("Executive").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Employment Agreement dated as of June 5, 1995 (the "Current Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors, at its November 2, 1995 meeting, authorized the amendment of the employment agreements of officers of the Company, selected on a performance basis by the Chief Executive Officer of the Company, with respect to certain matters; and

WHEREAS, Executive has been so selected by the Chief Executive Officer; and

WHEREAS, in connection therewith, the parties desire to amend the Current Agreement and restate it, as so amended, in its entirety as this Agreement;

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and obligations contained herein, Company and Executive agree as follows:

ARTICLE 1: EMPLOYMENT AND DUTIES

1.1 Employment; Effective Date. Company agrees to employ Executive and Executive agrees to be employed by Company, beginning as of the Effective Date (as hereinafter defined) and continuing for the period of time set forth in Article 2 of this Agreement, subject to the terms and conditions of this Agreement. For purposes of this Agreement, the "Effective Date" shall be June 6, 1995.

1.2 Position. From and after the Effective Date, Company shall employ Executive in the position of Senior Vice President, General Counsel and Secretary of Company, or in such other position or positions as the parties mutually may agree.

1.3 Duties and Services. Executive agrees to serve in the position referred to in paragraph 1.2 and to perform diligently and to the best of his abilities the duties and services appertaining to such office as set forth in the Bylaws of Company in effect on the Effective Date, as well as such additional duties and services appropriate to such office which the parties mutually may agree upon from time to time.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for a three-year period beginning on the Effective Date.

2.2 Company's Right to Terminate. Notwithstanding the provisions of paragraph 2.1, Company, acting pursuant to an express resolution of the Board of Directors of Company (the "Board of Directors") or the Human Resources Committee of the Board of

Directors (the "HR Committee"), shall have the right to terminate Executive's employment under this Agreement at any time for any of the following reasons:

(i) upon Executive's death;

(ii) upon Executive's becoming incapacitated for a period of at least 180 days by accident, sickness or other circumstance which renders him mentally or physically incapable of performing the material duties and services required of him hereunder on a full-time basis during such period;

(iii) for cause, which for purposes of this Agreement shall mean Executive's gross negligence or willful misconduct in the performance of, or Executive's abuse of alcohol or drugs rendering him unable to perform, the material duties and services required of him pursuant to this Agreement;

(iv) for Executive's material breach of any provision of this Agreement which, if correctable, remains uncorrected for 30 days following written notice to Executive by Company of such breach; or

(v) for any other reason whatsoever, in the sole discretion of the Board of Directors or the Human Resources Committee.

2.3 Executive's Right to Terminate. Notwithstanding the provisions of paragraph 2.1, Executive shall have the right to terminate his employment under this Agreement at any time for any of the following reasons:

(i) the assignment to Executive by the Board of Directors or HR Committee or other officers or representatives of Company of duties materially inconsistent with the duties associated with the position described in paragraph 1.2 as such duties are constituted as of the Effective Date;

(ii) a material diminution in the nature or scope of Executive's authority, responsibilities, or title from those applicable to him as of the Effective Date;

(iii) the occurrence of material acts or conduct on the part of Company or its officers or representatives which prevent Executive from performing his duties and responsibilities pursuant to this Agreement;

(iv) Company requiring Executive to be permanently based anywhere outside a major urban center in Texas;

(v) the taking of any action by Company that would materially adversely affect the corporate amenities enjoyed by Executive on the Effective Date;

(vi) a material breach by Company of any provision of this Agreement which, if correctable, remains uncorrected for 30 days following written notice of such breach by Executive to Company; or

(vii) for any other reason whatsoever, in the sole discretion of Executive.

2.4 Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in paragraph 2.1, it or he shall do so by giving written notice to the other party that it or he has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) $250,000.00 or (ii) such amount as the parties mutually may agree upon from time to time. Executive's annual base salary at the date of this Agreement is $300,000.00. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

3.2 Bonus Programs. Executive shall participate in each cash bonus program maintained by Company on and after the Effective Date (including, without limitation, participation effective as of March 27, 1995 in any such program maintained for the year during which such date occurs) at a level which is not less than the maximum participation level made available to any other executive of Company at substantially the same title or level of Executive (determined without regard to period of service or other criteria that might otherwise be necessary to entitle Executive to such level of participation).

3.3 Vacation and Sick Leave. During each year of his employment, Executive shall be entitled to vacation and sick leave benefits equal to the maximum available to any Company executive, determined without regard to the period of service that might otherwise be necessary to entitle Executive to such vacation or sick leave under standard Company policy.

3.4 Other Perquisites. During his employment hereunder, Executive shall be afforded the following benefits as incidences of his employment:

(i) Business and Entertainment Expenses - Subject to Company's standard policies and procedures with respect to expense reimbursement as applied to its executive employees generally, Company shall reimburse Executive for, or pay on behalf of Executive, reasonable and appropriate expenses incurred by Executive for business related purposes, including dues and fees to industry and professional organizations, costs of entertainment and business development, and costs reasonably incurred as a result of Executive's spouse accompanying Executive on business travel.

(ii) Parking - Company shall provide at no expense to Executive a parking place convenient to Executive's office and a parking place at Intercontinental Airport in Houston, Texas.

(iii) Other Company Benefits - Executive and, to the extent applicable, Executive's family, dependents and beneficiaries, shall be allowed to participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to similarly-situated Company employees. Such benefits, plans and programs may include, without limitation, profit sharing plan, thrift plan, annual physical examinations, health insurance or health care plan, life insurance, disability insurance, pension plan, pass privileges on Continental Airlines, Flight Benefits and the like. Company shall not, however, by reason of this paragraph be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to executive employees generally.

ARTICLE 4: EFFECT OF TERMINATION ON COMPENSATION

4.1 By Expiration. If Executive's employment hereunder shall terminate upon expiration of the term provided in paragraph 2.1 hereof, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with termination of his employment; provided, however, that Executive shall be provided with Flight Benefits for the remainder of Executive's lifetime.

4.2 By Company. If Executive's employment hereunder shall be terminated by Company prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except if such termination shall be for any reason other than those encompassed by paragraphs 2.2(i), (ii), (iii) or (iv), then Company shall (a) pay Executive on or before the effective date of such termination a lump-sum, cash payment in an amount equal to the Termination Payment (as such term is defined in paragraph 4.7), (b) provide Executive with Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, (c) provide Executive with Outplacement Services (as such term is defined in paragraph 4.7), and (d) provide Executive and his eligible dependents with Continuation Coverage (as such term is defined in paragraph 4.7) for the Severance Period.

4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi), then Company shall provide Executive with the payments and benefits described in clauses (a) through (d) of paragraph 4.2.

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable, distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Executive an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under the Incentive Plan (as such term is defined in paragraph 4.7)) equal to the Excise Tax imposed upon the Payments. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

4.5 Payment Obligations Absolute. Company's obligation to pay Executive the amounts and to make the arrangements provided in this Article 4 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which Company (including its subsidiaries and affiliates) may have against him or anyone else. All amounts payable by Company shall be paid without notice or demand. Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Article 4, and, except as provided in paragraph 4.7 with respect to Continuation Coverage, the obtaining of any such other employment (or the engagement in any endeavor as an independent contractor, sole proprietor, partner, or joint venturer) shall in no event effect any reduction of Company's obligations to make (or cause to be made) the payments and arrangements required to be made under this Article 4.

