

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

OR

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

0-9781  
(Commission File Number)

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the registrant was \$3.2 billion as of March 11, 1998.

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

As of March 11, 1998, 8,379,464 shares of Class A Common Stock and 50,951,663 shares of Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE  
Proxy Statement for Annual Meeting  
of Stockholders to be held on May 21, 1998: PART III

PART I

ITEM 1. BUSINESS.

Continental Airlines, Inc. (the "Company" or "Continental") is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by 1997 revenue passenger miles) and, together with its wholly owned subsidiaries, Continental Express, Inc. ("Express") and Continental Micronesia, Inc. ("CMI"), each a Delaware corporation, serves 191 airports worldwide. As of March 1, 1998, Continental flies to 125 domestic and 66 international destinations and offers additional connecting service through alliances with domestic and foreign carriers. Continental directly serves 10 European cities and is one of the leading airlines providing service to Mexico and Central America, serving more destinations there than any other United States airline. Continental currently flies to seven cities in South America. Through its Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

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

#### Continental/Northwest Alliance and Related Agreements

On January 26, 1998, the Company announced that, in connection with an agreement by Air Partners, L.P. ("Air Partners") to dispose of its interest in the Company to an affiliate of Northwest Airlines, Inc. ("Northwest"), the Company had entered into a long-term global alliance with Northwest ("Northwest Alliance") involving schedule coordination, frequent flyer reciprocity, executive lounge access, airport facility coordination, code-sharing, the formation of a joint venture among the two carriers and KLM Royal Dutch Airlines ("KLM") with respect to their trans-Atlantic services, cooperation regarding other alliance partners of the two carriers and regional alliance development, certain coordinated sales programs, preferred reservations displays and other activities.

The Northwest Alliance is expected to be phased in over a multi-year period. A significant portion of the alliance activities will commence promptly. Code-sharing will commence, subject to governmental approvals, with the Company initially placing its designator code on all of Northwest's international flights (other than its trans-Atlantic flights) and those Northwest domestic flights which create international connecting itineraries to and from Latin America. Thereafter, subject to governmental approval and approval by Northwest's pilots under their collective bargaining agreement, (i) Northwest and the Company anticipate entering into a joint venture among themselves and KLM with respect to their respective trans-Atlantic flights, (ii) Northwest anticipates placing its designator code on substantially all of the Company's other international flights, and (iii) Northwest and the Company each anticipate placing their respective designator codes on substantially all of the other carrier's domestic flights.

The Company estimates that the alliance, when fully phased in over a three-year period, will generate in excess of \$500 million in additional annual pre-tax operating income for the carriers, and anticipates that approximately 45% of such pre-tax operating income will accrue to the Company. The Company believes that a significant portion of the alliance synergies allocable to the Company can be achieved even without the activities which are subject to approval of Northwest's pilots.

The Company also announced on January 26, 1998 that Air Partners, the holder of approximately 14% of the Company's equity and approximately 51% of its voting power (after giving effect to the exercise of warrants), had entered into an agreement to dispose of its interest in the Company to an affiliate of Northwest (the "Air Partners Transaction"). The Air Partners Transaction is subject to, among other matters, governmental approval and expiration of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The agreement also extends to an affiliate of Air Partners a right of first offer to purchase certain shares of Class A common stock of the Company to be acquired by Northwest or its affiliates if such entities intend to

dispose of those securities prior to the fifth anniversary of the closing of the Air Partners Transaction.

In connection with the Air Partners Transaction, the Company entered into a corporate governance agreement with certain affiliates of Northwest (the "Northwest Parties") designed to assure the independence of the Company's board and management during the six-year term of the governance agreement. Under the corporate governance agreement, as amended, the Northwest Parties have agreed not to beneficially own voting securities of the Company in excess of 50.1% of the fully diluted voting power of the Company's voting securities, subject to certain exceptions involving third-party acquisitions or tender offers for 15% or more of the voting power of the Company's voting securities and a limited exception permitting a one-time ownership of approximately 50.4% of the fully diluted voting power. The Northwest Parties have agreed to deposit all voting securities of the Company beneficially owned by them in a voting trust with an independent voting trustee requiring that such securities be voted (i) on all matters other than the election of directors, either as recommended by the Company's board of directors (a majority of whom must be independent directors as defined in the agreement) or in the same proportion as the votes cast by other holders of voting securities, and (ii) in the election of directors, for the election of independent directors nominated by the board of directors; provided, that in the event of a merger or similar business combination or a recapitalization, liquidation or similar transaction, a sale of all or substantially all of the Company's assets, or an issuance of voting securities which would represent more than 20% of the voting power of the Company prior to issuance, or any amendment of the Company's charter or by-laws that would materially and adversely affect Northwest, the shares may be voted as directed by the Northwest Party owning such shares, and if a third party is soliciting proxies in connection with an election of directors, the shares may be voted at the option of such Northwest Party either as recommended by the Company's board of directors or in the same proportion as the votes cast by the other holders of voting securities.

The Northwest Parties have also agreed to certain restrictions on the transfer of voting securities owned by them, have agreed not to seek to affect or influence the Company's board of directors or the control of the management of the Company or the business, operations, affairs, financial matters or policies of the Company or to take certain other actions, and have agreed to take all actions as are necessary to cause independent directors to at all times constitute at least a majority of the Company's board of directors. The Company has agreed to cause one designee of a Northwest Party reasonably acceptable to the board of directors to be appointed to the Company's board, and has agreed to grant preemptive rights to a Northwest Party with respect to certain issuances of Class A common stock and Class B common stock. The Northwest Parties have agreed that certain specified actions, together with any material transactions between the Company and Northwest or its affiliates, including any modifications or waivers of the corporate governance agreement and the alliance agreement, may not be taken without the prior approval of a majority of the board of directors, including the affirmative vote of a majority of the independent directors. The governance agreement also provides for the Company to adopt a shareholder rights plan with reasonably customary terms and conditions, with an acquiring person threshold of 15% and with appropriate exceptions for the Northwest Parties for actions permitted by and taken in compliance with the corporate governance agreement.

The corporate governance agreement provides that, if after three years Northwest's pilots have not consented to those portions of the alliance agreement requiring their consent and the Company, at its election, then chooses to terminate the alliance agreement, the Northwest Parties can elect either to dispose of their shares in the Company or negotiate with a committee of independent directors of the Company regarding a merger. If a merger agreement cannot be reached within six months of the establishment of the committee, certain appraisal procedures are specified. If upon completion of the appraisal procedures, Northwest is unwilling to enter into a merger agreement at the value for the shares not held by the Northwest Parties determined by such appraisal procedures, then the Northwest Parties must sell their voting securities, and if the Company and the committee are unwilling to approve a merger agreement at such value, then the corporate governance agreement (except for certain provisions requiring continuing independent

directors and approval by a majority of such independent directors of material transactions between the Company and the Northwest Parties) will expire.

The corporate governance agreement will otherwise expire after the sixth anniversary of the date of closing of the Air Partners Transaction, or if earlier, upon the date that the Northwest Parties cease to beneficially own voting securities representing at least 10% of the fully diluted voting power of the Company's voting securities. Upon a termination of the above described terms of the governance agreement, the Northwest Parties must nonetheless take such actions as are necessary to cause the Company's board of directors to at all times include at least five directors who are independent of and otherwise unaffiliated with Northwest or the Company and their respective affiliates, and any material transaction between the Company and Northwest or its affiliates, or relating to the governance agreement or the alliance agreement, may not be taken without prior approval thereof by a majority vote of the independent directors.

The alliance agreement provides that if after four years the Company has not entered into a code-share with KLM or is not legally able (but for aeropolitical restrictions) to enter into a new trans-Atlantic joint venture with KLM and Northwest and place its airline code on certain Northwest flights, Northwest can elect to (i) cause good faith negotiations among the Company, KLM and Northwest as to the impact, if any, on the contribution to the joint venture resulting from the absence of the code-share, and the Company will reimburse the joint venture for the amount of any loss until it enters into a code-share with KLM, or (ii) terminate (subject to cure rights of the Company) after one year's notice any or all of such alliance agreement and any or all of the agreements contemplated thereunder.

#### Business Strategy

In 1995, Continental implemented a plan, labeled the "Go Forward Plan", which was a "back to basics" approach focusing on improving profitability and financial condition, delivering a consistent, reliable, quality product to customers and improving employee morale and working conditions. The Company's 1998 strategic plan, as discussed below, retains the four basic components of the Go Forward Plan: Fly to Win, Fund the Future, Make Reliability a Reality and Working Together, with initiatives intended to build upon Continental's operational and strategic strengths.

#### Fly to Win

The Company's 1998 Fly to Win initiatives center around three principal themes: Grow Hub Operations, Improve Business/Leisure Mix and Strengthen its Alliance Network.

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

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

Improve Business/Leisure Mix. The Company's passenger load factors increased from 68.1% in 1996 to 70.9% in 1997, facilitating management of the business/leisure traveler mix on its aircraft. Since business travelers typically pay a higher fare (on a revenue-per-seat-mile basis) for the convenience of being able to make and change last minute travel plans, increases in business traffic contribute disproportionately to incremental profitability. Unrestricted business fares accounted for approximately 43.8% of the Company's domestic passenger revenue in 1997 compared to 42.8% in 1996 (excluding CMI and Express). Many of the Company's product and schedule improvements have been made to appeal to business travelers. The Company has invested in state-of-the-art revenue management and pricing systems to enhance its ability to manage its fare mix.

Strengthen its Alliance Network. Management believes that strengthening the Company's network of alliance partners will allow it to compete with larger global airline alliances, better leverage the Company's hub assets and result in improved returns to the Company. Focusing on strategic global alliances allows the Company to benefit from the strengths of its alliance partners in their local markets while reducing the Company's reliance on any individual alliance partner.

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

## Fund the Future

Having achieved its 1995 goals of building the Company's overall liquidity and improving its financial condition, management shifted its financial focus in 1996 and 1997 to target the Company's interest and lease expenses. Through refinancing and other initiatives, Continental has achieved substantial reductions in interest and lease expenses attributable to financing arrangements that were entered into when the Company was in a less favorable financial position.

In 1997 and early 1998, the Company completed a number of transactions intended to strengthen its long-term financial position and enhance earnings:

- - In March 1997, Continental completed an offering of \$707 million of pass-through certificates to be used 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 through April 1998.
- - In April 1997, Continental entered into 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% Cumulative Preferred Stock held by an affiliate of Air Canada for \$100 per share plus accrued dividends thereon. The redemption price, including accrued dividends, totaled \$48 million.
- - In June 1997, Continental purchased from Air Partners for \$94 million in cash warrants to purchase 3,842,542 shares of Class B common stock of the Company.
- - In June 1997, Continental completed an offering of \$155 million of pass-through certificates which were used to finance the acquisition of 10 aircraft previously leased by the Company.
- - In July 1997, Continental entered into a \$575 million credit facility, including \$350 million of term loans, \$275 million of which was loaned by Continental to its wholly owned subsidiary Air Micronesia, Inc. ("AMI"), reloaned by AMI to its wholly owned subsidiary, CMI, and used by CMI to repay its existing secured term loan. The facility also includes a \$225 million revolving credit facility.
- - In July 1997, the Company (i) purchased (a) the right of United Micronesia Development Association, Inc. ("UMDA") to receive future payments under a services agreement between UMDA and CMI and (b) UMDA's 9% interest in AMI, (ii) terminated the Company's obligations to UMDA under a settlement agreement entered into in 1987, and (iii) terminated substantially all of the other contractual arrangements between the Company, AMI and CMI, on the one hand, and UMDA on the other hand, for an aggregate consideration of \$73 million.
- - In September 1997, Continental completed an offering of \$89 million of pass-through certificates which were used to finance the debt portion of the acquisition cost of nine Embraer ERJ-145 ("ERJ-145") regional jets.
- - In October 1997, the Company completed an offering of \$752 million of pass-through certificates to be used to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 24 new Boeing aircraft scheduled to be delivered from April 1998 through November 1998.
- - In February 1998, the Company completed an offering of \$773 million of pass-through certificates to be used to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 24 aircraft scheduled to be delivered from February 1998 through December 1998.
- - In addition, during 1997 and the first quarter of 1998,

Continental completed several offerings totaling approximately \$291 million aggregate principal amount of tax-exempt special facilities revenue bonds to finance or refinance certain airport facility projects. These bonds are payable solely from rentals paid by Continental under long-term lease agreements with the respective governing bodies.

The focus in 1998 is to maintain stable cash balances while continuing to pay down debt, secure financing for aircraft deliveries in 1998 and 1999 and, under appropriate circumstances, buy back stock. The Company expects to continue, through refinancings and other initiatives, to eliminate excess interest and lease expenses.

#### Make Reliability a Reality

Customer service continues to be the focus in 1998. Management believes Continental's on-time performance record is crucial to its other operational objectives and, together with its baggage handling, customer satisfaction and involuntary denied boarding initiatives, is an important tool to attract higher-margin business travelers.

Continental's goal for 1998 is to be ranked monthly by the Department of Transportation ("DOT") among the top three major air carriers (excluding those airlines who do not report electronically) in on-time performance, baggage handling, customer satisfaction and involuntary denied boarding. For 1997, Continental ranked fifth in on-time performance, second in baggage handling, fourth in fewest customer complaints and first in fewest involuntary denied boardings. In 1997, bonuses of \$65 were paid to substantially all employees for each month that Continental ranked second or third or achieved 80% or above (for arrivals within 14 minutes) in on-time performance, and bonuses of \$100 were paid for each month that Continental ranked first among the top 10 U.S. air carriers in on-time performance. For 1997, a total of \$21 million of on-time bonuses was paid. This successful on-time performance bonus program continues in 1998.

In addition to programs intended to improve Continental's standings in DOT performance data, the Company has acted in a number of additional areas to enhance its attractiveness to business travelers and the travel agent community. Specifically, Continental implemented various initiatives designed to offer travelers cleaner and more attractive aircraft interiors, consistent interior and exterior decor, first class seating on all jet aircraft, better meals and greater benefits under its award-winning frequent flyer program. In 1996 and 1997, Continental continued to make product improvements, such as refurbished Presidents Clubs with specialty bars, and on-board specialty coffees and microbrewery beer, among others. In 1997, the Company switched to a new inflight telephone service provider that offers reliable air-to-ground telephone service on board its jet aircraft. The Company expects to complete the installation of inflight telephones on all its Stage 3 aircraft in 1998. The Company has also continued to refine its award-winning BusinessFirst service.

In January 1998, Continental launched its TransContinental service whereby passengers traveling coast-to-coast from Newark International Airport ("Newark International") will experience new enhancements on their flights, including new check-in options at nine New York locations, flexible meal options and door-to-door pick-up service. The focus in 1998 also includes the integration of Boeing 777 and 737-700/800 aircraft into the fleet and the enhancement of the entertainment equipment on board the fleet.

#### Working Together

Management believes that Continental's employees are its greatest asset, as well as the cornerstones of improved reliability and customer service. Management has introduced a variety of programs to increase employee participation and foster a sense of shared community. These initiatives include significant efforts to communicate openly and honestly with all employees through daily news bulletins, weekly voicemail updates from the Company's Chief Executive Officer, monthly and quarterly Continental publications, videotapes mailed to employees, and a Go Forward Plan bulletin board in over 600 locations system-wide. In addition, regularly scheduled visits to airports throughout the route system are made by the senior executives of the Company (each of whom is assigned an airport for this purpose). Monthly meetings open to all

employees, as well as other periodic on-site visits by management, are designed to encourage employee participation, knowledge and cooperation. Continental's goal for 1998 is to be ranked among the top three major air carriers in employee measures such as turnover, lost time, productivity and on-the-job injury claims.

In September 1997, Continental announced that it intends to bring all employees to industry standard wages over a three-year period. See "Employees" below.

#### Domestic Operations

Continental operates its domestic route system primarily through its hubs at Newark International, George Bush Intercontinental Airport ("Bush Intercontinental") in Houston and Hopkins International Airport ("Hopkins International") in Cleveland. In addition, as part of its alliance with Northwest, Continental's system will connect with Northwest's hubs in Minneapolis, Detroit and Memphis. See "Continental/Northwest Alliance and Related Agreements" above. The Company's hub system allows it to transport passengers between a large number of destinations with substantially more frequent service than if each route were served directly. The hub system also allows Continental to add service to a new destination from a large number of cities using only one or a limited number of aircraft. Each of Continental's domestic hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic.

Newark. As of March 1, 1998, Continental operated 58% (244 departures) of the average daily jet departures (excluding regional jets) and, together with Express, 59% (354 departures) of all average daily departures (jet, regional jet and turboprop) from Newark International. Considering the three major airports serving New York City (Newark International, LaGuardia and John F. Kennedy), Continental and Express accounted for 24% of all daily departures, while the next largest carrier, US Airways, Inc. ("US Airways"), and its commuter affiliate accounted for 15% of all daily departures.

Houston. As of March 1, 1998, Continental operated 80% (333 departures) of the average daily jet departures (excluding regional jets) and, together with Express, 84% (479 departures) of all average daily departures from Bush Intercontinental. Southwest Airlines Co. ("Southwest") also has a significant share of the Houston market through Hobby Airport. Considering both Bush Intercontinental and Hobby Airport, Continental operated 58% and Southwest operated 26% of the daily jet departures (excluding regional jets) from Houston.

Cleveland. As of March 1, 1998, Continental operated 55% (98 departures) of the average daily jet departures (excluding regional jets) and, together with Express, 67% (247 departures) of all average daily departures from Hopkins International. The next largest carrier, Southwest, accounted for 6% of all daily departures.

Continental Express. Continental's jet service at each of its domestic hub cities is coordinated with Express, which operates new-generation turboprop aircraft and regional jets under the name "Continental Express". The turboprop aircraft average approximately five years of age and seat 64 passengers or less while the regional jets average less than one year of age and seat 50 passengers.

In September 1996, Express placed a firm order for 25 ERJ-145 regional jets, with options for an additional 175 aircraft exercisable through 2008. In June 1997, Express exercised its option to order 25 of such option aircraft and expects to confirm its order for an additional 25 of its remaining 150 option aircraft by August 1998. Express took delivery of 18 of the aircraft through December 31, 1997 and will take delivery of the remaining 32 aircraft through the third quarter of 1999. The Company expects to account for all of these aircraft as operating leases. Express began service with its regional jets in Cleveland in April 1997. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations. Liquidity and Capital Commitments".

As of March 1, 1998, Express served 19 destinations from Newark International (eight by regional jet), 21 destinations from Bush Intercontinental (two by regional jet) and 36 destinations from Hopkins International (seven by regional jet). In addition, commuter feed traffic is currently provided by other code-sharing partners. See "Domestic Carrier Alliances" below.