4.6 Liquidated Damages. In light of the difficulties in estimating the damages upon termination of this Agreement, Company and Executive hereby agree that the payments and benefits, if any, to be received by Executive pursuant to this Article 4 shall be received by Executive as liquidated damages. Payment of the Termination Payment pursuant to paragraphs 4.2 or 4.3 shall be in lieu of any severance benefit Executive may be entitled to under any severance plan or policy maintained by Company.

4.7 Certain Definitions and Additional Terms. As used herein, the following capitalized terms shall have the meanings assigned below:

(i) "Annualized Compensation" shall mean an amount equal to the sum of (1) Executive's annual base salary pursuant to paragraph 3.1 in effect immediately prior to Executive's termination of employment hereunder and (2) a deemed annual bonus which shall be equal to 25% of the amount described in clause (1) of this paragraph 4.7(i);

(ii) "Change in Control" shall have the meaning assigned to such term in the Incentive Plan (as amended by the First Amendment thereto) in effect as of the date of execution of this Agreement;

(iii) "Continuation Coverage" shall mean the continued coverage of Executive and his eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, disability, vision care, accidental death and dismemberment, and prescription drug, at no greater cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment; provided, however, that (1) subject to clause (2) below, the coverage under a particular welfare benefit plan (or the receipt of equivalent benefits) shall terminate upon Executive's receipt of comparable benefits from a subsequent employer and (2) if Executive (and/or his eligible dependents) would have been entitled to retiree coverage under a particular welfare benefit plan had he voluntarily retired on the date of his termination of employment, then such coverage shall be continued as provided in such plan upon the expiration of the period Continuation Coverage is to be provided pursuant to this Article 4. Notwithstanding any provision in this Article 4 to the contrary, Executive's entitlement to any benefit continuation pursuant to Section 601 et. seq. of the Employee Retirement Income Security Act of 1974, as amended, shall commence at the end of the period of, and shall not be reduced by the provision of, any applicable Continuation Coverage;

(iv) "Flight Benefits" shall mean flight benefits on each airline operated by the Company or any of its affiliates or any successor or successors thereto (the "CO system"), consisting of the highest priority space available flight passes for Executive and his eligible family members (as such eligibility is in effect on the date hereof), a UATP card (or, in the event of discontinuance of the UATP program, a similar charge card permitting the purchase of air travel through direct billing to the Company or any of its affiliates or any successor or successors thereto (a "Similar Card")) in Executive's name for charging flights (in any fare class) on the CO system for Executive, Executive's spouse, Executive's family and significant others as determined by Executive, a Gold Elite OnePass Card (or similar highest category successor frequent flyer card) in Executive's name for use on the CO system, a membership for Executive and Executive's spouse in the Company's President's Club (or any successor program maintained in the CO system) and reimbursement (while an officer of the Company) of up to $10,000 annually for U.S. federal, state or local income taxes on imputed income resulting from such flights (such imputed income to be calculated during the term of such Flight Benefits at the lowest published fare (i.e., 21 day advance purchase coach fare or other lowest available fare) for the applicable flight on the date of such flight, regardless of the actual fare class booked or flown, or as otherwise required by law);

(v) "Incentive Plan" shall mean Company's 1994 Incentive Equity Plan, as amended;

(vi) "Outplacement Services" shall mean outplacement services, at Company's cost and for a period of twelve months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by Executive and approved by the Board of Directors or HR Committee (with such approval not to be unreasonably withheld);

(vii) "Severance Period" shall mean:

(1) in the case of a termination of Executive's employment with Company that occurs within two years after the date upon which a Change in Control occurs, a period commencing on the date of such termination and continuing for thirty-six months; or

(2) in the case of a termination of Executive's employment with Company that occurs prior to a Change in Control or after the date which is two years after a Change in

Control occurs, a period commencing on the date of such termination and continuing for twenty-four months; and

(viii) "Termination Payment" shall mean an amount equal to Executive's Annualized Compensation multiplied by a fraction, the numerator of which is the number of months in the Severance Period and the denominator of which is twelve.

Executive agrees that, after receipt of an invoice or other accounting statement therefor, he will promptly (and in any event within 45 days after receipt of such invoice or other accounting statement) reimburse the Company for all charges on Executive's UATP card (or Similar Card) which are not for flights on the CO system and which are not otherwise reimbursable to Executive under the provisions of paragraph 3.4(i) hereof. Executive agrees that the credit availability under Executive's UATP card (or Similar Card) may be suspended if Executive does not timely reimburse the Company as described in the foregoing sentence; provided, that, immediately upon the Company's receipt of Executive's reimbursement in full, the credit availability under Executive's UATP card (or Similar Card) will be restored. The sole cost to Executive of flights on the CO system pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO system charged on Executive's UATP card (or Similar Card), calculated throughout the term of Executive's Flight Benefits at the lowest published fare (i.e., 21 day advance purchase coach fare or other lowest available fare) for the applicable flight on the date of such flight, regardless of the actual fare class booked or flown, or as otherwise required by law, and reported to Executive as required by applicable law. With respect to any period with respect to which the Company is obligated to provide up to $10,000 of reimbursement for income taxes as described in paragraph 4.7 (iv) above, Executive will provide to the Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit the Company to calculate accurately the amount to be so reimbursed to Executive, and Executive understands that the Company will not make any gross-up payment to Executive with respect to the income attributable to such reimbursement. Executive agrees that he will not resell or permit to be resold any tickets issued on the CO system in connection with the Flight Benefits. Executive shall be issued a UATP card (or Similar Card), a Gold Elite OnePass Card (or similar highest category successor frequent flyer card), a membership card in the Company's Presidents Club (or any successor program maintained in the CO system) for Executive and Executive's spouse, an appropriate flight pass identification card and an Employee Travel Card, each valid at all times during the term of Executive's Flight Benefits.

ARTICLE 5: MISCELLANEOUS

5.1 Interest and Indemnification. If any payment to Executive provided for in this Agreement is not made by Company when due, Company shall pay to Executive interest on the amount payable from the date that such payment should have been made until such payment is made, which interest shall be calculated at 3% plus the prime or base rate of interest announced by Texas Commerce Bank National Association (or any successor thereto) at its principal office in Houston, Texas (but not in excess of the highest lawful rate), and such interest rate shall change when and as any such change in such prime or base rate shall be announced by such bank. If Executive shall obtain any money judgment or otherwise prevail with respect to any litigation brought by Executive or Company to enforce or interpret any provision contained herein, Company, to the fullest extent permitted by applicable law, hereby indemnifies Executive for his reasonable attorneys' fees and disbursements incurred in such litigation and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by Executive from the earliest date that payment to him should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the rate set forth in the preceding sentence.

5.2 Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Company to: Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019
Attention: General Counsel

If to Executive to: Jeffery A. Smisek
5211 Briar Drive
Houston, Texas 77056

or to such other address as either party may furnish to the other in writing in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

5.3 Applicable Law. This contract is entered into under, and shall be governed for all purposes by, the laws of the State of Texas.

5.4 No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

5.5 Severability. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

5.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

5.7 Withholding of Taxes and Other Employee Deductions. Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect to Company's employees generally.

5.8 Headings. The paragraph headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

5.9 Gender and Plurals. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

5.10 Successors. This Agreement shall be binding upon and inure to the benefit of Company and any successor of the Company, including without limitation any person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of Company by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party.

5.11 Term. This Agreement has a term co-extensive with the term of employment as set forth in paragraph 2.1. Termination shall not affect any right or obligation of any party which is accrued or vested prior to or upon such termination.

5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.4(iii), (ii) any signed written agreement heretofore or contemporaneously executed by Company and Executive with respect to Awards (as defined in the Incentive Plan) under the Incentive Plan, or (iii) any signed written agreement hereafter executed by Company and Executive, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Without limiting the scope of the preceding sentence, all prior understandings and agreements among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

5.13 Deemed Resignations. Any termination of Executive's employment shall constitute an automatic resignation of Executive as an officer of Company and each affiliate of Company, and an automatic resignation of Executive from the Board of Directors (if applicable) and from the board of directors of any affiliate of Company.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 15th day of November, 1995.

CONTINENTAL AIRLINES, INC.

By: /s/ Gordon M. Bethune
Name: Gordon M. Bethune
Title: Chief Executive Officer

"EXECUTIVE"

/s/ Jeffery A. Smisek
Jeffery A. Smisek

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment") is made by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and Jeffery A. Smisek ("Executive").

WITNESSETH:

WHEREAS, Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of November 15, 1995 (the "Existing Agreement"); and

WHEREAS, the Human Resources Committee of the Board of

Directors of the Company, on April 17, 1996, authorized the execution and delivery on behalf of the Company of this Amendment; and

WHEREAS, Company and Executive desire to amend the Existing Agreement as hereinafter set forth;

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and obligations contained herein, Company and Executive agree as follows:

1. Paragraph 2.1 of the Existing Agreement is hereby amended to read in its entirety as follows:

> "2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for a four-year period beginning on the Effective Date."

2. Paragraph 4.3 of the Existing Agreement is hereby amended to read in its entirety as follows:

> "4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime and, if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi), then Company shall provide Executive with the payments and benefits described in clauses (a), (c) and (d) of paragraph 4.2."

3. Paragraph 4.7(ii) of the Existing Agreement is hereby amended to read in its entirety as follows:

> "(ii) "Change in Control" shall have the meaning assigned to such term in the Incentive Plan (as amended by the Board of Directors on April 19, 1996 and in effect on such date);"

4. Contemporaneously with his execution and delivery hereof, Executive is executing and delivering to the Company a Waiver and Amendment to Employee Stock Option Grant and a Waiver and Amendment to Restricted Stock Grant in the forms thereof previously approved by the Human Resources Committee of the Board of Directors of the Company.

5. The Existing Agreement, as amended by this Amendment, is hereby ratified and confirmed and shall continue in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the 19th day of April, 1996.

CONTINENTAL AIRLINES, INC.

By: /s/ Gordon M. Bethune
Name: Gordon M. Bethune
Title: Chief Executive Officer

EXECUTIVE

/s/ Jeffery A. Smisek

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment") is made by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and Jeffery A. Smisek ("Executive").

WITNESSETH:

WHEREAS, Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of November 15, 1995, as amended by Amendment to Employment Agreement dated as of April 19, 1996 (the "Existing Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors of the Company, on September 30, 1996, authorized the execution and delivery on behalf of the Company of this Amendment; and

WHEREAS, Company and Executive desire to amend the Existing Agreement as hereinafter set forth;

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and obligations contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Executive agree as follows:

1. Paragraph 4.7(i) of the Existing Agreement is hereby amended to read in its entirety as follows:

> "(i) "Annualized Compensation" shall mean an amount equal to the sum of (1) Executive's annual base salary pursuant to paragraph 3.1 in effect immediately prior to Executive's termination of employment hereunder and (2) a deemed annual bonus which shall be equal to the Bonus Percentage of the amount described in clause (1) of this paragraph 4.7(i). The "Bonus Percentage" shall be a percentage equal to the annual percentage of base salary (i.e., 0% to 125%) paid or payable to a participant under the Company's Executive Bonus Program (and its predecessor or any successor plan or program) with respect to the most recent fiscal year ended prior to Executive's termination of employment; provided that, with respect to fiscal year 1996 only, no amount attributable to the 25% cash bonus paid January 2, 1996 and approved by the Human Resources Committee of the Board of Directors of the Company at its meeting on November 2, 1995 shall be included in the Bonus Percentage."

2. The Existing Agreement, as amended by this Amendment, is hereby ratified and confirmed and shall continue in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the 30th day of September, 1996.

CONTINENTAL AIRLINES, INC.

By: /s/ Gordon M. Bethune
Name: Gordon M. Bethune
Title: Chief Executive Officer

EXECUTIVE

/s/ Jeffery A. Smisek

Exhibit 10.3

Supplemental Agreement No. 2

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 March 5, 1997, 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 737-500, 737-600, 737-700 and 737-800 aircraft (the Agreement);

WHEREAS, Buyer has exercised a Model 737-700 for Model 737-800 substitution right; Boeing and Buyer have reached agreement on the configuration for the Model 737-700 and Model 737-800 Aircraft; and have agreed on [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURIITES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]; and

WHEREAS, Boeing and Buyer have agreed to amend the Agreement to incorporate the effect of 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:

Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 2.

2. Articles:

Remove and replace, in its entirety, "Article 3. Price of Aircraft", with "Article 3. Price of Aircraft" attached hereto, to incorporate the new Special Features and Basic Price for the Model 737-724 and Model 737-824 Aircraft that result from incorporating Exhibits A-1 and A-2 into the Agreement.

3. Table 1:

Remove and replace, in its entirety, "Table 1. Aircraft Deliveries and Description", with "Table 1. Aircraft Deliveries and Description" attached hereto, to reflect the substitution of eight Model 737-724 Aircraft for eight previously selected Model 737-824 Aircraft, change BFE to SPE and incorporate the latest escalation estimates into the calculation of the Advance Payment Base Prices.

4. Exhibits:

Remove and replace, in their entirety, Exhibits A-1 and A-2, entitled "Aircraft Configuration", with Exhibits A-1 and A-2 attached hereto, to incorporate the special features selected by Buyer for the Model 737-724 and Model 737-824 Aircraft.

5. Letter Agreements:

5.1 Remove and replace, in its entirety, Letter Agreement 1951-2R1, "Seller Purchased Equipment", with Letter Agreement 1951-2R2, "Seller Purchased Equipment", to incorporate into the letter agreement the estimated dollar value for the SPE for the Model 737-500, 737-600 and 737-800.

5.2 Add Letter Agreement 6-1162-GOC-015, attached hereto, to document the agreement with respect to Change Request 0221CG3017, Category IIIA landings.

5.3 Remove and replace, in its entirety, Letter Agreement [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURIITES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to incorporate into the letter agreement [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURIITES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] requested by Buyer.