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

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

- - On January 26, 1998, the Company announced that it had entered into a long-term global alliance with Northwest. See "Continental/Northwest Alliance and Related Agreements" above.
- - Continental has entered into a series of agreements with America West, Inc. ("America West"), including agreements related to code-sharing and ground handling, which have created substantial benefits for both airlines. These code-sharing agreements cover 73 city-pairs and allow Continental to link additional destinations to its route network. The sharing of facilities and employees by Continental and America West in their respective key markets has resulted in significant cost savings.
- - Currently, SkyWest Airlines, Inc., a commuter operator, provides Continental access to five additional markets in California through Los Angeles.
- - Continental has entered into a code-sharing agreement with Gulfstream International Airlines, Inc. ("Gulfstream") which commenced in April 1997. Gulfstream serves as a connection for Continental passengers throughout Florida as well as five markets in the Bahamas.
- - Continental has a code-sharing arrangement with Colgan Air, Inc. which commenced in July 1997 on flights connecting in four cities in the eastern United States and offers connections for Continental passengers to ten cities in the northeastern and mid-Atlantic regions of the United States.
- - Continental and CMI entered into a cooperative marketing agreement with Hawaiian Airlines that began October 1, 1997 on flights connecting in Honolulu.

International Operations

International Operations. Continental serves destinations throughout Europe, Mexico, the Caribbean and Central and South America and has extensive operations in the western Pacific conducted by CMI. Continental's revenue from international operations has increased each of the last three years and, as measured by 1997 available seat miles, approximately 31.4% of Continental's jet operations were dedicated to international traffic. See Note 15 of Notes to Consolidated Financial Statements. As of March 1, 1998, the Company offered 112 weekly departures to 10 European cities and marketed service to six other cities through code-sharing agreements. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations there than any other United States airline. The Company was recently awarded route authority to fly to Tokyo from both its Newark and Houston hubs receiving a total of 14 frequencies for the two cities. Initially, the Company will use seven frequencies at its Newark hub with daily non-stop service scheduled to begin in November 1998. The Company will begin daily non-stop service to Tokyo from Houston in December 1998.

The Company's Newark hub is a significant international gateway. From Newark, the Company serves 10 European and two Canadian cities and markets service to Amsterdam, Prague and certain other destinations in Canada, the United Kingdom and Europe through code-sharing arrangements with foreign carriers. Continental recently announced new non-stop service, subject to government approval, between Newark and Dublin and Shannon, Ireland (effective June 1998), and Newark and Glasgow, Scotland (effective July 1998). The Company also has code-sharing agreements and joint marketing arrangements with other foreign carriers which management believes are important to Continental's ability to compete effectively as an international airline. See "Foreign Carrier Alliances" discussed below.

The Company also has non-stop service to two Mexican cities, six Caribbean destinations and four South American cities from Newark. Continental recently received authority from the DOT to begin service between Newark and Santiago, Chile. The service is scheduled to begin on May 30, 1998.

The Company's Houston hub is the focus of its operations in Mexico and Central America. Continental currently flies from Houston to 11 cities in Mexico, every country in Central America and five cities in South America, including new service to Caracas, Venezuela which commenced in December 1997. Continental recently announced four new international routes out of Houston to three cities in Mexico (Tampico, Veracruz and Merida) and Calgary, Canada, all of which are scheduled to begin in the second quarter of 1998. Continental also flies non-stop from Houston to Toronto, Vancouver, London and Paris.

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

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

In July 1997, the Company entered into certain agreements with UMDA. For a discussion of these agreements, see "Business Strategy - - Fund the Future" above.

Foreign Carrier Alliances. Over the last decade, major United States airlines have developed and expanded alliances with foreign air carriers, generally involving adjacent terminal operations, coordinated flights, code-sharing and other joint marketing activities. Continental is the sole major United States carrier to operate a hub in the New York City area. Consequently, management believes the Company is uniquely situated to attract alliance partners from Europe, the Far East and South America and intends to aggressively pursue such alliances. The Company believes that its recently announced global alliance with Northwest will enhance its ability to attract foreign alliance partners.

Management believes that developing a network of international alliance partners will better leverage the Company's hub assets by attracting high-yield flow traffic and result in improved returns to the Company. Additionally, Continental can enlarge its scope of service more rapidly and enter additional markets with lower capital and start-up costs through formation of alliances with partners as compared with entering markets independently of other carriers.

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

Continental has implemented international code-sharing agreements with Alitalia, Air Canada, Transavia Airlines ("Transavia"), CSA Czech Airlines, Business Air, China Airlines, EVA Airways Corporation, an airline based in Taiwan (scheduled to commence March 30, 1998) and Virgin Atlantic Airways ("Virgin"), which commenced February 2, 1998.

Alitalia and Continental code-share between points in the United States and Italy, with Alitalia placing its code on Continental flights between Newark and Rome and Milan and between Newark and seven U.S. cities and Mexico City. Continental's agreement with Alitalia involves a block-space arrangement pursuant to which carriers agree to share capacity and bear economic risk for blocks of seats on certain routes.

Continental's agreement with Virgin is a code-share arrangement containing block-space commitments involving the carriers' Newark-London routes and eight other routes flown by Virgin between the United Kingdom and the United States.

Continental and Air Canada (and its subsidiaries) continue to code-share on six cross-border routes under agreements that expire in April 1998, where Continental places its code on 18 Air Canada flights per day and Air Canada places its code on six Continental flights per day. Continental and Air Canada provide ground handling and other services for each other at certain locations in the United States and Canada. Continental does not anticipate renewing its agreements with Air Canada.

In addition, the Company has also entered into joint marketing agreements with other airlines, all of which are currently subject to government approval. Some of these agreements will involve block-space provisions which management believes are important to Continental's ability to compete as an international airline. In October 1996, Continental announced a block-space agreement with Air France which contemplates a future code-share arrangement on certain flights between Newark and Charles de Gaulle Airport ("CDG") and Houston and CDG. In August 1997, Continental announced a code-share agreement with Aerolineas Centrales de Colombia ("ACES").

In connection with the Continental/Northwest alliance, subject to government approvals, code-sharing will commence with the Company and Northwest. See "Continental/Northwest Alliance and Related Agreements" above. Many of the Company's international alliance agreements provide that a party may terminate the agreement upon a change of control of the other party. If the Air Partners Transaction is consummated, certain of the Company's international alliance partners will have the right to terminate their alliance relationship with the Company. Based on discussions with such partners, the Company believes that none of its partners will exercise such right.

The Company anticipates entering into other code-sharing, joint marketing and block-space agreements in 1998, which may include the Company undertaking the financial commitment to purchase seats from other carriers.

#### Employees

As of December 31, 1997, the Company had approximately 39,300 full-time equivalent employees, including approximately 17,100 customer service agents, reservations agents, ramp and other airport personnel, 7,000 flight attendants, 6,300 management and clerical employees, 5,500 pilots, 3,300 mechanics and 100 dispatchers. Labor costs are a significant component of the Company's expenses and can substantially impact airline results. In 1997, labor costs (including employee incentives) constituted 27.9% of the Company's total operating expenses. While there can be no assurance that the Company's generally good labor relations and high labor productivity will continue, management has established as a significant component of its business strategy the preservation of good relations with the Company's employees, approximately one-third of whom are represented by unions. In September 1997, the Company announced that it intends to bring all employees to industry standard wages (the average of the top ten air carriers as ranked by the DOT excluding Continental) within 36 months. Such wage increases will be phased in over the 36-month period as revenue, interest rates and rental rates reach industry standards. The Company estimates that the increased wages will aggregate approximately \$500 million over the 36-month period.

In April 1997, collective bargaining negotiations began with the Independent Association of Continental Pilots ("IACP") to amend both the Continental pilots' contract (which became amendable in July 1997) and the Express pilots' contract (which became amendable in October 1997). In February 1998, a five-year collective bargaining agreement with the Continental Airlines pilots was announced by the Company and the IACP. In March 1998, Express also announced a five-year collective bargaining agreement with its pilots. These agreements are subject to approval by the IACP board of directors and ratification by the Continental and Express pilots.

The Company's mechanics and related employees recently voted to be represented by the International Brotherhood of Teamsters (the "Teamsters"). The Company does not believe that the Teamsters' union representation will be material to the Company.

In addition, the Company's and Express's flight attendants and dispatchers are represented by unions, as are CMI's flight attendants, mechanics and related employees and its agent classification employees. The other employees of Continental, Express and CMI are not represented by unions and are not covered by collective bargaining agreements.

#### Competition and Marketing

The airline industry is highly competitive and susceptible to price discounting. The Company competes with other air carriers that have substantially greater resources (and in certain cases, lower cost structures) as well as smaller air carriers with low cost structures. Overall industry profit margins have historically been low. However, during 1995 through 1997, industry profit margins improved substantially. See Item 1. "Business. Risk Factors Relating to the Airline Industry" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

As with other carriers, most tickets for travel on Continental are sold by travel agents. Travel agents generally receive commissions measured by the price of tickets sold. Accordingly, airlines compete not only with respect to the price of tickets sold, but also with respect to the amount of commissions paid. Airlines often pay additional commissions in connection with special revenue programs.

In 1997, Continental Airlines continued to expand its electronic ticketing ("E-Ticket") product throughout the United States. Continental recorded over \$1.3 billion in E-Ticket sales in 1997 representing 35% of domestic customers traveling with an E-Ticket in 1997. Further expansion in 1998 will bring select international stations online, expand the number of E-Ticket machines in major airports, and enhance the ability to interline with other carriers on a bilateral basis. The Company expects these features to contribute to an increase in E-Ticket usage and a further reduction in distribution costs.

#### Frequent Flyer Program

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

Continental accrues the incremental cost associated with the earned flight awards based on expected redemptions. The incremental cost to transport a passenger on a free trip includes the cost of incremental fuel, meals, insurance and miscellaneous supplies and does not include any charge for potential displacement of revenue passengers or costs for aircraft ownership, maintenance, labor or overhead allocation. Due to the structure of the program and the low level of redemptions as a percentage of total travel, Continental believes that displacement of revenue passengers by passengers using flight awards has historically been minimal. The number of awards used on Continental represented less than 7% of Continental's total revenue passenger miles in each of the years 1997 and 1996.

#### Industry Regulation and Airport Access

Continental and its subsidiaries operate under certificates of public convenience and necessity issued by the DOT. Such certificates may be altered, amended, modified or suspended by the DOT if public convenience and necessity so require, or may be revoked for intentional failure to comply with the terms and conditions of a certificate.

The airlines are also regulated by the Federal Aviation Administration ("FAA"), primarily in the areas of flight operations, maintenance, ground facilities and other technical matters. Pursuant to these regulations, Continental has established, and the FAA has approved, a maintenance program for each type of aircraft operated by the Company that provides for the ongoing maintenance of such aircraft, ranging from frequent routine inspections to major overhauls. Certain regulations require phase-

out of certain aircraft and modifications to aging aircraft. Such regulations can significantly increase costs and affect a carrier's ability to compete.

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

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

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

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

Many aspects of Continental's operations are subject to increasingly stringent federal, state and local laws protecting the environment. Future regulatory developments could affect operations and increase operating costs in the airline industry.

#### Risk Factors Relating to the Company

**Leverage and Liquidity.** Continental is more leveraged and has significantly less liquidity than certain of its competitors, several of whom have substantial available lines of credit and/or significant unencumbered assets. Accordingly, Continental may be less able than certain of its competitors to withstand a prolonged recession in the airline industry and may not have as much flexibility to respond to changing economic conditions or to exploit new business opportunities.

As of December 31, 1997, Continental had approximately \$1.9 billion (including current maturities) of long-term debt and capital lease obligations and had approximately \$1.2 billion of Continental-obligated mandatorily redeemable preferred securities of subsidiary trust and common stockholders' equity. Common stockholders' equity reflects the adjustment of Continental's balance sheet and the recording of assets and liabilities at fair market value as of April 27, 1993 in accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7 - "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code". As of December 31, 1997, Continental had \$1.0 billion in cash and cash equivalents (excluding restricted cash and

cash equivalents of \$15 million). Continental has general lines of credit and significant encumbered assets.

For 1997, Continental incurred cash expenditures under operating leases relating to aircraft of approximately \$626 million, compared to \$568 million for 1996, and \$236 million relating to facilities and other rentals, compared to \$210 million in 1996. Continental expects that its operating lease expenses for 1998 will increase over 1997 amounts. In addition, Continental has capital requirements relating to compliance with regulations that are discussed below. See "Risk Factors Relating to the Airline Industry - Regulatory Matters".

In March 1998, Continental announced the conversion of 15 Boeing 737 option aircraft to 15 Boeing 737-900 firm aircraft and the addition of 25 option aircraft.

As of March 18, 1998, Continental had firm commitments with Boeing to take delivery of a total of 154 jet aircraft (including the Boeing 737-900 aircraft discussed above) during the years 1998 through 2005 with options for additional aircraft (exercisable subject to certain conditions). These 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 \$6.7 billion. As of March 18, 1998, Continental had completed or had third party commitments for a total of approximately \$1.6 billion in financing for its future Boeing deliveries, and had commitments or letters of intent from various sources for backstop financing for approximately one-third of the anticipated remaining acquisition cost of such Boeing deliveries. The Company currently plans on financing the new Boeing aircraft with a combination of enhanced equipment trust certificates, lease equity and other third party financing, subject to availability and market conditions. However, further financing will be needed to satisfy the Company's capital commitments for other aircraft and aircraft-related expenditures such as engines, 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's History of Operating Losses.** Although Continental recorded net income of \$385 million in 1997, \$319 million in 1996 and \$224 million in 1995, it had experienced significant operating losses in the previous eight years. In the long term, Continental's viability depends on its ability to sustain profitable results of operations.

**Aircraft Fuel.** Since fuel costs constitute a significant portion of Continental's operating costs (approximately 13.6% and 13.3% for the years ended December 31, 1997 and 1996, respectively), significant changes in fuel costs would materially affect Continental's operating results. Fuel prices continue to be susceptible to international events, and Continental cannot predict near or longer-term fuel prices. Continental enters into petroleum option contracts to provide some short-term protection (generally three to six months) against a sharp increase in jet fuel prices. In the event of a fuel supply shortage resulting from a disruption of oil imports or otherwise, higher fuel prices or curtailment of scheduled service could result.

**Labor Matters.** In April 1997, collective bargaining agreement negotiations began with the IACP to amend both the Continental Airlines pilots' contract (which became amendable in July 1997) and Express pilots' contract (which became amendable in October 1997). In February 1998, a five-year collective bargaining agreement with the Continental Airlines pilots was announced by the Company and the IACP. In March 1998, Express also announced a five-year collective bargaining agreement with its pilots. These agreements are subject to approval by the IACP board of directors and ratification by the Continental and Express pilots. The Company began accruing for the increased costs of a tentative agreement reached in November 1997 in the fourth quarter of 1997. The Company estimates that such accrual will be approximately \$113 million for 1998. Continental's mechanics and related employees recently voted to be represented by the Teamsters. Continental does not believe that the Teamsters' union representation will be material to Continental. In September 1997, Continental announced

that it intends to bring all employees to industry standard wages (the average of the top ten air carriers as ranked by the DOT, excluding Continental) within 36 months. The announcement further stated that wage increases would be phased in over the 36-month period as revenue, interest rates and rental rates reach industry standards. Continental estimates that the increased wages will aggregate approximately \$500 million over the 36-month period.

Certain Tax Matters. At December 31, 1997, Continental had estimated net operating loss carryforwards ("NOLs") of \$1.7 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 Continental on April 27, 1993, the ultimate utilization of Continental's NOLs and investment tax credits could be limited. Reflecting this possible limitation, Continental has recorded a valuation allowance of \$617 million at December 31, 1997.

Continental had, as of December 31, 1997, deferred tax assets aggregating \$1.1 billion, including \$631 million of NOLs. 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 resulting in a \$62 million reduction in reorganization value in excess of amounts allocable to identifiable assets. The Company may consummate one or more additional built-in gain transactions by April 27, 1998.

As a result of NOLs, Continental will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional \$515 million of taxable income following December 31, 1997. 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 Continental's stock at the time of the ownership change by the applicable long-term tax-exempt rate (which was 5.23% for February 1998). Any 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 Continental 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 \$147 million per year other than through the recognition of future built-in gain transactions.

Based on information currently available, the Company does not believe that the Air Partners Transaction will result in an ownership change for purposes of Section 382.

Continental Micronesia. Because the majority of CMI's traffic originates in Japan, its results of operations are substantially affected by the Japanese economy and changes in the value of the yen as compared to the dollar. Appreciation of the yen against the dollar during 1994 and 1995 increased CMI's profitability, while a decline of the yen against the dollar in 1996 and 1997 has reduced CMI's profitability. As a result of the continued weakness of the yen against the dollar, a weak Japanese economy and increased fuel costs, CMI's operating earnings have declined during 1996 and 1997, and are not expected to improve materially absent a significant improvement in these factors.

To reduce the potential negative impact on CMI's dollar earnings, CMI, from time to time, purchases average rate options as a hedge against a portion of its expected net yen cash flow position. Such options historically have not had a material effect on Continental's results of operations or financial condition. Any significant and sustained decrease in traffic or yields (including due to the value of the yen) to and from Japan could materially adversely affect Continental's consolidated profitability.

Principal Stockholder. As of December 31, 1997, Air Partners held approximately 9% of the common equity interest and 39% of the general voting power of the Company. If all the remaining warrants held by Air Partners had been exercised on December 31, 1997, approximately 14% of the common equity interest and 51% of the general voting power of the Company would have been held by Air Partners. Various provisions in the Company's Certificate of Incorporation and Bylaws currently provide Air Partners with the right to elect one-third of the directors in certain circumstances; these provisions could have the effect of delaying, deferring or preventing a change in the control of the Company. On January 26, 1998, the Company announced that Air Partners had entered into an agreement to dispose of its interest in the Company to an affiliate of Northwest. See Item 1. "Business - Continental/Northwest Alliance and Related Agreements".

Risks Regarding Continental/Northwest Alliance. On January 26, 1998, the Company and Northwest announced a long-term global alliance involving schedule coordination, frequent flyer reciprocity, executive lounge access, airport facility coordination, code-sharing, the formation of a joint venture among the two carriers and KLM with respect to their respective trans-Atlantic services, cooperation regarding other alliance partners of the two carriers and regional alliance development, certain coordinated sales programs, preferred reservations displays and other activities. See Item 1. "Business - Continental/Northwest Alliance and Related Agreements".

Successful implementation of the alliance and the achievement and timing of the anticipated synergies by the Company are subject to certain risks and uncertainties, some of which are beyond the control of the Company, including (a) competitive pressures, including developments with respect to existing and potential future competitive alliances; (b) customer perception of and acceptance of the alliance, including product differences and benefits provided; (c) whether the Northwest pilots approve those aspects of the alliance requiring their approval, and the timing thereof; (d) potential adverse developments with respect to regional economic performance; (e) costs or difficulties in implementing the alliance being greater than expected, including those caused by the Company's or Northwest's workgroups; (f) contractual impediments to the implementation by the Company of certain aspects of the alliance; and (g) non-approval or delay by regulatory authorities or possible adverse regulatory decisions or changes. There can be no assurance that the alliance will be fully and timely implemented or continued, or that the anticipated synergies will not be delayed or will be achieved.

Corporate Governance Agreement. The Company announced on January 26, 1998 that Air Partners, the holder of approximately 14% of the Company's equity and approximately 51% of its voting power (after giving effect to the exercise of warrants), had entered into an agreement to dispose of its interest in the Company to an affiliate of Northwest. See Item 1. "Business - Continental/Northwest Alliance and Related Agreements". In connection with the Air Partners Transaction, the Company has entered into a corporate governance agreement with certain affiliates of Northwest, designed to assure the independence of the Company's board of directors and

management during the six-year period of the governance agreement. During the term of the governance agreement, the securities of the Company beneficially owned by Northwest and its affiliates will be deposited into a voting trust and generally voted as recommended by the Company's board of directors (a majority of whom must be independent directors as defined in the agreement) or in the same proportion as the votes cast by other holders of the Company's voting securities. However, pursuant to the governance agreement, those shares may be voted as directed by the Northwest affiliate in connection with certain matters, including with respect to mergers and certain other change in control matters and the issuance of capital stock representing in excess of 20% of the voting power of the Company prior to issuance requiring a stockholder vote. In addition, in connection with the election of directors, those shares shall be voted for the election of the independent directors; provided that with respect to elections of directors in respect of which any person other than the Company is soliciting proxies, the shares may be voted, at the election of Northwest's affiliate, either as recommended by the Company's board of directors or in the same proportion as the votes cast by other holders of the Company's voting securities. As a result of the provisions of the corporate governance agreement, the ability of the Company to engage in a change in control transaction other than with Northwest or an affiliate thereof, or to issue significant amounts of capital stock under certain circumstances, is limited.

Shareholder Litigation. Following the announcement of the Northwest Alliance, the Air Partners Transaction and the related corporate governance agreement between the Company and certain affiliates of Northwest (collectively, the "Northwest Transaction"), to the Company's knowledge as of March 1, 1998, six separate lawsuits were filed against the Company and its Directors and certain other parties (the "Shareholder Litigation"). The complaints in the Shareholder Litigation, which were filed in the Court of Chancery of the State of Delaware in and for New Castle County and seek class certification, and which have been consolidated under the caption *In re Continental Airlines, Inc. Shareholder Litigation*, generally allege that the Company's Directors improperly accepted the Northwest Transaction in violation of their fiduciary duties owed to the public shareholders of the Company. They further allege that Delta Air Lines, Inc. submitted a proposal to purchase the Company which, in the plaintiffs' opinion, was superior to the Northwest Transaction. The Shareholder Litigation seeks, inter alia, to enjoin the Northwest Transaction and the award of unspecified damages to the plaintiffs.

While there can be no assurance that the Shareholder Litigation will not result in a delay in the implementation of any aspect of the Northwest Transaction, or the enjoining of the Northwest Transaction, the Company believes the Shareholder Litigation to be without merit and intends to defend it vigorously.

#### Risks Factors Relating to the Airline Industry

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

The airline industry has consolidated in past years as a result of mergers and liquidations and may further consolidate in the future. Among other effects, such consolidation has allowed certain of

Continental's major competitors to expand (in particular) their international operations and increase their market strength. Furthermore, the emergence in recent years of several new carriers, typically with low cost structures, has further increased the competitive pressures on the major United States airlines. In many cases, the new entrants have initiated or triggered price discounting. Aircraft, skilled labor and gates at most airports continue to be readily available to start-up carriers. Competition with new carriers or other low cost competitors on Continental's routes could negatively impact Continental's operating results.

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

Management believes that Continental benefitted significantly from the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995. The ticket tax was reinstated on August 27, 1996, expired again on December 31, 1996 and was reinstated again on March 7, 1997. In July 1997, Congress passed tax legislation reimposing and significantly modifying the ticket tax. The legislation includes the imposition of new excise tax and segment fee tax formulas to be phased in over a multi-year period, an increase in the international departure tax and the imposition of a new arrivals tax, and the extension of the ticket tax to cover items such as the sale of frequent flyer miles. Management believes that the ticket tax has a negative impact on Continental, although neither the amount of such negative impact directly resulting from the reimposition of the ticket tax, nor the benefit previously realized by its expiration, can be precisely determined.

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

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

#### Other

While the Company has implemented a Year 2000 project to ensure that its computer systems will function properly in the year 2000 and thereafter (see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations"), the Company's business is dependent upon certain governmental organizations or entities, such as the FAA, that provide essential aviation industry infrastructure. There can be no assurance that the systems of such third parties (including those of the FAA) will be modified to function properly in the year 2000 on a timely basis. The Company's business, financial condition or results of operations could be materially adversely affected by the failure of systems

operated by other parties to operate properly beyond 1999. To the extent possible, the Company will be developing and executing contingency plans designed to allow continued operation in the event of failure of third parties' systems.

ITEM 2. PROPERTIES.

Flight Equipment

As shown in the following table, Continental's (including CMI's) jet aircraft fleet (excluding regional jets) consisted of 337 jets and was comprised of 11 different types and series of aircraft at December 31, 1997.

Type	Total Aircraft	Owned	Leased	Seats in Standard Configuration	Average Age (In Years)
<b>Four Engine</b>					
747-200*	4	-	4	426	25.0
<b>Three Engine</b>					
DC-10-10	6	-	6	287	25.2
DC-10-30	28	6	22	242	21.7
727-200*	43	4	39	149	21.1
<b>Two Engine</b>					
757-200	23	-	23	183	2.4
737-500	50	1	49	104	2.4
737-300	65	14	51	128	10.4
737-200*	16	16	-	100	28.5
737-100*	5	5	-	95	29.5
MD-80	69	15	54	141	13.0
DC-9-30*	28	3	25	103	25.7
	337	64	273		14.4

\*Stage 2 (noise level) aircraft which are scheduled to be replaced prior to the year 2000.

The table above excludes six all-cargo 727 CMI aircraft.

A majority of the aircraft and engines owned by Continental are subject to mortgages.

The FAA has adopted rules pursuant to the Airport Noise and Capacity Act of 1990 that require a scheduled phase out of Stage 2 aircraft during the 1990's. As a result of Continental's acquisition of a number of new aircraft and the retirement of older Stage 2 aircraft in recent years, 71.5% of Continental's current jet fleet was composed of Stage 3 aircraft at December 31, 1997. The Company plans to retire the remainder of its Stage 2 jet fleet (excluding those aircraft operated by CMI) prior to the year 2000 in order to comply with such rules. Scheduled deliveries of the Company's new Boeing aircraft on order are expected to reduce the average age of the Company's jet fleet from 14.4 years to 9.8 years by the end of 1999.

During 1997, Continental took delivery of a total of 20 new Boeing aircraft which consisted of 14 737-500 aircraft and six 757-200 aircraft. In addition, Continental also purchased three DC-10-30 aircraft and leased seven DC-10-30 aircraft. The Company anticipates taking delivery of 64 new Boeing aircraft in 1998.

As of December 31, 1997, Express operated a fleet of 116 aircraft, as follows:

Type	Total Aircraft	Owned	Leased	Seats in Standard Configuration	Average Age (In Years)
<b>Turboprop</b>					
ATR-72	3	3	-	64	3.4
ATR-42-320	30	3	27	46	7.9
ATR-42-500	8	-	8	48	1.3
EMB-120	32	22	10	30	8.4

Beech 1900-D	25	25	-	19	1.9
Regional jets					
ERJ-145*	18	-	18	50	0.5
	116	53	63		5.0

\*One regional jet was damaged beyond economic repair in February 1998.

Not included in the table above is one ATR-42 aircraft owned by the Company and currently leased to a third party.

During 1997, Express took delivery of 16 ERJ-145 aircraft. Express anticipates taking delivery of 18 new ERJ-145 aircraft in 1998.

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

#### Facilities

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

In July 1996, the Company announced plans to expand its gates and related facilities into Terminal B at Bush Intercontinental, as well as planned improvements at Terminal C and the construction of a new automated people mover system linking Terminal B and Terminal C. In April 1997, the City of Houston completed the offering of \$190 million aggregate principal amount of tax-exempt special facilities revenue bonds (the "IAH Bonds"). In connection therewith, the Company has entered into long-term leases (or amendments to existing leases) with the City of Houston providing for the Company to make rental payments sufficient to service the related tax-exempt bonds, which have a term no longer than 30 years.

The Company is building a wide-body aircraft maintenance hangar in Honolulu, Hawaii at an estimated cost of \$25 million. Construction of the hangar, anticipated to be completed by the second quarter of 1998, is being financed by tax-exempt special facilities revenue bonds issued by the State of Hawaii. In connection therewith, the Company has entered into long-term leases providing for the Company to make rental payments sufficient to service the related tax-exempt bonds.

In December 1997, Continental substantially completed construction of a new hangar and improvements to a cargo facility at Newark International. Continental expects to complete the financing of these projects in April 1998 with approximately \$25 million of tax-exempt bonds. Continental is also planning a facility expansion at Newark which would require, among other matters, agreements to be reached with the applicable airport authority.

Continental has announced plans to expand its facilities at Hopkins International, which expansion is expected to be completed in the third quarter of 1999. The expansion, which will include a new jet concourse for the regional jet service offered by Express, as well as other facility improvements, is expected to cost approximately \$156 million and will be funded principally by the issuance of a combination of tax-exempt special facilities revenue bonds (issued in March 1998) and general airport revenue bonds (issued in December 1997) by the City of Cleveland. In connection therewith, Continental has entered into a long-term lease with the City of Cleveland under which rental payments will be sufficient to service the related bonds.

The Company has lease agreements with the City and County of Denver

covering ten gates and several support facilities at Denver International Airport. The gates and facilities exceed Continental's needs at the airport and the Company has subleased a portion of the space.

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

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

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

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

### ITEM 3. LEGAL PROCEEDINGS.

#### Plan of Reorganization

The Company's Plan of Reorganization, which became effective on April 27, 1993, upon emergence from bankruptcy (the "Plan of Reorganization"), provides for the full payment of all allowed administrative and priority claims. Pursuant to the Plan of Reorganization, holders of allowed general unsecured claims are entitled to participate in a distribution of 3,800,000 shares of the Company's Class A common stock, 10,084,736 shares of the Company's Class B common stock, and \$6,523,952 of cash and have no further claim against the Company. The Plan of Reorganization provides for this distribution to be issued initially in trust to a distribution agent and thereafter for distributions to be made from the trust from time to time as disputed claims are resolved. The distribution agent must reserve from each partial distribution of stock or cash to allow a complete pro rata distribution to be made to each holder of a disputed claim in the event such claim is eventually allowed, unless the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") establishes a lower reserve or estimates the claim at a lesser amount for purposes of distribution. As of December 31, 1997, there remained 581,355 shares of Class A common stock, 1,520,827 shares of Class B common stock, and approximately \$972,000 of cash available for distribution. The stock and cash set aside for distribution to prepetition unsecured creditors was fixed in the Plan of Reorganization and will not change as claims are allowed. However, a limited number of proceedings were brought by prepetition creditors seeking to impose additional obligations on the Company.

#### Environmental Proceedings

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

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

#### Shareholder Litigation

Following the announcement of the Northwest Alliance, the Air Partners Transaction and the related corporate governance agreement between the Company and certain affiliates of Northwest (collectively, the "Northwest Transaction"), to the Company's knowledge as of March 1, 1998, six separate lawsuits were filed against the Company and its Directors and certain other parties (the "Shareholder Litigation"). The complaints in the Shareholder Litigation, which were filed in the Court of Chancery of the State of Delaware in and for New Castle County and seek class

certification, and which have been consolidated under the caption In re Continental Airlines, Inc. Shareholder Litigation, generally allege that the Company's Directors improperly accepted the Northwest Transaction in violation of their fiduciary duties owed to the public shareholders of the Company. They further allege that Delta Air Lines, Inc. submitted a proposal to purchase the Company which, in the plaintiffs' opinion, was superior to the Northwest Transaction. The Shareholder Litigation seeks, inter alia, to enjoin the Northwest Transaction and the award of unspecified damages to the plaintiffs.

While there can be no assurance that the Shareholder Litigation will not result in a delay in the implementation of any aspect of the Northwest Transaction, or the enjoining of the Northwest Transaction, the Company believes the Shareholder Litigation to be without merit and intends to defend it vigorously.

#### General

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

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

Not applicable.

## PART II

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

Continental's common stock trades on the New York Stock Exchange. The table below shows the high and low sales prices for the Company's Class A common stock and Class B common stock as reported on the New York Stock Exchange during 1996 and 1997.

	Class A Common Stock		Class B Common Stock	
	High	Low	High	Low
1996 First Quarter . . .	27	19-1/8	28-3/16	19-7/16
Second Quarter . . .	31-1/16	25-7/8	31-7/16	26-9/16
Third Quarter . . .	31	21	31-1/8	21-1/8
Fourth Quarter . . .	30-5/8	22	30-3/4	22-5/8
1997 First Quarter . . .	33-3/4	27	33-5/8	27
Second Quarter . . .	36-3/4	30-1/8	35-7/8	29-1/2
Third Quarter . . .	41-7/16	34	41-3/8	34
Fourth Quarter . . .	50-1/2	38-1/2	50-3/16	38-5/8

As of March 11, 1998, there were approximately 3,133 and 17,956 holders of record of Continental's Class A common stock and Class B common stock, respectively.

The Company has paid no cash dividends on its common stock. Because management believes it is important to continue strengthening the Company's balance sheet and liquidity, the Company has no current intention of paying cash dividends on its common stock, but may consider repurchase of its common stock under certain market conditions. Certain of the Company's credit agreements and indentures restrict the ability of the Company and certain of its subsidiaries to pay cash dividends by imposing minimum unrestricted cash requirements on the Company, limiting the amount of such dividends when aggregated with certain other payments or distributions and requiring that the Company comply with other covenants specified in such instruments.

The Company's Certificate of Incorporation provides that no shares of capital stock may be voted by or at the direction of persons who are not United States citizens unless such shares are registered on a separate stock record. The Company's Bylaws further provide that no shares will be registered on such separate stock record if the amount so registered would exceed United States foreign ownership restrictions. United States law currently requires that no more than 25% of the voting stock of the Company (or any other domestic airline) may be owned directly or indirectly by persons who are not citizens of the United States.

ITEM 6. SELECTED FINANCIAL DATA.

The table on the following page sets forth certain consolidated financial data of (i) the Company at December 31, 1997, 1996, 1995, 1994 and 1993 and for the years ended December 31, 1997, 1996, 1995 and 1994 and the period April 28, 1993 through December 31, 1993 and (ii) the Predecessor Company (see "1993 Reorganization" below), for the period January 1, 1993 through April 27, 1993 (in millions, except per share data).

1993 Reorganization

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

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

ITEM 6. SELECTED FINANCIAL DATA (Continued)

	Reorganized Company (1)(2)(3)				April 28, 1993 through December 31, 1993	Predecessor Company (2) January 1, 1993 through April 27, 1993
	1997	Year Ended 1996	December 1995	31, 1994		
Operating revenue. . . .	\$7,213	\$6,360	\$5,825	\$5,670	\$3,910	\$1,857
Operating income (loss).	716	525	385	(11)	95	(114)
Income (loss) before extraordinary gain (loss) . . . . .	389	325	224	(613)	(39)	(979)
Net income (loss). . . .	385	319	224	(613)	(39)	2,640
Earnings (loss) per common share:						
Income (loss) before extra- ordinary loss. . . . .	6.72	5.87	4.07	(11.88)	(1.17)	*
Net income (loss). . . .	6.65	5.75	4.07	(11.88)	(1.17)	*
Earnings (loss) per common share assuming dilution:						
Income (loss) before extra- ordinary loss. . . . .	5.03	4.25	3.37	(11.88)	(1.17)	*
Net income (loss). . . .	4.99	4.17	3.37	(11.88)	(1.17)	*

\*Not meaningful.

ITEM 6. SELECTED FINANCIAL DATA (Continued)

	1997	Reorganized Company (1) December 31,			1993
		1996	1995	1994	
Total assets . . . . .	\$5,830	\$5,206	\$4,821	\$4,601	\$5,099
Debt and capital lease obligations in default (4) . . . . .	-	-	-	490	-
Long-term debt and capital lease obligations. . . . .	1,568	1,624	1,658	1,202	1,775
Minority interest (5). . . . .	-	15	27	26	22
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust holding solely Convertible Subordinated Debentures (6) . . . . .	242	242	242	-	-
Redeemable preferred stock (7) . .	-	46	41	53	47

- (1) See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations" for a discussion of significant transactions in 1997, 1996 and 1995. 1996 results include a \$128 million fleet disposition charge associated with the Company's decision to accelerate the replacement of certain aircraft between August 1997 and December 1999. The fleet disposition charge relates primarily to (i) the writedown of Stage 2 aircraft inventory to its estimated fair value and (ii) a provision for costs associated with the return of leased aircraft at the end of their respective lease terms. 1995 results include a \$108 million gain (\$30 million after taxes) from the System One transactions. 1994 results include a provision of \$447 million associated with the planned early retirement of certain aircraft and closed or underutilized airport and maintenance facilities and other assets.
- (2) No cash dividends were paid on common stock during the periods shown.
- (3) The earnings per share amounts prior to 1997 have been restated as required to comply with Statement of Financial Accounting Standards No. 128 - "Earnings Per Share" ("SFAS 128"). For further discussion of earnings per share and the impact of SFAS 128, see the notes to the consolidated financial statements beginning on page F-14.
- (4) The Company's failure to make certain required payments in 1994 to certain lenders and aircraft lessors constituted events of default under the respective agreements with such parties. These events of default were cured in 1995.
- (5) Continental purchased UMDA's 9% interest in AMI in 1997. See Item 1. "Business - Business Strategy - Fund the Future".
- (6) The sole assets of the Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust ("Trust") are Convertible Subordinated Debentures, with an aggregate principal amount of \$250 million, which bear interest at the rate of 8-1/2% per annum and mature on December 1, 2020. Upon repayment, the Trust will be mandatorily redeemed.
- (7) Continental redeemed for cash all of the outstanding shares of its Series A 12% Cumulative Preferred Stock in 1997. See Item 1. "Business - Business Strategy - Fund the Future".

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

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

Results of Operations

The following discussion provides an analysis of the Company's results of operations and reasons for material changes therein for the three years ended December 31, 1997.