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

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

THE BOEING COMPANY	CONTINENTAL AIRLINES, INC.
By: Gunar Clem	By: Brian Davis
Its: Attorney-In-Fact	Its: Vice President

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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
	COMMISSION PURSUANT TO
Aircraft Basic Price	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 OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]
Special Features	
Aircraft Basic Price	

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

Table 1 to
Purchase Agreement 1951
Airraft Deliveries and Descriptions
Model 737-500 Aircraft
CFM56-3C1 Engines
Detail Specification No. D6-38606-11 dated March 1, 1996
Exhibit A-4

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

AIRCRAFT CONFIGURATION

Dated March 5, 1997
relating to

BOEING MODEL 737-724 AIRCRAFT

Exhibit A-1

The Detail Specification is Customer Detail Specification D6-38808-42 dated as of January 6, 1997. 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 and Master Changes listed below, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Change Requests and Master Changes are set forth in Boeing Document D6-39049. 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, except such Aircraft Basic Price will not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

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

0110CG3021
MODEL 737-700 AIRPLANE

0221CG3017
CATEGORY IIIA (50 FOOT DECISION HEIGHT)
AUTOMATIC APPROACH AND LANDING - FAA

0225CH3026
EXTENDED TWIN-ENGINE OPERATIONS (ETOPS) -
NEW GENERATION 737 AIRPLANES

0252CG3037
ENGLISH UNITS FOR FLIGHT MANUAL, OPERATIONS
MANUAL, FUEL QUANTITY SYSTEM, CDS
INDICATIONS, AND FMCS WEIGHTS

0253CH3097
CHANGE BUYER FURNISHED EQUIPMENT (BFE) TO SELLER PURCHASED EQUIPMENT (SPE) - PASSENGER SEATS AND GALLEYS

2130CG3039
600 FPM CABIN PRESSURE ASCENT RATE

2130CG3040
350 FPM CABIN PRESSURE DESCENT RATE

2160CG3017
CABIN TEMPERATURE INDICATOR - DEGREES CELSIUS

2210CG3197
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) - GLIDE SLOPE CAPTURE INHIBIT BEFORE LOCALIZER CAPTURE

2210CG3209
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) - AUTOPILOT ENGAGE MODE CONTROL PANEL

2210CG3235
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) - ACTIVATION - ALTITUDE ALERT - 300/900 FEET, FIXED ALERT

2210CG3237
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) - ACTIVATION - FLIGHT DIRECTOR TAKEOFF MODE, WINGS LEVEL

2310CH3027
RADIO TUNING PANELS (RTP) - INSTALLATION - BFE GABLES P/N G7404-04

2311CH3444
HF COMMUNICATIONS - PARTIAL PROVISIONS FOR DUAL ARINC 753 DATALINK CAPABILITIES

2311CH3445
HF COMMUNICATIONS - DUAL ALLIEDSIGNAL ARINC 719/753 HF DATA RADIOS (HF DATALINK DEACTIVATED)

2312CH3403
TRIPLE VHF COMMUNICATIONS (064-50000-0101) WITH 8.33KHZ FREQUENCY SPACING CAPABILITY (DEACTIVATED) - INSTALLATION - BFE ALLIEDSIGNAL

2321CG3528
SELCAL DECODER - INSTALLATION - BFE-MOTOROLA

2321CG3529
SELCAL CONTROL PANEL - INSTALLATION - GABLES WITH FIVE INDIVIDUAL CHANNEL ANNUNCIATIONS-BFE

2321MP3558
SELCAL DECODER - INSTALLATION - BFE-COLTECH IN LIEU OF BFE - MOTOROLA

2322CH3411

COMMUNICATIONS MANAGEMENT UNIT (CMU) -
PARTIAL PROVISIONS FOR DUAL - ARINC 758

2331CH3179
PA HANDSET INSTALLATION IN FLIGHT DECK
AISLE STAND

2332CH3446
VIDEO ENTERTAINMENT SYSTEM "VIDEO ON" LIGHT
- INSTALLATION - FLIGHT COMPARTMENT

2332MP3550
VIDEO ENTERTAINMENT SYSTEM "VIDEO ON" LIGHT
- DELETE INSTALLATION - FLIGHT COMPARTMENT

2350CH3153
FLIGHT COMPARTMENT AUDIO MUTING REVISION -
ONE SIDE MUTING

2350CG3158 NC
CONTROL WHEEL INTERPHONE SWITCH - REVISION
- SPRING LOADED TO OFF

2350CH3163
DIGITAL AUDIO REMOTE ELECTRONICS UNIT
REVISION TO DELETE HEADSET AURAL ALERTS

2350CG3184
AUDIO SELECTOR PANEL - INSTALLATION - 3
VHF/2HF (P/N 10-62090-64)

2350CH3206
AUDIO SELECTOR PANEL RELOCATION FROM AFT
ELECTRONICS PANEL TO THE CAPTAIN'S AND
FIRST OFFICER'S SIDEWALL PANEL

2350CH3207
INTERPHONE - BFE MICROPHONES, BOOM
MIC/HEADSETS, AND HEADPHONES - REVISION

2370CH3183
SOLID STATE VOICE RECORDER WITH TWO HOUR
RECORDING CAPABILITY - INSTALLATION - BFE
ALLIEDSIGNAL

2370MP3203
SOLID STATE VOICE RECORDER - INSTALLATION -
LORAL FAIRCHILD IN LIEU OF BFE ALLIED SIGNAL

2433CH3150
STANDBY POWER - CAPACITY INCREASE AND LOADS
ADDITION - INCLUDING FMS - 30-MINUTE CAPABILITY

2450CH3159
PASSENGER CABIN - PARTIAL WIRING PROVISIONS
- 115VAC, 60HZ

2450MP3166
PASSENGER CABIN - DELETE PARTIAL WIRING
PROVISIONS - 115VAC, 60HZ

2520CH3816
BFE BULKHEAD DECORATIVE MURALS - TAPIS
"ULTRA LEATHER HP"

2520CH3818
INTERIOR ARRANGEMENT - 12 FIRST CLASS, 112
TOURIST CLASS

2524CH3511
FULL HEIGHT SPE CLOSET - FORWARD LEFT HAND

2528CH3212
LOCKABLE OVERHEAD STOWAGE COMPARTMENT USING FLIGHT COMPARTMENT DOOR KEY - ADDITION

2530CH3625
GALLEY WORK DECK - COMPOSITE MATERIAL

2530CH3635
FORWARD GALLEY G1 INSTALLATION - AFT FOOTPRINT STA 293.00

2530CH3636
FORWARD GALLEY G2 INSTALLATION - AFT FOOTPRINT STA 366.00

2541CH3043
LIQUID SOAP DISPENSER - LAVATORY

2541CH3047
INSTALLATION OF AMENITIES TRAY IN LAVATORY MODULE

2550CG3208
CARGO COMPARTMENT NETS WITH NYLON TYPE WEB SUPPORTS FOR 737-700

2550CG3217
FWD AND AFT CARGO COMPARTMENT FLOOR PANELS - ALL ALUMINUM FOR 737-700

2550CG3224
FWD AND AFT CARGO COMPARTMENT LINING - HEAVIER GAGE FIBERGLASS FOR 737-700

2564CH3095
RETRACTABLE EMERGENCY EQUIPMENT PANEL

2611CG3020
ENGINE AND APU FIRE/OVERHEAT DETECTION SYSTEM - WHITTAKER SAFETY SYSTEMS

2626CG3024
FIRE EXTINGUISHER - INSTALLATION

2841CG3095
FUEL QUANTITY INDICATORS ON RIGHT WING FUELING PANEL

2844CG3040
MEASURING STICK CONVERSION TABLES - POUNDS

2910CG3093
ENGINE DRIVEN HYDRAULIC PUMP WITH VESPEL SPLINE - ABEX

2910CG3097
AC MOTOR-DRIVEN HYDRAULIC PUMPS - INSTALLATION - ABEX

3131CG3673
ACCELEROMETER - INSTALLATION - BFE ALLIEDSIGNAL INC

3131CG3779

DIGITAL FLIGHT DATA ACQUISITION UNIT
(DFDAU) (P/N 2233000-85) WITH ACMS INTERFACES
AND INTERNAL OPTICAL DISKETTE DRIVE -

3131MP3734
OPTICAL QUICK ACCESS RECORDER INSTALLATION
EXISTING PARTIAL PROVISIONS - BFE PENNY AND GILES

3131MP3797
PARTIAL PROVISIONS FOR ARINC 591 QUICK
ACCESS RECORDER

3131CG3808
SOLID STATE DIGITAL FLIGHT DATA RECORDER -
INSTALLATION - BFE ALLIEDSIGNAL - 256 WPS

3131MP3847
SOLID STATE DIGITAL FLIGHT DATA RECORDER -
INSTALLATION - BFE LOCKHEED MARTIN - 256 WP
IN LIEU OF ALLIED SIGNAL