Comparison of 1997 to 1996. The Company recorded consolidated net income of \$385 million and \$319 million for the years ended December 31, 1997 and 1996, respectively, including a \$128 million fleet disposition charge (\$77 million after taxes) in 1996 and after-tax extraordinary losses relating to the early extinguishment of debt of \$4 million and \$6 million in 1997 and 1996, respectively. Management believes that the Company benefitted in the first three quarters of 1996 and in the first quarter of 1997 from the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995 and December 31, 1996, respectively. The ticket tax was reinstated on August 27, 1996 and again 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. Additionally, the Company benefitted in the first six months of 1996 from the recognition of previously unbenefitted post-reorganization net operating loss carryforwards ("NOLs").

Passenger revenue increased 13.4%, \$789 million, during 1997 compared to 1996. The increase was due to a 14.3% increase in revenue passenger miles on capacity growth of 9.9% offset by a 1.1% decrease in yield.

Cargo revenue increased 13.6%, \$21 million, during 1997 compared to 1996 due to an increase in cargo capacity, primarily in international markets.

Mail and other revenue increased 12.8%, \$43 million, from 1996 to 1997 primarily as a result of an increase in mail volumes (principally in international markets) and an increase in other revenue related to frequent flyer mileage credits sold to participating partners in the Company's frequent flyer program ("OnePass").

Wages, salaries and related costs increased 16.3%, \$236 million, during 1997 as compared to 1996 due in part to an 9.6% increase in the average number of full-time equivalent employees from approximately 34,300 for the year ended December 31, 1996 to 37,600 for the year ended December 31, 1997. Wages and salaries also increased in 1997 due to a \$29 million accrual for the impact of the tentative collective bargaining agreement with the pilots.

Employee incentives increased 29.9%, \$29 million, from 1996 to 1997 as a result of an increase in employee profit sharing of \$37 million offset by a decrease in on-time bonuses of \$8 million.

Aircraft fuel expense increased 14.3%, \$111 million, from 1996 to 1997 primarily due to a 10.5% increase in the quantity of jet fuel used from 1.228 billion gallons during 1996 to 1.357 billion gallons during 1997, resulting from increased flying. In addition, the average price per gallon, net of fuel hedging gains of \$65 million in 1996, increased 3.3% from 60.9 cents in 1996 to 62.9 cents in 1997.

Commissions expense increased 11.2%, \$57 million, in 1997 compared to 1996, primarily due to increased passenger revenue.

Aircraft rentals increased 8.3%, \$42 million, from 1996 to 1997, primarily as a result of the delivery of new aircraft throughout 1997, net of retirements.

Maintenance, materials and repairs increased 16.5%, \$76 million, during 1997 as compared to 1996, principally due to the volume and timing of engine overhauls, increase in component costs and routine maintenance as part of the Company's ongoing maintenance program. Aircraft maintenance expense was reduced by \$16 million in 1997 due to the reversal of reserves that are no longer required as a result of the acquisition of 10 aircraft previously leased by the Company.

Other rentals and landing fees increased 12.9%, \$45 million, during 1997 compared to 1996 due to higher facilities rentals and landing fees resulting from increased operations.

During the third quarter of 1996, the Company recorded a fleet disposition charge of \$128 million (\$77 million after taxes), related primarily to (i) the writedown of Stage 2 aircraft inventory to its estimated fair value; and (ii) a provision for costs associated with the return of leased aircraft at the end of their respective lease terms.

Other operating expense increased 14.9%, \$194 million, in 1997 as compared to 1996, primarily as a result of increases in passenger services, advertising and publicity, reservations and sales expense and other miscellaneous expense.

Interest capitalized increased \$30 million in 1997 compared to 1996 as a result of higher average purchase deposits for flight equipment resulting from the pending acquisition of new aircraft.

Interest income increased 30.2%, \$13 million, in 1997 compared to the prior year principally due to an increase in the average invested balance of cash and cash equivalents.

Other nonoperating income (expense) for the year ended December 31, 1996 included an \$18 million gain related to the sale of America West Airlines, Inc. ("America West") common stock and warrants.

The income tax provision for the year ended December 31, 1997 and 1996 of \$237 million and \$86 million, respectively, consists of federal, state and foreign income taxes. During the second quarter of 1996, the Company had fully utilized previously unbenefitted post-reorganization NOLs, and began accruing income tax expense.

Comparison of 1996 to 1995. The Company recorded consolidated net income of \$319 million and \$224 million for the years ended December 31, 1996 and 1995, respectively, including a \$128 million fleet disposition charge (\$77 million after taxes) and a \$6 million after-tax extraordinary loss relating to the early extinguishment of debt in 1996. Continental's financial and operating performance improved significantly in 1996 compared to 1995, reflecting, among other things, continued implementation of the Company's strategic program to enhance the fundamentals of its operations, rationalize capacity, improve customer service and employee relations and

strengthen its balance sheet and liquidity. Management believes that the Company benefitted significantly from the expiration of the ticket tax on December 31, 1995, although the amount of any such benefit directly resulting from the expiration of the ticket tax cannot precisely be determined. The ticket tax was reinstated on August 27, 1996, and expired again on December 31, 1996.

Implementation of the Company's route realignment and capacity rationalization initiatives increased capacity by 0.8% in 1996 as compared to 1995. This increase in capacity, combined with a 4.7% increase in traffic, produced a 2.5 percentage point increase in load factor to 68.1%. This higher load factor, combined with a 4.7% increase in the average yield per revenue passenger mile, contributed to a 10.7% increase in passenger revenue to \$5.9 billion in 1996.

Mail and other revenue decreased 11.4%, \$43 million, from 1995 to 1996 primarily as a result of a series of transactions entered into with a former subsidiary, System One Information Management, Inc. ("System One") (which were effective April 27, 1995). See Note 11 of Notes to Consolidated Financial Statements. Partially offsetting such decrease was an increase in other revenue resulting from a wet lease agreement with Alitalia, an agreement with DHL International to operate a sorting and distribution hub in Manila and an increase in revenue related to frequent flyer mileage credits sold to participating partners in the Company's OnePass program.

Wages, salaries and related costs increased 5.1%, \$71 million, during 1996 as compared to 1995 due in part to an increase in the average number of full-time equivalent employees from approximately 33,700 for the year ended December 31, 1995 to approximately 34,300 for the year ended December 31, 1996. The increase is also attributable to pay increases effective July 1, 1996 for Continental's jet pilots and substantially all of its non-unionized employees and an increase in base wages and per diem payments for flight attendants resulting from the Company's collective bargaining agreement with the International Association of Machinists and Aerospace Workers ("IAM") representing Continental's flight attendants.

Employee incentives increased \$46 million from 1995 to 1996 primarily due to an increase in employee profit sharing of \$37 million and an increase in on-time bonuses of \$9 million.

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

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

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

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

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

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

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

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

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

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

Certain Statistical Information

An analysis of statistical information for Continental's jet operations, excluding regional jets operated by Continental Express, for each of the three years in the period ended December 31, 1997 is as follows:

	1997	Net Increase/ (Decrease) 1997-1996	1996	Net Increase/ (Decrease) 1996-1995	1995
Revenue passenger miles (millions) (1)	47,906	14.3 %	41,914	4.7 %	40,023
Available seat miles (millions) (2)	67,576	9.9 %	61,515	0.8 %	61,006
Passenger load factor (3)	70.9%	2.8 pts.	68.1%	2.5 pts.	65.6%
Breakeven passenger load factor (4), (11)	60.0%	(0.7)pts.	60.7%	(0.1)pts.	60.8%
Passenger revenue per available seat mile (cents) (5)	9.19	2.9 %	8.93	8.9 %	8.20
Total revenue per available seat miles (cents) (6)	10.09	3.0 %	9.80	8.6 %	9.02
Operating cost per available seat mile (cents) (7), (11)	9.07	3.4 %	8.77	4.9 %	8.36
Average yield per revenue passenger mile (cents) (8)	12.96	(1.1)%	13.10	4.7 %	12.51
Average fare per revenue passenger	\$150.63	5.1 %	\$143.27	7.6 %	\$133.21
Revenue passengers (thousands)	41,210	7.5 %	38,332	2.0 %	37,575
Average length of aircraft flight (miles)	967	7.9 %	896	7.2 %	836
Average daily utilization of each aircraft (hours) (9)	10:13	2.3 %	9:59	4.7 %	9:32
Actual aircraft in fleet at end of period (10)	337	6.3 %	317	2.6 %	309

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Continental has entered into block space arrangements with certain other carriers whereby one or both of the carriers is obligated to purchase capacity on the other carrier. One such arrangement began in June 1997 pursuant to which the other carrier is sharing Continental's costs of operating certain flights by committing to purchase capacity on such flights. The tables above exclude 738 million available seat miles in 1997, as well as the related revenue passenger miles and enplanements, which were purchased and marketed by the other carrier.

- (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) Revenue passenger miles divided by available seat miles.
- (4) 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.
- (5) Passenger revenue divided by available seat miles.
- (6) Total revenue divided by available seat miles.
- (7) Operating expenses divided by available seat miles.
- (8) The average revenue received for each mile a revenue passenger is carried.
- (9) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).
- (10) Excludes six and four all-cargo 727 CMI aircraft in 1997 and 1996, respectively.
- (11) 1996 excludes fleet disposition charge totaling \$128 million.

#### Liquidity and Capital Resources

During 1997 and early 1998, the Company completed a number of transactions intended to strengthen its long-term financial position and enhance earnings:

- - In March 1997, Continental completed an offering of \$707 million of pass-through certificates to be used 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 through April 1998.
- - In April 1997, Continental entered into a \$160 million secured revolving credit facility to be used for the purpose of making certain pre-delivery 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 held by an affiliate of Air Canada for \$100 per share plus accrued dividends thereon. The redemption price, including accrued dividends, totaled \$48 million.
- - In June 1997, Continental purchased from Air Partners, L.P. ("Air Partners") for \$94 million in cash warrants to purchase 3,842,542 shares of Class B common stock of the Company.
- - In June 1997, Continental completed an offering of \$155 million of pass-through certificates which were used to finance the acquisition of 10 aircraft previously leased by the Company.
- - In July 1997, Continental entered into a \$575 million credit facility, including \$350 million of term loans, \$275 million of which was loaned by Continental to its wholly owned subsidiary Air Micronesia, Inc. ("AMI"), reloaned by AMI to its wholly owned subsidiary, Continental Micronesia, Inc. ("CMI") and used by CMI to repay its existing secured term loan. The facility also includes a \$225 million revolving credit facility.
- - In July 1997, the Company (i) purchased (a) the right of United Micronesia Development Association's ("UMDA") to receive future payments under a services agreement between UMDA and CMI and (b) UMDA's 9% interest in AMI, (ii) terminated the Company's obligations to UMDA under a settlement agreement entered into in 1987, and (iii) terminated substantially all of the other contractual arrangements between the Company, AMI and CMI, on the

one hand, and UMDA on the other hand, for an aggregate consideration of \$73 million.

- - In September 1997, Continental completed an offering of \$89 million of pass-through certificates which were used to finance the debt portion of the acquisition cost of nine Embraer ERJ-145 ("ERJ-145") regional jets.
- - In October 1997, the Company completed an offering of \$752 million of pass-through certificates to be used to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 24 new Boeing aircraft scheduled to be delivered from April 1998 through November 1998.
- - In February 1998, the Company completed an offering of \$773 million of pass-through certificates to be used to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 24 aircraft scheduled to be delivered from February 1998 through December 1998.
- - In addition, during 1997 and the first quarter of 1998, Continental completed several offerings totaling approximately \$291 million aggregate principal amount of tax-exempt special facilities revenue bonds to finance or refinance certain airport facility projects. These bonds are payable solely from rentals paid by Continental under long-term lease agreements with the respective governing bodies.

The cash proceeds from the pass-through certificate transactions are deposited with a depository bank for the benefit of the certificate holders and enable the Company to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of new aircraft. As of March 18, 1998 approximately \$1.6 billion of the proceeds remain on deposit. If any funds remain as deposits at the end of the specified delivery periods, such funds will be distributed back to the certificate holders.

As of December 31, 1997, Continental had approximately \$1.9 billion (including current maturities) of long-term debt and capital lease obligations, and had approximately \$1.2 billion of Continental-obligated mandatorily redeemable preferred securities of subsidiary trust and common stockholders' equity, a ratio of 1.6 to 1. As of December 31, 1996, the ratio of long-term debt and capital lease obligations (including current maturities) to minority interest, Continental-obligated mandatorily redeemable preferred securities of subsidiary trust, redeemable preferred stock and common stockholders' equity was 2.1 to 1.

As of December 31, 1997 the Company had \$1.0 billion in cash and cash equivalents (excluding restricted cash), compared to \$985 million as of December 31, 1996. Net cash provided by operating activities increased \$129 million during the year ended December 31, 1997 compared to the same period in the prior year principally due to an improvement in operating income. Net cash used by investing activities for the year ended December 31, 1997 compared to the same period in the prior year increased \$406 million, primarily as a result of higher capital and fleet-related expenditures in 1997 and lower purchase deposits refunded in connection with aircraft delivered in 1996. Net cash used by financing activities increased \$80 million primarily due to (i) a decrease in payments on long-term debt and capital lease obligations, (ii) a decrease in proceeds received from the issuance of long-term debt and (iii) an increase in warrants purchased in 1997.

Continental has general lines of credit and significant encumbered assets.

Deferred Tax Assets. The Company had, as of December 31, 1997, deferred tax assets aggregating \$1.1 billion, including \$631 million of NOLs. The Company recorded a valuation allowance of \$617 million against such assets as of December 31, 1997. 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. In the fourth quarter of 1997, the Company determined that it would be able to recognize an additional \$155 million of NOLs attributable to the Company's pre-bankruptcy predecessor.

This benefit, \$62 million, was used to reduce reorganization value in excess of amounts allocable to identifiable assets. To the extent the Company were to determine in the future that additional NOLs of the Company's pre-bankruptcy predecessor could be recognized in the consolidated financial statements, such benefit would also reduce reorganization value in excess of amounts allocable to identifiable assets. If such reorganization value is exhausted, such benefit would decrease other intangibles. The Company may consummate one or more additional built-in gain transactions by April 28, 1998.

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 \$515 million of taxable income following December 31, 1997. Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change". In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event that an ownership change should occur, utilization of Continental's NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term tax exempt rate (which was 5.23% for February 1998). Any 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 \$147 million per year other than through the recognition of future built-in gain transactions.

Based on information currently available, the Company does not believe that the Air Partners agreement to dispose of its interest in the Company to an affiliate of Northwest Airlines, Inc. will result in an ownership change for purposes of Section 382. See Item 7. "Management's Discussion and Analyses - Liquidity and Capital Resources - Other".

**Purchase Commitments.** In March 1998, Continental announced the conversion of 15 Boeing 737 option aircraft to 15 Boeing 737-900 firm aircraft and the addition of 25 option aircraft. As of March 18, 1998, Continental had firm commitments with Boeing to take delivery of a total of 154 jet aircraft (including the Boeing 737-900 aircraft described above) during the years 1998 through 2005 with options for an additional 61 aircraft (exercisable subject to certain conditions). These 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 \$6.7 billion. As of March 18, 1998, Continental had completed or had third party commitments for a total of approximately \$1.6 billion in financing for its future Boeing deliveries, and had commitments or letters of intent from various sources for backstop financing for approximately one-third of the anticipated remaining acquisition cost of such Boeing deliveries. The Company currently plans on financing the new Boeing aircraft with a combination of enhanced equipment trust certificates, lease equity and other third party financing, subject to availability and market conditions. However, further financing will be needed to satisfy the Company's capital commitments for other aircraft and aircraft-related expenditures such as engines, 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.

In September 1996, Continental Express, Inc. ("Express") placed an order for 25 firm ERJ-145 regional jets, with options for an additional 175 aircraft exercisable through 2008. In June 1997, Express exercised its option to order 25 of such option aircraft and expects to confirm its order for an additional 25 of its remaining 150 option aircraft by August 1998. Neither Express nor Continental will have any obligation to take such aircraft that are not financed by a third party and leased to the Company. Express took delivery of 18 of the aircraft through December 31, 1997 and

will take delivery of the remaining 32 aircraft through the third quarter of 1999. The Company expects to account for all of these aircraft as operating leases.

Continental expects its cash outlays for 1998 capital expenditures, exclusive of fleet plan requirements, to aggregate \$211 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 1997 aggregated \$118 million, exclusive of fleet plan requirements.

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

Year 2000. The Company uses a significant number of computer software programs and embedded operating systems that are essential to its operations. As a result, the Company implemented a Year 2000 project in early 1997 to ensure that the Company's computer systems will function properly in the year 2000 and thereafter. The Company anticipates completing its Year 2000 project in early 1999 and believes that, with modifications to its existing software and systems and/or conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems.

The Company has also initiated communications with its significant suppliers and vendors with which its systems interface and exchange data or upon which its business depends. The Company is coordinating efforts with these parties to minimize the extent to which its business will be vulnerable to their failure to remediate their own Year 2000 issues. The Company's business is also dependent upon certain governmental organizations or entities such as the Federal Aviation Administration ("FAA") that provide essential aviation industry infrastructure. There can be no assurance that the systems of such third parties on which the Company's business relies (including those of the FAA) will be modified on a timely basis. The Company's business, financial condition or results of operations could be materially adversely affected by the failure of its systems or those operated by other parties to operate properly beyond 1999. To the extent possible, the Company will be developing and executing contingency plans designed to allow continued operation in the event of failure of the Company's or third parties' systems.

The total cost (excluding internal payroll costs) of the Company's Year 2000 project is currently estimated at \$12 million and will be funded through cash from operations. The cost of the Company's Year 2000 project is limited by the substantial outsourcing of its systems and the significant implementation of new systems following its emergence from bankruptcy in 1993. The costs of the Company's Year 2000 project and the date on which the Company believes it will be completed are based on management's best estimates and include assumptions regarding third-party modification plans. However, in particular due to the potential impact of third-party modification plans, there can be no assurance that these estimates will be achieved and actual results could differ materially from those anticipated.

Bond Financings. In April 1997, the City of Houston 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 of Houston. The IAH Bonds are unconditionally guaranteed by Continental. The proceeds from the IAH Bonds are being 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, 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 December 1997, Continental substantially completed construction of a new hangar and improvements to a cargo facility at Continental's hub at Newark International Airport. Continental

expects to complete the financing of these projects in April 1998 with \$25 million of tax-exempt bonds. Continental is also planning a facility expansion at Newark which would require, among other matters, agreements to be reached with the applicable airport authority.

The Company is building a wide-body aircraft maintenance hangar in Honolulu, Hawaii at an estimated cost of \$25 million. Construction of the hangar, anticipated to be completed by the second quarter of 1998, is being financed by tax-exempt special facilities revenue bonds issued by the State of Hawaii. In connection therewith, the Company has entered into long-term leases providing for the Company to make rental payments sufficient to service the related tax-exempt bonds.