3131MP3856
ACCELEROMETER - INSTALLATION - BFE PATRIOT
AND CONTROLS CORPORATION IN LIEU OF BFE
ALLIED SIGNAL

3135CH3068
MILTOPE ARINC 744 MULTIPORT PRINTER - FULL
FORMAT - INSTALLATION - BFE

3162CG3013
EFIS/MAP DISPLAY FORMAT

3162CG3015
FLIGHT DIRECTOR COMMAND DISPLAY - SPLIT AXIS

3162CG3019
RADIO ALTITUDE DISPLAY - ROUND DIAL

3162CG3021
RADIO ALTITUDE - BELOW ADI

3162CG3022
RISING RUNWAY DISPLAY

3162CG3026
ATTITUDE COMPARATOR - STEADY

3162CG3028
SINGLE CHANNEL AUTOPILOT ANNUNCIATION (1 CH)

3162CG3029
LOCALIZER BACKCOURSE POLARITY - REVERSAL

3162CG3032
MAP MODE ORIENTATION - TRACK UP

3162CG3036
AUTOTUNED NAVAIDS - DISPLAYED

3162CG3038
MANUALLY TUNED VOR SELECTED COURSE LINES -
DISPLAYED

3162CG3040
ADF POINTER(S) IN MAP MODE - FULL TIME
DISPLAY

3162CG3042
POSITION DIFFERENCE - AUTOMATIC DISPLAY

3162CG3044
WEATHER RADAR RANGE INDICATORS - RANGE ARCS

3162CG3052
TCAS RESOLUTION ADVISORY ON ADI

3162CG3056
ANALOG FAILURE FLAGS - NOT DISPLAYED

3162CG3104
ENGINE INSTRUMENTS DISPLAY - SIDE BY SIDE
PRESENTATION ON UPPER DISPLAY UNIT

3162CH3135
ADDITIONAL TAKEOFF BUG - NOT DISPLAYED

3240CG3235
NOSE AND MAIN LANDING GEAR STANDARD
CAPACITY BRAKES AND HIGH GROSS WEIGHT
WHEELS - INSTALLATION - ALLIEDSIGNAL INC
FOR 737-600, -700

3244CG3007
PARKING BRAKE WARNING LIGHT INSTALLATION ON
EXTERNAL POWER CONNECTOR PANEL

3245CG3031
MAIN LANDING GEAR TIRES - INSTALLATION - SFE
- H44.5"X16.5"-21" -28 PLY FOR 737-600, 737-700

3310CH3020
KEEP OUT OF FLIGHT COMPARTMENT WARNING
LIGHT INSTALLATION

3320MP3039
INTERIOR LIGHTING - REVISION - COOL-WHITE
FLOURESCENT LAMPS IN LIEU OF WARM WHITE LAMPS

3342CG3024
NOSE GEAR TAXI LIGHT - INSTALLATION -
250-WATT

3343MP3044
EXTERNAL POSITION LIGHT SWITCH INSTALLATION
- FLIGHT DECK SWITCH CONVENTION

3351CH3030
FLOOR PROXIMITY EMERGENCY ESCAPE PATH
MARKING SYSTEM, SEAT MOUNTED - INSTALLATION
- BRUCE INDUSTRIES - SEATS AND GALLEYS ONLY

3412CG3078
AIR DATA COMPUTING - DUAL TAT PROBE

3430MP3054
MULTI-MODE RECEIVER (MMR) - PARTIAL
PROVISIONS FOR GLOBAL POSITIONING SYSTEM
INSTALLATION IN MMR

3430MP3060
MULTI-MODE RECEIVER (MMR) - INSTALLATION OF
ILS/GPS - BFE ROCKWELL INTERNATIONAL CORP

3433MP3070
LOW RANGE RADIO ALTIMETER (LRRA) -

INSTALLATION - BFE THOMSON -CSF

3443CH3165
ARINC 708 WEATHER RADAR SYSTEM - INSTALLATION
- BFE ROCKWELL INTERNATIONAL CORP (WITH DEACTIVATED
PREDICTIVE WINDSHEAR FEATURE)

3443CH3189
WEATHER RADAR SYSTEM - PARTIAL PROVISIONS
FOR PREDICTIVE WINDSHEAR FEATURE OF AN
ARINC 708A SINGLE WEATHER RADAR SYSTEM

3443MP3219
ARINC 708A WEATHER RADAR SYSTEM - INSTALLATION
BFE ALLIED SIGNALINC IN LIEU OF ROCKWELL (WITH
DEACTIVATED PREDICTIVE WINDSHEAR FEATURE R/T RDR-4B

3445CG3165
TCAS II - INSTALLATION - BFE HONEYWELL
INC/GABLES ENGINEERING INC

3446CH3127
GPWS RADIO ALTITUDE VOICE CALLOUTS - (100,
50, 30, 20, 10)

3446CH3128
GPWS FLAPS WARNING INHIBIT ONLY IN LIEU OF
SEPARATE SWITCHES FOR FLAPS INHIBIT AND
LANDING GEAR INHIBIT

3446MP3172
GPWS VOICE CALLOUT REVISION - "HALF" VOLUME
IN LIEU OF "FULL" VOLUME

3450MP3006
NAVIGATION SYSTEM - REVISION - ADF REMOVAL

3451CG3005
VOR/MARKER BEACON - INSTALLATION - BFE
ALLIEDSIGNAL INC

3455CG3119
DISTANCE MEASURING EQUIPMENT (DME) -
INSTALLATION - BFE ROCKWELL INTERNATIONAL
CORP (SCANNING)

3457CG3106
AUTOMATIC DIRECTION FINDER (ADF) - INSTALLATION
- BFE ROCKWELL INTERNATIONAL CORP

3457CG3135
AUTOMATIC DIRECTION FINDER (ADF) CONTROL
PANEL - INSTALLATION - BFE GABLES
ENGINEERING INC

3461CG3403
BUYER FURNISHED NAVIGATION DATA BASE

3461CG3424
FMC FLIGHT NUMBER ENTRY

3461CG3429
FMC POSITION UPDATE AND RUNWAY OFFSET UPON
TO/GA ACTIVATION (IN FEET)