Continental has announced plans to expand its facilities at its Hopkins International Airport hub in Cleveland, which expansion is expected to be completed in the third quarter of 1999. The expansion, which will include a new jet concourse for the regional jet service offered by Express, as well as other facility improvements, is expected to cost approximately \$156 million and will be funded principally by the issuance of a combination of tax-exempt special facilities revenue bonds (expected to be issued in March 1998) and general airport revenue bonds (issued in December 1997) by the City of Cleveland. In connection therewith, Continental has entered into a long-term lease with the City of Cleveland under which rental payments will be sufficient to service the related bonds.

Employees. In April 1997, collective bargaining agreement negotiations began with the Independent Association of Continental Pilots ("the IACP") to amend both the Continental Airlines pilots' contract (which became amendable in July 1997) and Express pilots' contract (which became amendable in October 1997). In February 1998, a five-year collective bargaining agreement with the Continental Airlines pilots was announced by the Company and the IACP. In March 1998, Express also announced a five-year collective bargaining agreement with its pilots. These agreements are subject to approval by the IACP board of directors and ratification by the Continental and Express pilots. The Company began accruing for the increased costs of a tentative agreement reached in November 1997 in the fourth quarter of 1997. The Company estimates that such accrual will be approximately \$113 million for 1998. The Company's mechanics and related employees recently voted to be represented by the International Brotherhood of Teamsters (the "Teamsters"). The Company does not believe that the Teamsters' union representation will be material to the Company. In September 1997, Continental announced that it intends to bring all employees to industry standard wages (the average of the top ten air carriers as ranked by the Department of Transportation excluding Continental) within 36 months. The announcement further stated that wage increases will be phased in over the 36-month period as revenue, interest rates and rental rates reached industry standards. Continental estimates that the increased wages will aggregate approximately \$500 million over the 36-month period.

Other. As a result of the continued weakness of the yen against the dollar, a weak Japanese economy and increased fuel costs, CMI's operating earnings have declined during 1996 and 1997, and are not expected to improve materially absent a significant improvement in these factors.

In addition, the Company has entered into petroleum option contracts to provide some short-term protection against a sharp increase in jet fuel prices, and CMI has entered into average rate option contracts to hedge a portion of its Japanese yen-denominated ticket sales against a significant depreciation in the value of the yen versus the United States dollar.

On January 26, 1998, the Company announced that, in connection with an agreement by Air Partners, L.P. to dispose of its interest in the Company to an affiliate of Northwest Airlines, Inc. ("Northwest"), the Company had entered into a long-term global alliance with Northwest.

The Company estimates that the alliance with Northwest, when fully phased in over a three-year period, will generate in excess of \$500 million in additional annual pre-tax operating income for the carriers, and anticipates that approximately 45% of such pre-tax operating income will accrue to the Company.

In February 1998, Continental began a block space arrangement whereby it is committed to purchase capacity on another carrier at a cost of approximately \$147 million per year. This arrangement is for 10 years. Pursuant to other block space arrangements, other carriers are committed to purchase capacity on Continental.

On March 3, 1998, the Company announced that its Board of Directors had authorized the expenditure of up to \$100 million to repurchase the Company's common stock or convertible securities. No time limit was placed on the duration of the repurchase program. Subject to applicable securities laws, such purchases will be at times and in amounts as the Company deems appropriate. As of March 17, 1998, 200,000 shares had been repurchased.

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 compensates its employees comparable to industry average, (iii) changes in the costs of materials and services (in particular, the cost of fuel, which can fluctuate significantly in response to global market conditions), (iv) changes in governmental regulations and taxes affecting air transportation and the costs charged for airport access, including new security requirements, (v) changes in the Company's fleet and related capacity and (vi) the Company's continuing efforts to reduce costs throughout its operations, including reduced maintenance costs for new aircraft, reduced distribution expense from using Continental's electronic ticket product ("E-Ticket") and the Internet for bookings, and reduced interest expense.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risk Sensitive Instruments and Positions

The Company is subject to certain market risks, including commodity price risk (i.e., aircraft fuel prices), interest rate risk, foreign currency risk and price changes related to investments in equity securities. Following is a discussion of the adverse effects of potential changes in these market risks. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ. See the notes to the consolidated financial statements for a description of the Company's accounting policies and other information related to these financial instruments.

**Aircraft Fuel.** The Company's results of operations are significantly impacted by changes in the price of aircraft fuel. During 1997, aircraft fuel accounted for 14% of the Company's operating expenses. Based on the Company's 1998 projected fuel consumption, a one cent change in the average annual price per gallon of aircraft fuel would impact the Company's annual aircraft fuel expense by approximately \$15 million. In order to provide short-term protection (generally three to six months) against sharp increases in aircraft fuel prices, the Company has entered into petroleum call options. As of December 31, 1997, the Company had hedged approximately 24% of its projected 1998 fuel requirements, including 100% related to the first quarter.

**Foreign Currency.** The Company is exposed to the effect of exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating revenue and expenses. The Company's largest exposure comes from the Japanese yen. The result of a uniform 10% strengthening in the value of the U.S. dollar from December 31, 1997 levels relative to the yen is estimated to result in a decrease in operating income of approximately \$25 million for 1998. However, the Company has mitigated the effect of certain of these potential foreign currency losses by purchasing foreign currency average rate option contracts that effectively enable it to sell Japanese yen expected to be received from yen-denominated ticket sales over the next nine to twelve months at specified dollar amounts. As of December 31, 1997, the Company had purchased average rate options to hedge approximately 100% of its projected 1998 net yen-denominated cash flows.

**Interest Rates.** The Company's results of operations are affected by fluctuations in interest rates (e.g., interest expense on debt and interest income earned on short-term investments).

The Company had approximately \$714 million of variable-rate debt as of December 31, 1997. If average interest rates increased by 0.5% during 1998 as compared to 1997, the Company's projected 1998 interest expense would increase by approximately \$3 million. The Company has mitigated its exposure on certain variable-rate debt by entering into an interest rate cap (notional amount of \$142 million as of December 31, 1997) which expires in July 2001. The interest rate cap limits the amount of potential increase in the Eurodollar or Prime rate component of the floating rate to a maximum of 9% over the term of the contract.

As of December 31, 1997, the fair value of \$793 million (carrying value) of the Company's fixed-rate debt was estimated to be \$803 million, based upon discounted future cash flows using current incremental borrowing rates for similar types of instruments or market prices. Market risk, estimated as the potential increase in fair value resulting from a hypothetical 0.5% decrease in interest rates, was approximately \$18 million as of December 31, 1997. The fair value of the remaining fixed-rate debt (with a carrying value of \$162 million and primarily relating to aircraft modification notes and various loans with immaterial balances) was not practicable to estimate due to the large number and small dollar amounts of these notes.

If 1998 average short-term interest rates decreased by 0.5% over 1997 average rates, the Company's projected interest income from short-term investments would decrease by approximately \$4 million during 1998.

Preferred Securities of Trust. As of December 31, 1997, the fair value of Continental's 8-1/2% Convertible Trust Originated Preferred Securities was estimated to be \$514 million using market prices, which exceeded the carrying value of these securities by \$272 million. Market risk is estimated as the potential increase in fair value resulting from a hypothetical 10% increase in market prices and was estimated to be \$51 million as of December 31, 1997.

Investments in Equity Securities. Continental's investment in America West Holdings Corporation at December 31, 1997, which was recorded as its fair value of \$9 million and includes unrealized gains of \$4 million, has exposure to price risk. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in prices quoted by stock exchanges and amounts to \$1 million.

The Company also has an investment in AMADEUS which is also subject to price risk. However, since a readily determinable market value does not exist for AMADEUS (it is privately held), the Company is unable to quantify the amount of price risk sensitivity inherent in this investment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 1997	F-7
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Continental Airlines, Inc.

We have audited the accompanying consolidated balance sheets of Continental Airlines, Inc. (the "Company") as of December 31, 1997 and 1996, and the related consolidated statements of operations, redeemable preferred stock and common stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 1997 and 1996, the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Houston, Texas  
February 9, 1998  
except for Note 13, as  
to which the date is  
March 18, 1998

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

	Year Ended December 31,		
	1997	1996	1995
Operating Revenue:			
Passenger . . . . .	\$6,660	\$5,871	\$5,302
Cargo . . . . .	175	154	145
Mail and other . . . . .	378	335	378
	7,213	6,360	5,825
Operating Expenses:			
Wages, salaries and related costs . . . .	1,688	1,452	1,381
Employee incentives . . . . .	126	97	51
Aircraft fuel . . . . .	885	774	681
Commissions . . . . .	567	510	489
Aircraft rentals . . . . .	551	509	497
Maintenance, materials and repairs . . .	537	461	429
Other rentals and landing fees . . . . .	395	350	356
Depreciation and amortization . . . . .	254	254	253
Fleet disposition charge . . . . .	-	128	-
Other . . . . .	1,494	1,300	1,303
	6,497	5,835	5,440
Operating Income	716	525	385
Nonoperating Income (Expense):			
Interest expense . . . . .	(166)	(165)	(213)
Interest capitalized . . . . .	35	5	6
Interest income . . . . .	56	43	31
Gain on System One transactions . . . . .	-	-	108
Other, net . . . . .	(1)	20	(7)
	(76)	(97)	(75)
Income before Income Taxes, Minority Interest and Extraordinary Loss . . . . .	640	428	310
Income Tax Provision . . . . .	(237)	(86)	(78)

(continued on next page)

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

	Year Ended December 31,		
	1997	1996	1995
Income before Minority Interest and Extraordinary Loss . . . . .	\$ 403	\$ 342	\$ 232
Minority Interest . . . . .	-	(3)	(6)
Distributions on Preferred Securities of Trust, net of applicable income taxes of \$8, \$8 and \$0, respectively . . . . .	(14)	(14)	(2)
Income before Extraordinary Loss. . . . .	389	325	224
Extraordinary Loss, net of applicable income taxes of \$2 and \$4, respectively. . . . .	(4)	(6)	-
Net Income. . . . .	385	319	224
Preferred Dividend Requirements and Accretion to Liquidation Value . . . . .	(2)	(5)	(9)
Income Applicable to Common Shares. . . . .	\$ 383	\$ 314	\$ 215
Earnings per Common Share:			
Income before Extraordinary Loss. . . . .	\$ 6.72	\$ 5.87	\$ 4.07
Extraordinary Loss. . . . .	(0.07)	(0.12)	-
Net Income. . . . .	\$ 6.65	\$ 5.75	\$ 4.07
Earnings per Common Share Assuming Dilution:			
Income before Extraordinary Loss. . . . .	\$ 5.03	\$ 4.25	\$ 3.37
Extraordinary Loss. . . . .	(0.04)	(0.08)	-
Net Income. . . . .	\$ 4.99	\$ 4.17	\$ 3.37

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

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

ASSETS	December 31, 1997	December 31, 1996
Current Assets:		
Cash and cash equivalents, including restricted cash and cash equivalents of \$15 and \$76, respectively. . . . .	\$1,025	\$1,061
Accounts receivable, net of allowance for doubtful receivables of \$23 and \$27, respectively . . . . .	361	377
Spare parts and supplies, net of allowance for obsolescence of \$51 and \$47, respectively . . . . .	128	111
Deferred income taxes. . . . .	111	-
Prepayments and other assets . . . . .	103	85
Total current assets . . . . .	1,728	1,634
Property and Equipment:		
Owned property and equipment:		
Flight equipment. . . . .	1,636	1,199
Other . . . . .	456	338
	2,092	1,537
Less: Accumulated depreciation . . . . .	473	370
	1,619	1,167
Purchase deposits for flight equipment . . . . .	437	154
Capital leases:		
Flight equipment. . . . .	274	396
Other . . . . .	40	31
	314	427
Less: Accumulated amortization . . . . .	145	152
	169	275
Total property and equipment . . . . .	2,225	1,596
Other Assets:		
Routes, gates and slots, net of accumulated amortization of \$270 and \$212, respectively. . . . .	1,425	1,473
Reorganization value in excess of amounts allocable to identifiable assets, net of accumulated amortization of \$71 and \$60, respectively. . . . .	164	237
Investments. . . . .	104	134
Other assets, net. . . . .	184	132
Total other assets . . . . .	1,877	1,976
Total Assets . . . . .	\$5,830	\$5,206

(continued on next page)

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

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1997	December 31, 1996
Current Liabilities:		
Current maturities of long-term debt . . . . .	\$ 243	\$ 201
Current maturities of capital leases . . . . .	40	60
Accounts payable . . . . .	781	705
Air traffic liability . . . . .	746	661
Accrued payroll and pensions . . . . .	158	149
Accrued other liabilities . . . . .	317	328
Total current liabilities . . . . .	2,285	2,104
Long-Term Debt . . . . .	1,426	1,368
Capital Leases . . . . .	142	256
Deferred Credits and Other Long-Term Liabilities:		
Deferred income taxes . . . . .	435	75
Accruals for aircraft retirements and excess facilities . . . . .	123	188
Other . . . . .	261	331
Total deferred credits and other long-term liabilities . . . . .	819	594
Commitments and Contingencies		
Minority Interest . . . . .	-	15
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures (1) . . . . .		
	242	242
Redeemable Preferred Stock . . . . .	-	46
Common Stockholders' Equity:		
Class A common stock - \$.01 par, 50,000,000 shares authorized; 8,379,464 and 9,280,000 shares issued and outstanding, respectively . . . . .	-	-
Class B common stock - \$.01 par, 200,000,000 shares authorized; 50,512,010 and 47,943,343 shares issued and outstanding, respectively . . . . .	1	-
Additional paid-in capital . . . . .	639	693
Retained earnings (accumulated deficit) . . . . .	276	(109)
Other . . . . .	-	(3)
Total common stockholders' equity . . . . .	916	581
Total Liabilities and Stockholders' Equity . . . . .	\$5,830	\$5,206

(1) The sole assets of the Trust are convertible subordinated debentures with an aggregate principal amount of \$249 million, which bear interest at the rate of 8-1/2% per annum and mature on December 1, 2020. Upon repayment, the Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust will be mandatorily redeemed.

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

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

	Year Ended December 31,		
	1997	1996	1995
<b>Cash Flows From Operating</b>			
Activities:			
Net income . . . . .	\$ 385	\$ 319	\$224
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization . . . . .	254	254	253
Provision for aircraft and facilities . . . . .	-	128	14
Deferred income taxes . . . . .	212	72	71
Gain on sale of America West stock and warrants . . . . .	-	(18)	-
Gain on System One transactions . . . . .	-	-	(108)
Other, net . . . . .	34	11	27
Changes in operating assets and liabilities:			
Increase in accounts receivable . . . . .	(1)	(42)	(21)
Increase in spare parts and supplies . . . . .	(38)	(43)	(8)
Increase in accounts payable . . . . .	71	103	48
Increase (decrease) in air traffic liability . . . . .	85	82	(5)
Other . . . . .	(42)	(35)	(176)
Net cash provided by operating activities . . . . .	960	831	319
<b>Cash Flows from Investing Activities:</b>			
Capital expenditures, net of returned purchase deposits in 1996 and 1995 . . . . .	(417)	(198)	(67)
Purchase deposits paid in connection with future aircraft deliveries . . . . .	(409)	(116)	(15)
Deposits refunded in connection with aircraft transactions . . . . .	141	20	97
Other . . . . .	28	43	60
Net cash provided (used) by investing activities . . . . .	(657)	(251)	75
<b>Cash Flows From Financing Activities:</b>			
Net proceeds from issuance of long-term debt . . . . .	517	797	9
Payments on long-term debt and capital lease obligations . . . . .	(676)	(975)	(318)
Net proceeds from issuance of preferred securities of trust . . . . .	-	-	242
Purchase of warrants . . . . .	(94)	(50)	(14)
Other . . . . .	(25)	30	13
Net cash used by financing activities . . . . .	(278)	(198)	(68)

(continued on next page)

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

	Year Ended December 31,		
	1997	1996	1995
Net Increase in Cash and Cash Equivalents . . . . .	\$ 25	\$ 382	\$326
Cash and Cash Equivalents Beginning of Period (1). . . . .	985	603	277
Cash and Cash Equivalents End of Period (1). . . . .	\$1,010	\$ 985	\$603
Supplemental Cash Flows Information:			
Interest paid. . . . .	\$ 156	\$ 161	\$179
Income taxes paid, net . . . . .	\$ 12	\$ 4	\$ 11
Financing and Investing Activities Not Affecting Cash:			
Capital lease obligations incurred. . .	\$ 22	\$ 32	\$ 10
Property and equipment acquired through the issuance of debt . . . . .	\$ 207	\$ 119	\$ 92
Reduction of capital lease obligations in connection with refinanced aircraft. . . . .	\$ 97	\$ -	\$ -
Investment in AMADEUS acquired in con- nection with System One transactions .	\$ -	\$ -	\$120
Issuance of convertible secured debentures in connection with the aircraft settlements . . . . .	\$ -	\$ -	\$158

(1) Excludes restricted cash of \$15 million, \$76 million, \$144 million and \$119 million at December 31, 1997, 1996, 1995 and 1994, respectively.

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

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

	Redeemable Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Other
Balance, December 31, 1994 . . . . .	\$ 53	\$ 778	\$ (652)	\$(23)
Net Income . . . . .	-	-	224	-
Purchase of Warrants . . . . .	-	(51)	-	-
Accumulated Dividends:				
8% Cumulative Redeemable Preferred Stock . . . . .	2	(2)	-	-
12% Cumulative Redeemable Preferred Stock . . . . .	2	(2)	-	-
Series A 12% Cumulative Preferred Stock .	2	(2)	-	-
Issuance of Note in Exchange for Series A 8% Cumulative Preferred Stock . .	(18)	(3)	-	-
Additional Minimum Pension Liability . . .	-	-	-	(1)
Unrealized Gain on Marketable Equity Securities . . . . .	-	-	-	20
Other . . . . .	-	15	-	4
Balance, December 31, 1995 . . . . .	41	733	(428)	-
Net Income . . . . .	-	-	319	-
Purchase of Warrants . . . . .	-	(50)	-	-
Accumulated Dividends:				
Series A 12% Cumulative Preferred Stock .	5	(5)	-	-
Additional Minimum Pension Liability . . .	-	-	-	6
Unrealized Gain on Marketable Equity Securities, net . . . . .	-	-	-	4
Sale of America West Stock and Warrants . .	-	-	-	(18)
Other . . . . .	-	15	-	5
Balance, December 31, 1996 . . . . .	46	693	(109)	(3)

(continued on next page)

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

	Redeemable Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Other
Net Income . . . . .	\$ -	\$ -	\$ 385	\$ -
Purchase of Warrants . . . . .	-	(94)	-	-
Accumulated Dividends on Series A 12% Cumulative Preferred Stock . . . . .	2	(2)	-	-
Redemption of Series A 12% Cumulative Preferred Stock . . . . .	(48)	-	-	-
Additional Minimum Pension Liability . . .	-	-	-	(4)
Other . . . . .	-	42	-	7
Balance, December 31, 1997 . . . . .	\$ -	\$ 639	\$ 276	\$ -

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

	Redeemable Preferred Stock	Class A Common Stock	Class B Common Stock	Treasury Stock
Balance, December 31, 1994 . . . . .	471,000	12,602,112	40,747,024	60,000
Cancellation of 8% and 12% Cumulative Redeemable Preferred Stock . . . . .	(471,000)	-	-	-
Issuance of Series A 8% and 12% Cumulative Preferred Stock . . . . .	589,142	-	-	-
Issuance of Note in Exchange for Series A 8% Cumulative Preferred Stock . . . . .	(202,784)	-	-	-
Forfeiture of Restricted Class B Common Stock . . . . .	-	-	(55,000)	55,000
Reissuance of Treasury Stock . . . . .	-	-	115,000	(115,000)
Preferred Stock In-kind Dividend . . . . .	11,590	-	-	-
Issuance of Common Stock pursuant to Stock Plans and Awards . . . . .	-	-	863,978	-
Other . . . . .	-	-	1,185,546	-
Balance, December 31, 1995 . . . . .	397,948	12,602,112	42,856,548	-
Conversion of Class A to Class B Common Stock by Air Canada . . . . .	-	(3,322,112)	3,322,112	-
Forfeiture of Restricted Class B Common Stock . . . . .	-	-	(60,000)	60,000
Purchase of Common Stock . . . . .	-	-	(133,826)	133,826
Reissuance of Treasury Stock . . . . .	-	-	193,826	(193,826)
Preferred Stock In-kind Dividend . . . . .	49,134	-	-	-
Issuance of Common Stock pursuant to Stock Plans and Awards . . . . .	-	-	1,764,683	-
Balance, December 31, 1996 . . . . .	447,082	9,280,000	47,943,343	-

(continued on next page)

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

	Redeemable Preferred Stock	Class A Common Stock	Class B Common Stock	Treasury Stock
Conversion of Class A to Class B Common Stock . . . . .	-	(900,536)	900,536	-
Purchase of Common Stock . . . . .	-	-	(154,882)	154,882
Reissuance of Treasury Stock pursuant to Stock Plans . . . . .	-	-	154,882	(154,882)
Issuance of Preferred Stock Dividends on Series A 12% Cumulative Preferred Stock . . . . .	13,165	-	-	-
Redemption of Series A 12% Cumulative Preferred Stock . . . . .	(460,247)	-	-	-
Issuance of Common Stock pursuant to Stock Plans . . . . .	-	-	1,646,419	-
Conversion of Trust Originated Preferred Securities into Common Stock . . . . .	-	-	21,712	-
Balance, December 31, 1997 . . . . .	-	8,379,464	50,512,010	-

CONTINENTAL AIRLINES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continental Airlines, Inc. (the "Company" or "Continental") is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by 1997 revenue passenger miles) and, together with its wholly owned subsidiaries, Continental Express, Inc. ("Express"), and Continental Micronesia, Inc. ("CMI"), each a Delaware corporation, serves 191 airports worldwide. Continental flies to 125 domestic and 66 international destinations and offers additional connecting service through alliances with domestic and foreign carriers. Continental directly serves 10 European cities and is one of the leading airlines providing service to Mexico and Central America, serving more destinations there than any other United States airline. Continental currently flies to seven cities in South America. Through its Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation -

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

(b) Use of Estimates -

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

(c) Cash and Cash Equivalents -

Cash and cash equivalents consist of cash and short-term, highly liquid investments which are readily convertible into cash and have a maturity of three months or less when purchased. Approximately \$15 million and \$76 million of cash and cash equivalents at December 31, 1997 and 1996, respectively, were held in restricted arrangements relating primarily to payments for workers' compensation claims and in accordance with the terms of certain other agreements.

(d) Spare Parts and Supplies -

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

(e) Property and Equipment -

Property and equipment were recorded at fair market values as of April 27, 1993; subsequent purchases were recorded at cost and are depreciated to estimated residual values (10% of cost) over their estimated useful lives using the straight-line method. Estimated useful lives for such assets are 25 years and 18 years from the date of manufacture for all owned jet and turboprop aircraft, respectively; up to 25 years, depending on the lease period, for aircraft acquired under long-term capital leases; and two to 25 years for other property and equipment, including airport facility improvements.

(f) Intangible Assets -

Routes, Gates and Slots

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

	Balance at December 31, 1997	Accumulated Amortization at December 31, 1997
Routes . . . .	\$ 892	\$115
Gates . . . .	407	115
Slots . . . .	126	40
	\$1,425	\$270

Reorganization Value In Excess of Amounts Allocable to  
Identifiable Assets

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

(g) Air Traffic Liability -

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

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

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

(h) Passenger Traffic Commissions -

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

(i) Deferred Income Taxes -

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

(j) Maintenance and Repair Costs -

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

(k) Advertising Costs -

The Company expenses the costs of advertising as incurred. Advertising expense was \$98 million, \$76 million and \$94 million for the years ended December 31, 1997, 1996 and 1995, respectively.

(l) Stock Plans and Awards -

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

(m) Recently Issued Accounting Standards -

In June 1997, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 130 - "Reporting Comprehensive Income" ("SFAS 130") and Statement of Financial Accounting Standards No. 131 - "Disclosure About Segments of an Enterprise and Related Information" ("SFAS 131"). Both SFAS 130 and SFAS 131 are effective for Continental beginning in the first quarter of 1998.

SFAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of financial statements. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Upon adopting the new standard, Continental will report and display comprehensive income which includes net income plus non-owner changes in equity such as the minimum pension liability and unrealized gains or losses on investments in marketable equity securities.

SFAS 131 changes the way segment information is presented from an industry segment approach to a management approach. Under the management approach, segments are determined based on the operations regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. The Company believes that it will report only one segment and certain additional geographic disclosures.

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132 - "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS 132") that revises the disclosure requirements of Statement of Financial Accounting Standards No. 87 - "Employers' Accounting for Pensions") and Statement of Financial Accounting Standards No. 106 - "Employers' Accounting for Postretirement Benefits Other than Pensions". The Company will adopt SFAS 132 in 1998. SFAS 132 is not expected to have an impact on the Company's results of operations or financial position.

(n) Block Space Arrangements -

Continental has entered into block space arrangements with certain other carriers whereby one or both of the carriers is obligated to purchase capacity on the other carrier. To the extent the other carrier is financially committed to purchase such capacity on Continental's flights, such payments to Continental by the other carrier are recorded as a reduction in the respective operating expenses in the accompanying Consolidated Statements of Operations. During 1997, Continental recorded a reduction of approximately \$43 million of such operating expenses. To the extent that Continental is financially committed to purchase capacity on other carriers, such payments to other carriers are recorded as a reduction in other revenue. No such payments were made in 1997. See Note 13.

(o) Reclassifications -

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

## NOTE 2 - EARNINGS PER SHARE

In the fourth quarter of 1997, the Company adopted the FASB's Statement of Financial Accounting Standards No. 128 - "Earnings per Share" ("SFAS 128") which specifies the computation, presentation and disclosure requirements for earnings per common share ("EPS"). SFAS 128 replaces the presentation of primary and fully diluted EPS pursuant to Accounting Principles Board Opinion No. 15 - "Earnings per Share" 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 obligations 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. All prior-period EPS data have been retroactively restated and reflect the application of SFAS 128.

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share data):

	1997	1996	1995
Numerator:			
Income before extraordinary loss. . . . .	\$389	\$325	\$224
Extraordinary loss, net of applicable income taxes. . . . .	(4)	(6)	-
Net income. . . . .	385	319	224
Preferred stock dividends . . . . .	(2)	(5)	(9)
Numerator for basic earnings per share - income available to common stockholders. . . . .	383	314	215
Effect of dilutive securities:			
Series A convertible debentures. . . . .	-	1	4
Preferred Securities of Trust. . . . .	14	15	2
6-3/4% convertible subordinated notes . . . . .	11	8	-
	25	24	6
Other . . . . .	(4)	(3)	(1)
Numerator for diluted earnings per share - income available to common stockholders after assumed conversions . . . . .	\$404	\$335	\$220
Denominator:			
Denominator for basic earnings per share - weighted-average shares. . . . .	57.6	54.6	52.8
Effect of dilutive securities:			
Employee stock options . . . . .	1.6	2.2	1.3
Warrants . . . . .	3.5	5.9	3.6
Restricted Class B common stock. . . . .	0.4	0.8	0.7
Preferred Securities of Trust. . . . .	10.3	10.3	0.9
6-3/4% convertible subordinated notes . . . . .	7.6	5.8	-
Series A convertible debentures. . . . .	-	0.7	5.9
Dilutive potential common shares. . . . .	23.4	25.7	12.4
Denominator for diluted earnings per share - adjusted weighted-average and assumed conversions . . . . .	81.0	80.3	65.2

Warrants to purchase 11,120,002 weighted average shares of the Company's Class B common stock, par value \$.01 per share ("Class B common stock") were not included in the computation of diluted earnings per share in 1995 because the warrants' exercise price was greater than the average market price of the common shares and, therefore, the effect would have been antidilutive.

NOTE 3 - LONG-TERM DEBT

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

	1997	1996
Secured		
Notes payable, interest rates of 5.84% to 9.97%, payable through 2019 . . . . .	\$ 325	\$ 218
Credit facility, floating interest rate of LIBOR or Eurodollar plus 1.125%, payable through 2002. . . . .	275	-
Floating rate notes, interest rates of Prime plus .5% to .75%, LIBOR plus .75% to 3.75% or Eurodollar plus .75% to 1.0%, payable through 2006 . . . . .	204	187
Revolving credit facility, floating interest rates of LIBOR or Eurodollar plus 1.125%, payable through 1999. . . . .	160	-
Notes payable, interest rates of 7.13% to 7.15% payable through 1999 and floating rates thereafter of LIBOR plus 2%, payable through 2011. . . . .	91	97
Floating rate note, interest rate of LIBOR or Eurodollar plus 1.375%, payable through 2004. . . . .	75	-
Notes payable, interest rates of 10.0% to 14.00%, payable through 2005. . . . .	54	178
Floating rate notes, interest rates of Eurodollar plus 1.75% to 2.0% or Prime plus 0.75% to 1.0% payable through 2003 . .	-	320
Other. . . . .	2	4

Unsecured

Senior notes payable, interest rate of 9.5%, payable through 2001. . . . .	\$ 250	\$ 250
Convertible subordinated notes, interest rate of 6.75%, payable through 2006 . . . .	230	230
Notes payable, interest rates of 8.38% to 12%, payable through 2001 . . . . .	2	78
Other. . . . .	1	7
	1,669	1,569
Less: current maturities. . . . .	243	201
Total. . . . .	\$1,426	\$1,368

As of December 31, 1997 and 1996, the Prime, LIBOR and Eurodollar rates associated with Continental's indebtedness approximated 8.5% and 8.3%, 5.8% and 5.6%, 5.8% and 5.6%, respectively.

A majority of Continental's property and equipment is subject to agreements securing indebtedness of Continental.

In July 1997, Continental entered into a \$575 million credit facility (the "Credit Facility"), including a \$275 million term loan, the proceeds of which were loaned to CMI to repay its existing \$320 million secured term loan. In connection with this prepayment, Continental recorded a \$4 million after tax extraordinary loss relating to early extinguishment of debt. The Credit Facility also includes a \$225 million revolving credit facility with a commitment fee of 0.25% per annum on the unused portion, and a \$75 million term loan commitment with a current floating interest rate of Libor plus 1.375%. At December 31, 1997, no borrowings were outstanding under the \$225 million revolving credit facility.

The Credit Facility is secured by substantially all of CMI's assets (other than aircraft subject to other financing arrangements) but does not contain any financial covenants relating to CMI other than covenants restricting CMI's incurrence of certain indebtedness and pledge or sale of assets. In addition, the Credit Facility contains certain financial covenants applicable to Continental and prohibits Continental from granting a security interest on certain of its international route authorities and domestic slots.

In April 1997, Continental entered into a \$160 million floating rate secured revolving credit facility (the "Facility"). The revolving loans made under the Facility are used to make certain predelivery payments to The Boeing Company ("Boeing") for new Boeing aircraft to be delivered through December 1999. As of December 31, 1997, the Facility had been fully drawn.

At December 31, 1997, under the most restrictive provisions of the Company's debt and credit facility agreements, the Company had a minimum cash balance requirement of \$600 million, a minimum net worth requirement of \$613 million and was restricted from paying cash dividends in excess of \$350 million.

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

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

Year ending December 31,	
1998. . . . .	\$243
1999. . . . .	159
2000. . . . .	152
2001. . . . .	394
2002. . . . .	170

NOTE 4 - LEASES

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

At December 31, 1997, the scheduled future minimum lease payments under capital leases and the scheduled future minimum lease rental payments required under aircraft and engine operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows (in millions):

	Capital Leases	Operating Leases
Year ending December 31,		
1998 . . . . .	\$ 55	\$ 658
1999 . . . . .	52	593
2000 . . . . .	41	582
2001 . . . . .	41	564
2002 . . . . .	15	482
Later years . . . . .	26	3,007
Total minimum lease payments . . . . .	230	\$5,886
Less: amount representing interest . . . . .	48	
Present value of capital leases . . . . .	182	
Less: current maturities of capital leases . . . . .	40	
Long-term capital leases . . . . .	\$142	

Not included in the above operating lease table is \$236 million in annual minimum lease payments relating to non-aircraft leases, principally airport and terminal facilities and related equipment.

Continental is the guarantor of \$325 million aggregate principal amount of tax-exempt special facilities revenue bonds. These bonds, issued by various airport municipalities, are payable solely from rentals paid by Continental under long-term agreements with the respective governing bodies.

The Company's total rental expense for all operating leases, net of sublease rentals, was \$787 million, \$719 million and \$720 million in 1997, 1996 and 1995, respectively.

During 1997, the Company acquired 10 aircraft previously leased by it. Aircraft maintenance expense in the second quarter of 1997 was reduced by approximately \$16 million due to the reversal of reserves that are no longer required as a result of the transaction.

#### NOTE 5 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

#### Notional Amounts and Credit Exposure of Derivatives

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

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

#### Fuel Price Risk Management

The Company has entered into petroleum call option contracts to provide some short-term protection against a sharp increase in jet fuel prices. The petroleum call option contracts generally cover the Company's forecasted jet fuel needs for three to six months. Gains, if any, on these option contracts are recognized as a

component of fuel expense when the underlying fuel being hedged is used (deferral method). At December 31, 1997, the Company had petroleum call option contracts outstanding with an aggregate notional amount of \$200 million. The fair value of the Company's call option contracts at December 31, 1997, representing the amount the Company would receive if the option contracts were closed, was immaterial. During the year ended December 31, 1996, the Company recognized gains of approximately \$65 million under this risk reduction strategy.

#### Foreign Currency Exchange Risk Management

CMI purchases foreign currency average rate option contracts that effectively enable it to sell Japanese yen expected to be received from yen-denominated ticket sales over the next nine to twelve months at specified dollar amounts. The option contracts have only nominal intrinsic value at the time of purchase. These contracts are designated and effective as hedges of probable monthly yen-denominated sales transactions, which otherwise would expose the Company to foreign currency risk. Gains, if any, on these average rate option contracts are deferred and recognized as a component of passenger revenue when the related sale is recognized (deferral method). At December 31, 1997, CMI had average rate option contracts outstanding with a notional value of \$266 million; the related fair value, representing the amount CMI would receive to terminate the agreements, was immaterial. During the year ended December 31, 1997, the Company recognized gains of approximately \$10 million under these option contracts.

#### Interest Rate Risk Management

The Company entered into an interest rate cap agreement to reduce the impact of potential increases in interest rates on a floating rate bank financing. The interest rate cap agreement has a notional value of \$142 million and is effective through July 31, 2001. The interest rate cap limits the amount of potential increase in the Eurodollar or Prime rate component of the floating rate to a maximum of 9% over the term of the contract. The fair value is immaterial. Payments to be received as a result of the cap agreement are accrued as a reduction in interest expense (accrual method).

#### Fair Value of Other Financial Instruments

##### (a) Cash equivalents -

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

##### (b) Investment in Equity Securities -

Continental's investment in America West Holdings Corporation ("America West") is classified as available-for-sale and carried at an aggregate market value of \$9 million and \$8 million at December 31, 1997 and 1996, respectively. Included in stockholders' equity at December 31, 1997 and 1996 is a net unrealized gain of \$4 million.

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

##### (c) Debt -

The fair value of the Company's debt with a carrying value of \$1.49 billion and \$1.36 billion as of December 31, 1997 and 1996, respectively, estimated based on the discounted amount of future cash flows using the current incremental rate of borrowing for a similar liability or market prices, approximates \$1.47 billion and \$1.37 billion, respectively. The fair value of the remaining debt (with a carrying value of \$179 million and \$209 million, respectively, and primarily relating to aircraft modification notes and various loans with immaterial balances) was not practicable to estimate due to the large number and small dollar amounts of these notes.

##### (d) Preferred Securities of Trust -

As of December 31, 1997, the fair value of Continental's 8-1/2% Convertible Trust Originated Preferred Securities

("TOPRS") (with a carrying value of \$242 million), estimated based on market prices, approximates \$514 million. The carrying value of the TOPRS was \$242 million and the fair value approximated \$332 million as of December 31, 1996. See Note 6.

#### NOTE 6 - PREFERRED SECURITIES OF TRUST

Continental Airlines Finance Trust, a Delaware statutory business trust (the "Trust") with respect to which the Company owns all of the common trust securities, had 4,986,500 and 4,997,000 8-1/2% TOPRS outstanding at December 31, 1997 and 1996, respectively. The TOPRS have a liquidation value of \$50 per preferred security and are convertible at any time at the option of the holder into shares of Class B common stock at a conversion rate of 2.068 shares of Class B common stock for each preferred security (equivalent to \$24.18 per share of Class B common stock), subject to adjustment in certain circumstances. Distributions on the preferred securities are payable by the Trust at the annual rate of 8-1/2% of the liquidation value of \$50 per preferred security and are included in Distributions on Preferred Securities of Trust in the accompanying Consolidated Statements of Operations. The proceeds of the private placement, which totaled \$242 million (net of \$8 million of underwriting commissions and expense) are included in Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures in the accompanying Consolidated Balance Sheets.