3461CG3432
THRUST REDUCTION ALTITUDE - TAKEOFF PROFILE

3461CG3433
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RECEPTACLE

3461CG3465
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FLIGHT DATA ACQUISITION UNIT INTERFACE

3461CG3496
FMC -INSTALLATION OF A SECOND 4 MCU, UPDATE
10 FMC WITH 256K NAVIGATION DATA BASE INTO
EXISTING PARTIAL PROVISIONS

3461CG3498
FMC - ACTIVATION - 1 MEG NAVIGATION DATA BASE

3461CG3521
PORTABLE DATA LOADER CONNECTOR PANEL -
INSTALLATION

3461CH3562
FMC - ACTIVATION - RETENTION OF WAYPOINTS
AFTER DIRECT TO

3461CH3565
FMC - ACTIVATION - ACARS ARINC 724B
INTERFACE

3500CG3018
OXYGEN SYSTEM - ALL TUBING AND FITTINGS -
STAINLESS STEEL

3510CG3098
CREW OXYGEN CYLINDER - 114 CUBIC FEET

3510CG3102
CREW OXYGEN SYSTEM - CAPTAIN, FIRST
OFFICER, AND FIRST OBSERVER - BFE OXYGEN
MASK AND BFE SMOKE GOGGLES

3920CH3111
AUXILIARY E/E EQUIPMENT (E8) RACK
INSTALLATION

5200CG3021
HOLD OPEN LOCK INSTALLATION - ENTRY AND
SERVICE DOORS - DOWN TO RELEASE

5320CG3026
FIVE POUND ALUMINUM UNDERSEAT FLOOR PANELS
FOR 737-700

5352CH3008
RADOME REVISION - INSTALL BFE NORTON QUARTZ
RADOME IN LIEU OF STANDARD SFE RADOME VIA
SUPPLIER STC

7200CG3255
AIRPLANE PERFORMANCE: CFM56-7 ENGINES WITH
OPERATIONAL THRUST OF 24,000 LBS. FOR
737-700, -800

7200CG3281
SINGLE ANNULAR COMBUSTOR - CFM56-7 SERIES
ENGINES

7731CG3038
ENGINE VIBRATION MONITORING (EVM) SYSTEM

WITH ON-BOARD ENGINE TRIM BALANCE

7900CG3028
LUBRICATING OIL - MOBIL JET II

TOTAL

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

AIRCRAFT CONFIGURATION

Dated March 5, 1997

relating to

BOEING MODEL 737-824 AIRCRAFT

Exhibit A-2

The Detail Specification is Boeing Detail Specification D6-38808-43 dated January 6, 1997. 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 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 D6-39050. 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 on price, except such Aircraft Basic Price will not include the price effect of changing Buyer Furnished Equipment to Seller Purchased Equipment.

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

0110CG3022
MODEL 737-800 AIRPLANE

0221CG3017
CATEGORY IIIA (50 FOOT DECISION HEIGHT)
AUTOMATIC APPROACH AND LANDING - FAA

0225CH3026
EXTENDED TWIN-ENGINE OPERATIONS (ETOPS) -
NEW GENERATION 737 AIRPLANES

0252CG3030

CARGO COMPARTMENT PLACARDS - POUNDS AND KILOGRAMS PER SQUARE FOOT

0252CG3037
ENGLISH UNITS FOR FLIGHT MANUAL, OPERATIONS MANUAL, FUEL QUANTITY SYSTEM, CDS INDICATIONS, AND FMCS WEIGHTS

0253CH3097
CHANGE BUYER FURNISHED EQUIPMENT (BFE) TO SELLER PURCHASED EQUIPMENT (SPE) - PASSENGER SEATS AND GALLEYS

2130CG3039
600 FPM CABIN PRESSURE ASCENT RATE

2130CG3040
350 FPM CABIN PRESSURE DESCENT RATE

2160CG3017
CABIN TEMPERATURE INDICATOR - DEGREES CELSIUS

2210CG3197
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) - GLIDE SLOPE CAPTURE INHIBIT BEFORE LOCALIZER CAPTURE

2210CG3209
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) - AUTOPILOT ENGAGE MODE CONTROL PANEL

2210CG3235
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) - ACTIVATION - ALTITUDE ALERT - 300/900 FEET, FIXED ALERT

2210CG3237
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) - ACTIVATION - FLIGHT DIRECTOR TAKEOFF MODE, WINGS LEVEL

2310CH3027
RADIO TUNING PANELS (RTP) - INSTALLATION - BFE GABLES P/N G7404-04

2311CH3444
HF COMMUNICATIONS - PARTIAL PROVISIONS FOR DUAL ARINC 753 DATALINK CAPABILITIES

2311CH3446
HF COMMUNICATIONS - DUAL ROCKWELL ARINC 719/753 SYSTEM WITH HFS-900D DATA RADIOS (HF DATALINK DEACTIVATED)

2312CH3400
TRIPLE VHF COMMUNICATIONS (822-1047-002) WITH 8.33KHZ FREQUENCY SPACING CAPABILITY (DEACTIVATED) - INSTALLATION - BFE ROCKWELL

2321CG3527
SELCAL DECODER - INSTALLATION - BFE COLTECH INC

2321CG3529
SELCAL CONTROL PANEL - INSTALLATION - GABLES WITH FIVE INDIVIDUAL CHANNEL ANNUNCIATIONS-BFE

2322CH3411
COMMUNICATIONS MANAGEMENT UNIT (CMU) -
PARTIAL PROVISIONS FOR DUAL - ARINC 758

2331CH3179
PA HANDSET INSTALLATION IN FLIGHT DECK
AISLESTAND

2350CH3153
FLIGHT COMPARTMENT AUDIO MUTING REVISION -
ONE SIDE MUTING

2350CG3158
CONTROL WHEEL INTERPHONE SWITCH - REVISION
- SPRING LOADED TO OFF

2350CH3163
DIGITAL AUDIO REMOTE ELECTRONICS UNIT
REVISION TO DELETE HEADSET AURAL ALERTS

2350CG3184
AUDIO SELECTOR PANEL - INSTALLATION - 3
VHF/2HF (P/N 10-62090-64)

2350CH3206
AUDIO SELECTOR PANEL RELOCATION FROM AFT
ELECTRONICS PANEL TO THE CAPTAIN'S AND
FIRST OFFICER'S SIDEWALL PANEL

2350CH3207
INTERPHONE - BFE MICROPHONES, BOOM
MIC/HEADSETS, AND HEADPHONES - REVISION

2370CH3180
SOLID STATE VOICE RECORDER - INSTALLATION -
BFE LORAL FAIRCHILD

2433CH3150
STANDBY POWER - CAPACITY INCREASE AND LOADS
ADDITION - INCLUDING FMS - 30-MINUTE
CAPABILITY

2520CH3816
BFE BULKHEAD DECORATIVE MURALS - TAPIS
"ULTRA LEATHER HP"