The sole assets of the trust are 8-1/2% Convertible Subordinated Deferrable Interest Debentures ("Convertible Subordinated Debentures") with an aggregate principal amount of \$249 million issued by the Company and which mature on December 1, 2020. The Convertible Subordinated Debentures are redeemable by Continental, in whole or in part, on or after December 1, 1998 at designated redemption prices. If Continental redeems the Convertible Subordinated Debentures, the Trust must redeem the TOPRS on a pro rata basis having an aggregate liquidation value equal to the aggregate principal amount of the Convertible Subordinated Debentures redeemed. Otherwise, the TOPRS will be redeemed upon maturity of the Convertible Subordinated Debentures, unless previously converted.

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

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

#### NOTE 7 - REDEEMABLE PREFERRED, PREFERRED AND COMMON STOCK

##### Redeemable Preferred and Preferred Stock

During the years ended December 31, 1997 and 1996, the Company's board of directors declared and issued 13,165 and 49,134 additional shares, respectively, of Series A 12% Cumulative Preferred Stock ("Series A 12% Preferred") in lieu of cash dividends. In April 1997, Continental redeemed for cash all of the 460,247 shares of its Series A 12% Preferred then outstanding for \$100 per share plus accrued dividends thereon. The redemption price, including accrued dividends, totaled \$48 million.

Redeemable preferred stock consisted of 1,000,000 authorized shares of Series A 12% Preferred with 447,082 shares issued and outstanding at December 31, 1996.

Continental has 10 million shares of authorized preferred stock, none of which were outstanding as of December 31, 1997 or 1996.

## Common Stock

Continental has two classes of common stock issued and outstanding, Class A common stock, par value \$.01 per share ("Class A common stock") and Class B common stock. Holders of shares of Class A common stock and Class B common stock are entitled to receive dividends when and if declared by the Company's board of directors. Each share of Class A common stock is entitled to 10 votes per share and each share of Class B common stock is entitled to one vote per share. In addition, Continental has authorized 50 million shares of Class D common stock, par value \$.01 per share, none of which were outstanding.

The Company's Certificate of Incorporation permits shares of the Company's Class A common stock to be converted into an equal number of shares of Class B common stock. During 1997 and 1996, 900,536 and 3,322,112 shares of the Company's Class A common stock, respectively, were so converted.

## Warrants

As of December 31, 1997, the Company had outstanding 3,039,468 Class A Warrants and 308,343 Class B Warrants (collectively, the "Warrants"). As of such date, all of the Class A Warrants were held by Air Partners, L.P. ("Air Partners"), and all of the Class B Warrants were held by a limited partner of Air Partners. The Warrants entitle the holder to purchase one share of Class A common stock or Class B common stock as follows: (i) 2,298,134 Class A Warrants and 186,134 Class B Warrants have an exercise price of \$7.50 per share, and (ii) 741,334 Class A Warrants and 122,209 Class B Warrants have an exercise price of \$15 per share. The Warrants expire on April 27, 1998.

On June 2, 1997, the Company purchased for \$94 million from Air Partners warrants to purchase 3,842,542 shares of Class B common stock (representing a portion of the total warrants held by Air Partners). The purchase price represented the intrinsic value of the warrants (the difference between the closing market price of the Class B common stock on May 28, 1997 (\$34.25) and the applicable exercise price).

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

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

## NOTE 8 - STOCK PLANS AND AWARDS

### Stock Options

On May 16, 1997, the stockholders of the Company approved the Continental Airlines, Inc. 1997 Stock Incentive Plan, as amended (the "97 Incentive Plan") under which the Company may grant options to purchase shares of Class B common stock to non-employee directors of the Company and employees of the Company or its subsidiaries. Subject to adjustment as provided in the 97 Incentive Plan, the aggregate number of shares of Class B common stock that may be issued under the 97 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 subject to options granted to any one individual during any calendar year may not exceed 200,000 shares (subject to adjustment as provided in the 97 Incentive Plan). The total shares remaining available for grant under the 97 Incentive Plan at December 31, 1997 was 604,000. Stock options granted under the 97 Incentive Plan generally vest over a period of three years and have a term of five years.

Under the Continental Airlines, Inc. 1994 Incentive Equity Plan, as amended (the "94 Incentive Plan"), key officers and employees of the Company and its subsidiaries received stock options and/or restricted stock. The 94 Incentive Plan also provided for each

outside director to receive on the day following the annual stockholders' meeting options to purchase 5,000 shares of Class B common stock. The maximum number of shares of Class B common stock that may be issued under the 94 Incentive Plan will not in the aggregate exceed 9,000,000. The total remaining shares available for grant under the 94 Incentive Plan at December 31, 1997 was 141,671. In 1995, the 94 Incentive Plan was amended to provide for the exchange and repricing of substantially all the outstanding stock options for new options bearing a shorter exercise term and generally exercisable at a price lower than that of the cancelled options, subject to certain conditions. The exercise price for the repriced options equaled the market value per share on the date of grant (\$8.00). As a result of the repricing, stock options generally vest over a period of three years and have a term of five years.

Under the terms of the 97 and 94 Incentive Plans, a change of control would result in all outstanding options under these plans becoming exercisable in full and restrictions on restricted shares being terminated (see Note 17).

The table on the following page summarizes stock option transactions pursuant to the Company's 94 and 97 Incentive Plans (share data in thousands):

	1997		1996		1995	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at Beginning of Year . . . . .	5,809	\$17.37	4,769	\$ 8.41	3,443	\$10.19
Granted* . . . . .	1,968	\$29.34	3,307	\$25.07	4,322	\$ 8.43
Exercised . . . . .	(1,582)	\$11.72	(1,747)	\$ 8.23	(361)	\$ 9.25
Cancelled. . . . .	(195)	\$22.49	(520)	\$14.83	(2,635)	\$10.58
Outstanding at End of Year . . . . .	6,000	\$22.62	5,809	\$17.37	4,769	\$ 8.41
Options exercisable at end of year . . . . .	1,235	-	656	-	1,079	-

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

Options granted during 1995 include the grant of repriced options; options cancelled during 1995 include the cancellation of the higher priced options.

The following tables summarize the range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at December 31, 1997 (share data in thousands):

#### Options Outstanding

Range of Exercise Prices	Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$3.88-\$8.00	1,178	3.10	\$7.54
\$8.19-\$22.38	389	3.91	\$16.59
\$22.56-\$23.00	1,328	3.12	\$22.99
\$23.25-\$27.88	467	3.82	\$25.63
\$27.94-\$48.88	2,638	4.08	\$29.53
\$3.88-\$48.88	6,000	3.64	\$22.62

#### Options Exercisable

Range of Exercise Prices	Exercisable	Weighted Average Exercise Price
\$3.88-\$8.00	287	\$ 7.63
\$8.19-\$22.38	186	\$16.55
\$22.56-\$23.00	359	\$22.99
\$23.25-\$27.88	77	\$25.05
\$27.94-\$48.88	326	\$30.53
\$3.88-\$48.88	1,235	\$20.57

#### Restricted Stock

The 97 Incentive Plan permits awards of restricted stock to participants, subject to one or more restrictions, including a restriction period, and a purchase price, if any, to be paid by the participant. In connection with the plan, 100,000 shares have been authorized for issuance as restricted stock (subject to adjustment as provided in the 97 Incentive Plan). As of December 31, 1997, no awards of restricted stock had been made.

The 94 Incentive Plan also permitted awards of restricted stock to participants, subject to one or more restrictions, including a restriction period, and a purchase price, if any, to be paid by the participant. In connection with the plan, 600,000 shares were authorized for issuance as restricted stock. As of December 31, 1997, 35,000 shares were available for grant as restricted stock.

Additionally, on March 4, 1994, the Board approved a one-time grant of 2,014,000 shares of restricted stock to substantially all employees at or below the manager level. These shares were issued at no cost to the employees and vest in 25 percent increments on each of January 2, 1995, 1996, 1997 and 1998.

#### Employee Stock Purchase Plans

On May 16, 1997, the stockholders of the Company approved the Continental Airlines, Inc. 1997 Employee Stock Purchase Plan (the "97 Stock Purchase Plan"). Under the 97 Stock Purchase Plan, all employees of the Company, including CMI and Express, may purchase shares of Class B common stock of the Company at 85% of the lower of the fair market value on the first day of the option period or the last day of the option period. Subject to adjustment, a maximum of 1,750,000 shares of Class B common stock are authorized for issuance under the 97 Stock Purchase Plan. During 1997, 148,186 shares of Class B common stock were issued at prices ranging from \$23.38 to \$29.33.

Under the Continental Airlines, Inc. 1994 Employee Stock Purchase Plan, as amended (the "94 Stock Purchase Plan"), which terminated on December 31, 1996, substantially all employees of the Company could purchase shares of Class B common stock at 85% of the lower of the fair market value on the first or last business day of a calendar quarter. Subject to adjustment, a maximum of 8,000,000 shares of Class B common stock were authorized for purchase under the 94 Stock Purchase Plan. During 1997, 70,706 shares were issued at a price of \$19.55 per share that related to contributions made in the fourth quarter of 1996. During 1996 and 1995, 191,809 and 518,428 shares, respectively, of Class B common stock were issued at prices ranging from \$15.81 to \$23.96 in 1996 and \$4.31 to \$10.63 in 1995 in connection with the 94 Stock Purchase Plan.

#### Pro Forma SFAS 123 Results

Pro forma information regarding net income and earnings per share has been determined as if the Company had accounted for its employee stock options and purchase rights under the fair value method of SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1997, 1996 and 1995, respectively: risk-free interest rates of 6.1%, 5.8% and 6.2%; dividend yields of 0%; volatility factors of the expected market price of the Company's common stock of 34% for 1997 and 39% for 1996 and 1995; and a weighted-average expected life of the option of 2.5 years, 2.6 years and 2.3 years. The weighted average fair value of the stock options granted in 1997, 1996 and 1995 was \$7.87, \$7.55 and \$2.35, respectively. The fair value of the purchase rights under the Stock Purchase Plans was also estimated using the Black-Scholes model with the following weighted-average assumptions for 1997, 1996 and 1995, respectively: risk free interest rates of 5.2%, 5.2% and 5.8%; dividend yields of 0%; expected volatility of 34% for 1997 and 39% for 1996 and 1995; and an expected life of .33 years for 1997 and 0.25 years for 1996 and 1995. The weighted-average fair value of those purchase rights granted in 1997, 1996 and 1995 was \$7.38, \$5.75 and \$1.89, respectively.

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

Assuming that the Company had accounted for its employee stock options and purchase rights using the fair value method and amortized the resulting amount to expense over the options' vesting period net income would have been reduced by \$11 million, \$9 million and \$5 million for the years ended December 31, 1997, 1996 and 1995, respectively. Basic EPS would have been reduced by 18

cents, 17 cents and 10 cents for the years ended December 31, 1997, 1996 and 1995, respectively, and diluted EPS would have been reduced by 14 cents, 11 cents and 6 cents for the same periods, respectively. The pro forma effect on net income is not representative of the pro forma effects on net income in future years because it did not take into consideration pro forma compensation expense related to grants made prior to 1995.

#### NOTE 9 - EMPLOYEE BENEFIT PLANS

The Company has noncontributory defined benefit pension and defined contribution (including 401(k) savings) plans. Substantially all domestic employees of the Company are covered by one or more of these plans. The benefits under the active defined benefit pension plan are based on years of service and an employee's final average compensation. For the years ended December 31, 1997, 1996 and 1995, total pension expense for the defined benefit plans was \$41 million, \$45 million and \$40 million, respectively. Total expense for the defined contribution plans was \$6 million, \$7 million and \$6 million, for 1997, 1996 and 1995, respectively.

Net periodic pension cost of the Company's defined benefit plans for 1997, 1996 and 1995 included the following components (in millions):

	1997	1996	1995
Service cost - benefits earned during the year . . . . .	\$38	\$38	\$30
Interest cost on projected benefit obligations . . . . .	51	45	40
Loss (return) on plan assets . .	(83)	(63)	(79)
Net amortization and deferral . .	35	25	49
Net periodic pension costs . . .	\$41	\$45	\$40

The following table sets forth the defined benefit plans' funded status amounts as of December 31, 1997 and 1996 (in millions):

	1997		1996	
	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits
Actuarial present value of benefit obligations:				
Vested . . . . .	\$603	\$ 83	\$308	\$ 91
Non-vested . . . .	17	1	96	3
Accumulated benefit obligations . . .	620	84	404	94
Effect of projected future salary increases.	141	-	107	-
Projected benefit obligation . . . .	761	84	511	94
Plan assets at fair value . . . . .	529	103	393	115
Projected benefit obligation in excess of (less than) plan assets . . . . .	232	(19)	118	(21)
Unrecognized prior service costs . . . . .	(9)	-	(9)	-
Unrecognized net gain (loss) . . . . .	(96)	3	42	7
Additional minimum liability . . . . .	9	-	2	-
Accrued (pre-paid) pension liability . . . . .	\$136	\$(16)	\$153	\$(14)

In accordance with Statement of Financial Accounting Standards No. 87 - "Employers' Accounting for Pensions", an additional minimum pension liability for certain plans, representing the excess of accumulated benefits over plan assets and accrued pension costs, was recognized at December 31, 1997 and 1996. A corresponding amount was recognized as a separate reduction to stockholders' equity.

Plan assets consist primarily of equity securities (including 50,000 and 100,000 shares of Class B common stock) as of December 31, 1997 and 1996, respectively, long-term debt securities and short-term investments.

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.25%, 7.75% and 7.25% for 1997, 1996 and 1995, respectively. The expected long-term rate of return on assets (which is used to calculate the Company's return on pension assets for the current year) was 9.25% for each of 1997, 1996 and 1995. The weighted average rate of salary increases was 4.9% for each of 1997, 1996 and 1995. In 1997, Continental changed from the 1984 Unisex Pensioners Mortality Table to the 1983 Group Annuity Mortality

Table which affects the comparability of benefit obligations. The unrecognized net gain (loss) is amortized on a straight-line basis over the average remaining service period of employees expected to receive a plan benefit.

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

The Company also has a profit sharing program under which an award pool consisting of 15.0% of the Company's annual pre-tax earnings, subject to certain adjustments, is distributed each year to substantially all employees (other than employees whose collective bargaining agreement provides otherwise or who otherwise receive profit sharing payments as required by local law) on a pro rata basis according to base salary. The profit sharing expense included in the accompanying Consolidated Statements of Operations for the years ended December 31, 1997, 1996 and 1995 was \$105 million, \$68 million and \$31 million, respectively.

NOTE 10 - INCOME TAXES

The reconciliations of income tax computed at the United States federal statutory tax rates to income tax provision for the years ended December 31, 1997, 1996 and 1995 are as follows (in millions):

	Amount			Percent		
	1997	1996	1995	1997	1996	1995
Income tax provision at United States statutory rates . .	\$224	\$150	\$109	35.0 %	35.0 %	35.0 %
State income tax provision . . . . .	9	6	5	1.4	1.4	1.6
Reorganization value in excess of amounts allocable to identifiable assets . . . . .	4	5	20	0.6	1.2	6.5
Meals and entertainment disallowance . . . . .	9	7	6	1.4	1.6	1.9
Net operating loss not benefitted . . . . .	(15)	(88)	(67)	(2.3)	(20.5)	(21.6)
Other . . . . .	6	6	5	1.0	1.4	1.6
Income tax provision, net . . . . .	\$237	\$ 86	\$ 78	37.1 %	20.1 %	25.0 %

The significant component of the provision for income taxes for the year ended December 31, 1997, 1996 and 1995 was a deferred tax provision of \$220 million, \$80 million and \$71 million, respectively. The provision for income taxes for the period ended December 31, 1997, 1996 and 1995 also reflects a current tax provision in the amount of \$17 million, \$6 million and \$7 million, respectively, as the Company is in an alternative minimum tax position for federal income tax purposes and pays current state income tax.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1997 and 1996 are as follows (in millions):

	1997	1996
Spare parts and supplies, fixed assets and intangibles . . . . .	\$ 639	\$ 635
Deferred gain. . . . .	63	62
Capital and safe harbor lease activity . . . . .	49	34
Other, net . . . . .	39	34
Gross deferred tax liabilities . . . . .	790	765
Accrued liabilities. . . . .	(370)	(370)
Revaluation of leases. . . . .	(16)	(34)
Net operating loss carryforwards . . . . .	(631)	(804)
Investment tax credit carryforwards. . . . .	(45)	(45)
Minimum tax credit carryforward. . . . .	(21)	(10)
Gross deferred tax assets. . . . .	(1,083)	(1,263)
Deferred tax assets valuation allowance. . . . .	617	694
Net deferred tax liability . . . . .	324	196
Less: current deferred tax (asset) liability . . . . .	(111)	121
Non-current deferred tax liability . . . . .	\$ 435	\$ 75

At December 31, 1997, the Company has estimated net operating loss carryforwards ("NOLs") of \$1.7 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. Reflecting this possible limitation, the Company has recorded a valuation allowance of \$617 million at December 31, 1997.

In the fourth quarter of 1997, the Company determined that it would be able to recognize an additional \$155 million of NOLs attributable to the Company's pre-bankruptcy predecessor. This benefit, \$62 million, was used to reduce reorganization value in excess of amounts allocable to identifiable assets. To the extent the Company were to determine in the future that additional NOLs of the Company's pre-bankruptcy predecessor could be recognized in the accompanying consolidated financial statements, such benefit would also reduce reorganization value in excess of amounts allocable to identifiable assets. If such reorganization value is exhausted, such benefit would reduce other intangibles.

The deferred tax valuation allowance decreased from \$694 million at December 31, 1996 to \$617 million at December 31, 1997. This decrease is related to the realization of deferred tax assets associated with net operating losses that had not previously been benefitted.

Approximately \$359 million of the Company's net operating losses can only be used to offset the separate parent company taxable income of Continental Airlines, Inc. Approximately \$13 million of the Company's investment tax credits can only be used to offset the separate parent company tax liability of Continental Airlines, Inc.

NOTE 11 - NONOPERATING INCOME (EXPENSE)

In February 1996, Continental sold approximately 1.4 million of the 1.8 million shares it owned in America West, realizing net proceeds of \$25 million and recognizing a gain of \$13 million. In May 1996, the Company sold all of its 802,860 America West warrants, realizing net proceeds of \$7 million and recognizing a gain of \$5 million. The gains are included in Other, net in the accompanying Consolidated Statements of Operations.

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

NOTE 12 - ACCRUALS FOR AIRCRAFT RETIREMENTS AND EXCESS FACILITIES

During 1996, the Company made the decision to accelerate the replacement of certain aircraft between August 1997 and December 1999. As a result of its decision to accelerate the replacement of these aircraft, the Company recorded a fleet disposition charge of \$128 million. The fleet disposition charge related primarily to (i) the writedown of Stage 2 aircraft inventory, which is not expected to be consumed through operations, to its estimated fair value; and (ii) a provision for costs associated with the return of leased aircraft at the end of their respective lease terms. The majority of the aircraft are being accounted for as operating leases and therefore the Company will continue to recognize rent and amortization expenses on these aircraft until they are removed from service.