2520CH3825
ALTERNATE INTERIOR ARRANGEMENT - 8 FIRST
CLASS, 153 TOURIST CLASS

2520CH3949
INTERIOR ARRANGEMENT - 14 FIRST CLASS, 141
TOURIST CLASS

2524CH3512
UNDERBIN SPE CLOSET - FORWARD LEFT HAND

2528CH3212
LOCKABLE OVERHEAD STOWAGE COMPARTMENT USING
FLIGHT COMPARTMENT DOOR KEY - ADDITION

2530CH3635
FORWARD GALLEY G1 INSTALLATION - AFT
FOOTPRINT STA 293.00

2530CH3636
FORWARD GALLEY G2 INSTALLATION - AFT

FOOTPRINT STA 366.00

2530CH3639
FORWARD GALLEY G7 INSTALLATION - AFT
FOOTPRINT STA 379.00

2541CH3043
LIQUID SOAP DISPENSER - LAVATORY

2541CH3047
INSTALLATION OF AMENITIES TRAY IN LAVATORY
MODULE

2550CG3210
CARGO COMPARTMENT NETS WITH NYLON TYPE WEB
SUPPORTS FOR 737-800

2550CG3220
FWD AND AFT CARGO COMPARTMENT FLOOR PANELS
- ALL ALUMINUM FOR 737-800

2550CG3226
FWD AND AFT CARGO COMPARTMENT LINING -
HEAVIER GAGE FIBERGLASS FOR 737-800

2564CH3095
RETRACTABLE EMERGENCY EQUIPMENT PANEL

2611CG3020
ENGINE AND APU FIRE/OVERHEAT DETECTION
SYSTEM - WHITTAKER SAFETY SYSTEMS

2626CG3024
FIRE EXTINGUISHER - INSTALLATION

2841CG3095
FUEL QUANTITY INDICATORS ON RIGHT WING
FUELING PANEL

2844CG3040
MEASURING STICK CONVERSION TABLES - POUNDS

2910CG3093
ENGINE DRIVEN HYDRAULIC PUMP WITH VESPEL
SPLINE - ABEX

2910CG3097
AC MOTOR-DRIVEN HYDRAULIC PUMPS -
INSTALLATION - ABEX

3131CH3734
OPTICAL QUICK ACCESS RECORDER INSTALLATION
INTO EXISTING PARTIAL PROVISIONS - BFE
PENNY AND GILES

3131CG3765
ACCELEROMETER - INSTALLATION - BFE PATRIOT
SENSORS AND CONTROLS CORPORATION

3131CG3777
DIGITAL FLIGHT DATA ACQUISITION UNIT
(DFDAU) (P/N 2233000-82) WITH ACMS
INTERFACES - INSTALLATION - BFE-TELEDYNE
CONTROLS

3131CH3797
PARTIAL PROVISIONS FOR ARINC 591 QUICK
ACCESS RECORDER

3135CH3068
$6,800
MILTOPE ARINC 744 MULTIPORT PRINTER - FULL FORMAT - INSTALLATION - BFE

3162CG3013
EFIS/MAP DISPLAY FORMAT

3162CG3015
FLIGHT DIRECTOR COMMAND DISPLAY - SPLIT AXIS

3162CG3019
RADIO ALTITUDE DISPLAY - ROUND DIAL

3162CG3021
RADIO ALTITUDE - BELOW ADI

3162CG3022
RISING RUNWAY DISPLAY

3162CG3026
ATTITUDE COMPARATOR - STEADY

3162CG3028
SINGLE CHANNEL AUTOPILOT ANNUNCIATION (1 CH)

3162CG3029
LOCALIZER BACKCOURSE POLARITY - REVERSAL

3162CG3032
MAP MODE ORIENTATION - TRACK UP

3162CG3036
AUTOTUNED NAVAIDS - DISPLAYED

3162CG3038
MANUALLY TUNED VOR SELECTED COURSE LINES - DISPLAYED

3162CG3040
ADF POINTER(S) IN MAP MODE - FULL TIME DISPLAY

3162CG3042
POSITION DIFFERENCE - AUTOMATIC DISPLAY

3162CG3044
WEATHER RADAR RANGE INDICATORS - RANGE ARCS

3162CG3052
TCAS RESOLUTION ADVISORY ON ADI

3162CG3056
ANALOG FAILURE FLAGS - NOT DISPLAYED

3162CG3104
ENGINE INSTRUMENTS DISPLAY - SIDE BY SIDE PRESENTATION ON UPPER DISPLAY UNIT

3162CH3135
ADDITIONAL TAKEOFF BUG - NOT DISPLAYED

3240CG3228
NOSE AND MAIN LANDING GEAR WHEELS AND BRAKES - INSTALLATION - ALLIEDSIGNAL INC

FOR 737-800

3244CG3007
PARKING BRAKE WARNING LIGHT INSTALLATION ON EXTERNAL POWER CONNECTOR PANEL

3245CG3040
BIAS NOSE LANDING GEAR TIRES - 27X7.75-15 - INSTALLATION - SFE

3310CH3020
KEEP OUT OF FLIGHT COMPARTMENT WARNING LIGHT INSTALLATION

3342CG3024
NOSE GEAR TAXI LIGHT - INSTALLATION - 250-WATT

3343CH3043
EXTERNAL POSITION LIGHT SWITCH INSTALLATION - FLIGHT DECK SWITCH CONVENTION

3351CH3030
FLOOR PROXIMITY EMERGENCY ESCAPE PATH MARKING SYSTEM, SEAT MOUNTED - INSTALLATION - BRUCE INDUSTRIES - SEATS AND GALLEYS ONLY

3412CG3078
AIR DATA COMPUTING - DUAL TAT PROBE

3430CG3054
MULTI-MODE RECEIVER (MMR) - PARTIAL PROVISIONS FOR GLOBAL POSITIONING SYSTEM INSTALLATION IN MMR

3430CG3060
MULTI-MODE RECEIVER (MMR) - INSTALLATION OF ILS/GPS - BFE ROCKWELL INTERNATIONAL CORP

3433CG3056
LOW RANGE RADIO ALTIMETER (LRRA) - INSTALLATION - BFE THOMSON -CSF

3443CH3154
ARINC 708 WEATHER RADAR SYSTEM - INSTALLATION - BFE ALLIEDSIGNAL INC (WITH DEACTIVATED PREDICTIVE WINDSHEAR FEATURE R/T RDR-4B)

3443CH3189
WEATHER RADAR SYSTEM - PARTIAL PROVISIONS FOR PREDICTIVE WINDSHEAR FEATURE OF AN ARINC 708A SINGLE WEATHER RADAR SYSTEM

3445CG3167
TCAS II - INSTALLATION - BFE ALLIEDSIGNAL INC

3446CH3127
GPWS RADIO ALTITUDE VOICE CALLOUTS - (100, 50, 30, 20, 10)

3446CH3128
GPWS FLAPS WARNING INHIBIT ONLY IN LIEU OF SEPARATE SWITCHES FOR FLAPS INHIBIT AND LANDING GEAR INHIBIT

3446CH3129

GPWS VOICE CALLOUT REVISION - "HALF" VOLUME
IN LIEU OF "FULL" VOLUME

3451CG3006
VOR/MARKER BEACON - INSTALLATION - BFE
ROCKWELL INTERNATIONAL CORP

3455CG3119
DISTANCE MEASURING EQUIPMENT (DME) -
INSTALLATION - BFE ROCKWELL INTERNATIONAL
CORP (SCANNING)

3457CH3152
NAVIGATION SYSTEM - ADF REMOVAL

3461CG3403
BUYER FURNISHED NAVIGATION DATA BASE

3461CG3424
FMC FLIGHT NUMBER ENTRY

3461CG3425
FMC TEMPERATURE SELECTION - DEGREES F
DEFAULT

3461CG3429
FMC POSITION UPDATE AND RUNWAY OFFSET UPON
TO/GA ACTIVATION (IN FEET)

3461CG3432
THRUST REDUCTION ALTITUDE - TAKEOFF PROFILE

3461CG3433
FMS BUILT-IN TEST EQUIPMENT PRINTER
RECEPTACLE

3461CG3465
MULTIPURPOSE CDU WITH FMC, ACARS, AND
FLIGHT DATA ACQUISITION UNIT INTERFACE

3461CG3496
FMC -INSTALLATION OF A SECOND 4 MCU, UPDATE
10 FMC WITH 256K NAVIGATION DATA BASE INTO
EXISTING PARTIAL PROVISIONS

3461CG3498
FMC - ACTIVATION - 1 MEG NAVIGATION DATA
BASE

3461CG3521
PORTABLE DATA LOADER CONNECTOR PANEL -
INSTALLATION

3461CH3562
FMC - ACTIVATION - RETENTION OF WAYPOINTS
AFTER DIRECT TO

3461CH3565
FMC - ACTIVATION - ACARS ARINC 724B
INTERFACE

3500CG3018
OXYGEN SYSTEM - ALL TUBING AND FITTINGS -
STAINLESS STEEL

3510CG3098
CREW OXYGEN CYLINDER - 114 CUBIC FEET

3510CG3102
CREW OXYGEN SYSTEM - CAPTAIN, FIRST OFFICER, AND FIRST OBSERVER - BFE OXYGEN MASK AND BFE SMOKE GOGGLES

3920CH3111
AUXILIARY E/E EQUIPMENT (E8) RACK INSTALLATION

5200CG3021
HOLD OPEN LOCK INSTALLATION - ENTRY AND SERVICE DOORS - DOWN TO RELEASE

5320CG3027
FIVE POUND ALUMINUM UNDERSEAT FLOOR PANELS FOR 737-800

7200CG3246
AIRPLANE PERFORMANCE: CFM56-7 ENGINES WITH OPERATIONAL THRUST OF 26,400 LBS. FOR 737-800

7200CG3281
SINGLE ANNULAR COMBUSTOR - CFM56-7 SERIES ENGINES

7731CG3038
ENGINE VIBRATION MONITORING (EVM) SYSTEM WITH ON-BOARD ENGINE TRIM BALANCE

7900CG3028
LUBRICATING OIL - MOBIL JET II

TOTAL AMOUNT FOR SPECIAL FEATURES

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

1951-2R2
March 5,1997

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

Subject: Letter Agreement No. 1951-2R2 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 1951-2R1 dated October 10, 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, expressed in 1995 U.S. dollars, is listed below.

Model	Estimated Price for SPE (1995$)

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURIITES 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 selection 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 Gunar Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO as of this

Date: March 5, 1997.

CONTINENTAL AIRLINES, INC.

By Brian Davis

Its Vice President

6-1162-GOC-015
March 5, 1997

CONTINENTAL AIRLINES, INC.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-GOC-015 to
Purchase Agreement No. 1951 -
Category III A Landing Feature

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).

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

Special Consideration for Cat III A Landing Feature

In the event that Buyer elects to have the Category III A landing capability (Change Request 0221CG3017) installed on an Aircraft at time of delivery, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURIITES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

In the event that Buyer elects to install the Category III A landing feature as a post delivery modification, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURIITES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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

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.

Very truly yours,

THE BOEING COMPANY

By Gunar Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 5, 1997

CONTINENTAL AIRLINES, INC.

By Brian Davis

Its Vice President

6-1162-MMF-379R1
March 5, 1997

CONTINENTAL AIRLINES, INC.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-MMF-379R1 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURIITES 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). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-379 dated October 10, 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 SECURIITES 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   Gunar Clem

Its   Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 5, 1997

CONTINENTAL AIRLINES, INC.

By   Brian Davis

Its   Vice President

Attachment

Attachment A to Letter Agreement
No. 6-1162-MMF-379R1
CFM56-7B18 Engines
Page 1

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

Exhibit 10.4

6-1162-GOC-044
March 21, 1997

CONTINENTAL AIRLINES, INC.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1162-GOC-044 to Purchase Agreement No. 1783 - Application of Advance Payments

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 Model 757-224 aircraft.

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

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

Boeing has received and is holding advance payments for Model 737 aircraft to be delivered to Buyer under Purchase Agreement No. 1951 (Advance Payments). In order to complete the delivery of Model 757 aircraft designated as Tab Block ND318, Manufacturer's serial number 27560, on March 21, 1997, (Aircraft ND318) and in consideration of Buyer's commitment to pay the balance due at the time of delivery, Boeing may apply [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] of the Advance Payments against the balance due on Aircraft ND318.

Buyer agrees to reimburse Boeing on March 24, 1997, the amount of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] plus interest on that amount for the period between March 21 and March 24, 1997, with the interest to be calculated as described in paragraph 5 of Letter Agreement 6-1162-WLJ-375R4.

Very truly yours,

THE BOEING COMPANY

Original signed by:

By Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 21, 1997

CONTINENTAL AIRLINES, INC.

Original signed by:

By Jeffery M. Smisek

Its Executive Vice President and
General Counsel

CONTINENTAL AIRLINES, INC.
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended March 31, 1997 (Unaudited)	Three Months Ended March 31, 1996 (Unaudited)
Primary:		
Weighted average shares outstanding.	56,762,718	52,973,838
Dilutive effect of outstanding stock options, warrants and restricted stock grants (as determined by the application of the treasury stock method) . . .	7,593,458	11,095,314
Weighted average number of common shares outstanding, as adjusted . .	64,356,176	64,069,152
Income applicable to common shares (in millions).	$ 73	$ 87
Per share amount	$ 1.13	$ 1.35

CONTINENTAL AIRLINES, INC.
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended March 31, 1997 (Unaudited)	Three Months Ended March 31, 1996 (Unaudited)
Fully diluted:		
Weighted average shares outstanding.	56,762,718	52,973,838
Dilutive effect of outstanding stock options, warrants and restricted stock grants (as determined by the application of the treasury stock method) . . .	8,074,494	12,242,754
Dilutive effect of convertible debentures.	-	2,575,330
Dilutive effect of 8-1/2% convertible trust originated preferred securities.	10,332,920	10,332,920
Dilutive effect of 6-3/4% convertible subordinated notes. . .	7,617,155	502,230

Weighted average number of common

shares outstanding, as adjusted . .	82,787,287	78,627,072
Income applicable to common shares (in millions).	$ 73	$ 87
Add interest expense associated with the assumed conversion of 8-1/2% convertible trust originated preferred securities, net of federal income tax effect (in millions)	3	6
Add interest expense associated with the assumed conversion of 6-3/4% convertible subordinated notes, net of federal income tax effect (in millions).	3	-
Income, as adjusted (in millions). .	$ 79	$ 93
Per share amount	$ 0.95	$ 1.18

<ARTICLE> 5

<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	MAR-31-1997
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<CURRENT-LIABILITIES>	2160
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<OTHER-SE>	659
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<SALES>	1698
<TOTAL-REVENUES>	1698
<CGS>	0
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<OTHER-EXPENSES>	1552
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	42
<INCOME-PRETAX>	124
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<INCOME-CONTINUING>	74
<DISCONTINUED>	0
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<CHANGES>	0
<NET-INCOME>	74
<EPS-PRIMARY>	1.13
<EPS-DILUTED>	0.95