During 1994, the Company recorded a \$447 million provision associated with (i) the planned early retirement of certain aircraft (\$278 million) and (ii) closed or underutilized airport and maintenance facilities and other assets (\$169 million).

The following represents the activity within these accruals during the three years ended December 31, 1997 (in millions):

	1997	1996	1995
Total accruals at beginning of year. . . . .	\$205	\$220	\$443
Net cash payments:			
Aircraft related. . . . .	(25)	(52)	(59)
Underutilized facilities and other. . . . .	(13)	(17)	(20)
Decrease in accrual for grounded aircraft. . . . .	(16)	-	-
Fleet disposition charge for cost of return of leased aircraft . . . . .	-	54	-
Issuance of the Convertible Secured Debentures. . . . .	-	-	(158)
Increase in accrual for underutilized facilities. . . . .	-	-	14
Total accruals at end of year. . . . .	151	205	220
Portion included in accrued other liabilities . . . . .	(28)	(17)	(45)
Accrual for aircraft retirements and excess facilities . . . . .	\$123	\$188	\$175

The remaining accruals relate primarily to anticipated cash outlays associated with (i) underutilized airport facilities (primarily associated with Denver International Airport), (ii) the return of leased aircraft and (iii) the remaining liability associated with the grounded aircraft. The Company has assumed certain sublease rental income for these closed and underutilized facilities and grounded aircraft in determining the accrual at December 31, 1997. However, should actual sublease rental income be different from the Company's estimates, the actual charge could be different from the amount estimated. The remaining accrual represents cash outlays to be incurred over the remaining lease terms (from one to 13 years).

NOTE 13 - COMMITMENTS AND CONTINGENCIES

In March 1998, Continental announced the conversion of 15 Boeing 737 option aircraft to 15 Boeing 737-900 firm aircraft and the addition of 25 option aircraft.

As of March 18, 1998, Continental had firm commitments with Boeing to take delivery of a total of 154 jet aircraft (including the Boeing 737-900 aircraft described above) during the years 1998 through 2005 with options for an additional 61 aircraft (exercisable subject to certain conditions). These aircraft will replace older, less efficient Stage 2 aircraft and allow for the growth of operations. The estimated aggregate cost of the Company's firm commitments for the Boeing aircraft is approximately \$6.7 billion. As of March 18, 1998, Continental had completed or had third party commitments for a total of approximately \$1.6 billion in financing for its future Boeing deliveries, and had commitments or letters of intent from various sources for backstop financing for approximately one-third of the anticipated remaining acquisition cost of such Boeing deliveries. The Company currently plans on financing the new Boeing aircraft with a combination of

enhanced equipment trust certificates, lease equity and other third party financing subject to availability and market conditions. However, further financing will be needed to satisfy the Company's capital commitments for other aircraft and aircraft-related expenditures such as engines, 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.

In September 1996, Express placed a firm order for 25 Embraer ERJ-145 regional jets, with options for an additional 175 aircraft exercisable through 2008. In June 1997, Express exercised its option to order 25 of such option aircraft and expects to confirm its order for an additional 25 of its remaining option aircraft by August 1998. Neither Express nor Continental will have any obligation to take such aircraft that are not financed by a third party and leased to Continental. Express took delivery of 18 of the aircraft through December 31, 1997 and will take delivery of the remaining 32 aircraft through the third quarter of 1999. Continental expects to account for all of these aircraft as operating leases.

Continental expects its cash outlays for 1998 capital expenditures, exclusive of fleet plan requirements, to aggregate \$211 million primarily relating to mainframe, software application and automation infrastructure projects, aircraft modifications and mandatory maintenance projects, passenger terminal facility improvements and office, maintenance, telecommunications and ground equipment.

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

In April 1997, collective bargaining agreement negotiations began with the Independent Association of Continental Pilots ("IACP") to amend both the Continental pilots' contract (which became amendable in July 1997) and Express pilots' contract (which became amendable in October 1997). In February 1998, a five-year collective bargaining agreement with the Continental Airlines pilots was announced by the Company and the IACP. In March 1998, Express also announced a five-year collective bargaining agreement with its pilots. These agreements are subject to approval by the IACP board of directors and ratification by the Continental and Express pilots. In September 1997, Continental announced that it intends to bring all employees to industry standard wages (the average of the top ten air carriers as ranked by the DOT excluding Continental) within 36 months. The announcement further stated that wage increases will be phased in over the 36-month period as revenue, interest rates and rental rates reached industry standards.

In February 1998, Continental began a block space arrangement whereby Continental is committed to purchase capacity on another carrier at a cost of approximately \$147 million per year. This arrangement is for 10 years.

#### Legal Proceedings

The Company and/or certain of its subsidiaries are defendants in various lawsuits, including suits relating to certain environmental claims, the Company's consolidated Plan of Reorganization under Chapter 11 of the federal bankruptcy code which became effective on April 27, 1993, the Company's long-term global alliance agreement with Northwest Airlines, Inc. ("Northwest") entered into in connection with Air Partners' disposition of its interest in Continental to an affiliate of Northwest (see Note 16) and proceedings arising in the normal course of business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on the Company's financial position, results of operations and cash flows, it is the opinion of management, after consulting with counsel, that the ultimate disposition of such suits will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

#### NOTE 14 - RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions that occurred during 1997, 1996 and 1995, other than those discussed elsewhere in the Notes to Consolidated Financial Statements.

In connection with certain synergies agreements, Continental paid Air Canada \$30 million, \$16 million and \$38 million for the years ended December 31, 1997, 1996 and 1995, respectively, and Air Canada paid Continental \$16 million, \$17 million and \$16 million in 1997, 1996 and 1995, respectively, primarily relating to aircraft maintenance.

The Company and America West, in which David Bonderman holds a significant interest, entered into a series of agreements during 1994 related to code-sharing and ground handling that have created substantial benefits for both airlines. Mr. Bonderman is a director of the Company and holds a significant interest in the Company. The services provided are considered normal to the daily operations of both airlines. As a result of these agreements, Continental paid America West \$16 million, \$15 million and \$11 million in 1997, 1996 and 1995, respectively, and America West paid Continental \$23 million, \$22 million and \$14 million in 1997, 1996 and 1995, respectively.

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

In May 1996, Air Canada converted all of its 3,322,112 shares of Class A common stock into Class B common stock (pursuant to certain rights granted to it under the Company's Certificate of Incorporation) and sold, on the open market, 4,400,000 shares of the Company's common stock pursuant to the Secondary Offering.

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

In 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 \$48 million.

On June 2, 1997, the Company purchased for \$94 million from Air Partners warrants to purchase 3,842,542 shares of Class B common stock (representing a portion of the total warrants held by Air Partners). The purchase price represented the intrinsic value of the warrants (the difference between the closing market price of the Class B common stock on May 28, 1997 (\$34.25) and the applicable exercise price).

In July 1997, the Company purchased the rights of United Micronesia Development Association, Inc. ("UMDA") to receive future payments under a services agreement between UMDA and CMI (pursuant to which CMI was to pay UMDA approximately 1% of the gross revenues of CMI, as defined, through January 1, 2012, which payment by CMI to UMDA totaled \$1 million, \$6 million and \$6 million in 1997, 1996 and 1995, respectively) and UMDA's 9% interest in AMI, terminated the Company's obligations to UMDA under a settlement agreement entered into in 1987, and terminated substantially all of the other contractual arrangements between the Company, AMI and CMI, on the one hand, and UMDA on the other hand, for an aggregate consideration of \$73 million.

In connection with the Company's \$320 million secured term loan financing, entered into in 1996, CMI paid UMDA a dividend of approximately \$13 million in 1996.

NOTE 15 - FOREIGN OPERATIONS

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

	Year Ended December 31,		
	1997	1996	1995
Pacific	\$ 648	\$ 699	\$ 742
Atlantic	778	494	390
Latin America	532	372	311
	\$1,958	\$1,565	\$1,443

NOTE 16 - SUBSEQUENT EVENTS

The Company announced on January 26, 1998 that Air Partners, the holder of 5,263,188 shares of Continental's Class A common stock and warrants to purchase 3,039,468 shares of Class A common stock, which represent, assuming exercise of the warrants, approximately 14% of the Company's common stock equity and approximately 51% of its outstanding voting power, had entered into an agreement to dispose of its interest in the Company to an affiliate of Northwest (the "Air Partners Transaction"). The Air Partners Transaction is subject to, among other matters, governmental approval and expiration of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The agreement also extends to an affiliate of Air Partners a right of first offer to purchase certain shares of Class A common stock to be acquired by Northwest or its affiliates if such entities intend to dispose of those securities prior to the fifth anniversary of the closing of the Air Partners Transaction. Upon completion of the Air Partners Transaction, a change of control will result under the 97 and 94 Incentive Plans and all outstanding options and restricted stock under these plans will become fully vested. The Company also announced on January 26, 1998, that in connection with the Air Partners Transaction, the Company had entered into a long-term global alliance with Northwest.

NOTE 17 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited summarized financial data by quarter for 1997 and 1996 is as follows (in millions, except per share data):

	Three Months Ended			
	March 31	June 30	September 30	December 31
1997				
Operating revenue . . . . .	\$1,698	\$1,786	\$1,890	\$1,839
Operating income . . . . .	146	231	207	132
Nonoperating income (expense), net . . . . .	(22)	(23)	(21)	(10)
Net income . . . . .	74	128	110	73
Earnings per common share:				
Income before extraordinary loss (a) . . .	\$ 1.28	\$ 2.22	\$ 1.97	\$ 1.26
Extraordinary loss, net of tax . . . . .	-	-	(0.07)	-
Net income (a) . . . . .	\$ 1.28	\$ 2.22	\$ 1.90	\$ 1.26
Earnings per common share assuming dilution:				
Income before extraordinary loss (a) . . .	\$ 0.96	\$ 1.63	\$ 1.48	\$ 0.97
Extraordinary loss, net of tax . . . . .	-	-	(0.04)	-
Net income (a) . . . . .	\$ 0.96	\$ 1.63	\$ 1.44	\$ 0.97

(continued on next page)

	Three Months Ended			
	March 31	June 30	September 30	December 31
1996				
Operating revenue . . . . .	\$1,489	\$1,639	\$1,671	\$1,561
Operating income. . . . .	120	229	77	99
Nonoperating income (expense), net. . . . .	(25)	(23)	(30)	(19)
Net income. . . . .	88	167	17	47
Earnings per common share:				
Income before extraordinary loss (a). . . . .	\$ 1.60	\$ 3.05	\$ 0.42	\$ 0.82
Extraordinary loss, net of tax. . . . .	-	-	(0.12)	-
Net income (a). . . . .	\$ 1.60	\$ 3.05	\$ 0.30	\$ 0.82
Earnings per common share assuming dilution:				
Income before extraordinary loss (a). . . . .	\$ 1.19	\$ 2.09	\$ 0.34	\$ 0.62
Extraordinary loss, net of tax. . . . .	-	-	(0.08)	-
Net income (a). . . . .	\$ 1.19	\$ 2.09	\$ 0.26	\$ 0.62

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

During the third quarter of 1997, in connection with the prepayment of certain indebtedness, Continental recorded a \$4 million after tax extraordinary loss relating to early extinguishment of debt.

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

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

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

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

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

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 21, 1998.

ITEM 11. EXECUTIVE COMPENSATION.

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 21, 1998.

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

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 21, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 21, 1998.

PART IV

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

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

Report of Independent Auditors  
Consolidated Statements of Operations for each of the Three Years in the Period Ended December 31, 1997  
Consolidated Balance Sheets as of December 31, 1997 and 1996  
Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 1997  
Consolidated Statements of Redeemable Preferred Stock and Common Stockholders' Equity for each of the Three Years in the Period Ended December 31, 1997  
Notes to Consolidated Financial Statements

- (b) Financial Statement Schedules:

Report of Independent Auditors  
Schedule II - Valuation and Qualifying Accounts

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

- (c) Reports on Form 8-K.

- (i) Report on Form 8-K dated September 25, 1997, with respect to Item 7. Financial Statements and Exhibits related to the offering of Continental Airlines, Inc.'s Pass Through Certificates, Series 1997-3.
- (ii) Report on Form 8-K dated October 6, 1997, with respect to Item 7. Financial Statements and Exhibits related to the Form of Pass Through Trust Agreement and Statement of Eligibility of Wilmington Trust Company on Form T-1.
- (iii) Report on Form 8-K dated October 23, 1997, with respect to Item 7. Financial Statements and Exhibits related to the offering of Continental Airlines, Inc.'s Pass Through Certificates, Series 1997-4.

- (d) See accompanying Index to Exhibits.

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements of Continental Airlines, Inc. as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, and have issued our report thereon dated February 9, 1998, except for Note 13, as to which the date is March 18, 1998 (included elsewhere in this Form 10-K). Our audits also included the financial statement schedule for these related periods listed in Item 14(b) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

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

ERNST & YOUNG LLP

Houston, Texas  
March 18, 1998

CONTINENTAL AIRLINES, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 1997, 1996, and 1995  
(In millions)

	Allowance for Doubtful Receivables	Allowance for Obsolescence
Balance, December 31, 1994 . . . .	\$38	\$36
Additions charged to expense . . . .	24	12
Deductions from reserve . . . .	(15)	(12)
Other . . . . .	(3)	-
Balance, December 31, 1995 . . . .	44	36
Additions charged to expense . . . .	16	18
Deductions from reserve . . . .	(31)	(8)
Other . . . . .	(2)	1
Balance, December 31, 1996 . . . .	27	47
Additions charged to expense . . . .	12	12
Deductions from reserve . . . .	(21)	(4)
Other . . . . .	5	(4)
Balance, December 31, 1997 . . . .	\$23	\$51

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONTINENTAL AIRLINES, INC.

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

Date: March 19, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities indicated on March 19, 1998.

Signature	Capacity
/s/ GORDON M. BETHUNE Gordon M. Bethune	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ LAWRENCE W. KELLNER Lawrence W. Kellner	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ MICHAEL P. BONDS Michael P. Bonds	Vice President and Controller (Principal Accounting Officer)
THOMAS J. BARRACK, JR.* Thomas J. Barrack, Jr.	Director
LLOYD M. BENTSEN, JR.* Lloyd M. Bentsen, Jr.	Director
DAVID BONDERMAN* David Bonderman	Director
/s/GREGORY D. BRENNEMAN Gregory D. Brenneman	Director
PATRICK FOLEY* Patrick Foley	Director
DOUGLAS McCORKINDALE* Douglas McCorkindale	Director

GEORGE G.C. PARKER\*      Director  
George G.C. Parker

RICHARD W. POGUE\*      Director  
Richard W. Pogue

WILLIAM S. PRICE III\*    Director  
William Price III

DONALD L. STURM\*      Director  
Donald L. Sturm

KAREN HASTIE WILLIAMS\*   Director  
Karen Hastie Williams

CHARLES A. YAMARONE\*    Director  
Charles A. Yamarone

\*By /s/ LAWRENCE W. KELLNER  
Lawrence W. Kellner  
Attorney-in-Fact  
March 19, 1998

INDEX TO EXHIBITS

OF  
CONTINENTAL AIRLINES, INC.

- 2.1 Revised Third Amended Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code with Respect to Debtors' Revised Second Amended Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code, as filed with the Bankruptcy Court on January 13, 1993 -- incorporated by reference from Exhibit 2.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 1992 (File no. 0-9781).
- 2.2 Modification of Debtors' Revised Second Amended Joint Plan of Reorganization dated March 12, 1993 -- incorporated by reference to Exhibit 2.2 to Continental's Current Report on Form 8-K, dated April 16, 1993 (the "April 8-K").
- 2.3 Second Modification of Debtors' Revised Second Amended Joint Plan of Reorganization, dated April 8, 1993 -- incorporated by reference to Exhibit 2.3 to the April 8-K.
- 2.4 Third Modification of Debtors' Revised Second Amended Joint Plan of Reorganization, dated April 15, 1993 -- incorporated by reference to Exhibit 2.4 to the April 8-K.
- 2.5 Confirmation Order, dated April 16, 1993 -- incorporated by reference to Exhibit 2.5 to the April 8-K.
- 3.1 Amended and Restated Certificate of Incorporation of Continental -- incorporated by reference to Exhibit 4.1(a) to Continental's Form S-8 registration statement (No. 333-06993) (the "1996 S-8").
- 3.2 By-laws of Continental, as amended to date -- incorporated by reference to Exhibit 3.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 (the "1996 Third Quarter 10-Q").
- 4.1 Specimen Class A Common Stock Certificate of the Company -- incorporated by reference to Exhibit 4.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 1995 (File no. 0-9781) (the "1995 10-K").
- 4.2 Specimen Class B Common Stock Certificate of the Company -- incorporated by reference to Exhibit 4.1 to Continental's Form S-1 Registration Statement (No. 33-68870) (the "1993 S-1").

- 4.3 Subscription and Stockholders' Agreement -- incorporated by reference to Exhibit 4.5 to the April 8-K.
- 4.3(a) Amendment to Stockholders' Agreement dated April 19, 1996 among the Company, Air Partners and Air Canada -- incorporated by reference to Exhibit 10.1 to Continental's Form S-3 Registration Statement (No. 333-02701) (the "1996 S-3").
- 4.4 Amended and Restated Registration Rights Agreement dated April 19, 1996 among the Company, Air Partners and Air Canada -- incorporated by reference to Exhibit 10.2 to the 1996 S-3.
- 4.5 Warrant Agreement dated as of April 27, 1993, between Continental and Continental as warrant agent -- incorporated by reference to Exhibit 4.7 to the April 8-K.
- 4.6 Continental hereby agrees to furnish to the Commission, upon request, copies of certain instruments defining the rights of holders of long-term debt of the kind described in Item 601(b)(4)(iii)(A) of Regulation S-K.
- 10.1 Agreement of Lease dated as of January 11, 1985, between the Port Authority of New York and New Jersey and People Express Airlines, Inc., regarding Terminal C (the "Terminal C Lease") -- incorporated by reference to Exhibit 10.61 to the Annual Report on Form 10-K (File No. 0-9781) of People Express Airlines, Inc. for the year ended December 31, 1984.
  - 10.1(a) Supplemental Agreements Nos. 1 through 6 to the Terminal C Lease -- incorporated by reference to Exhibit 10.3 to Continental's Annual Report on Form 10-K (File No. 1-8475) for the year ended December 31, 1987 ("the 1987 10-K").
  - 10.1(b) Supplemental Agreement No. 7 to the Terminal C Lease -- incorporated by reference to Exhibit 10.4 to Continental's Annual Report on Form 10-K (File No. 1-8475) for the year ended December 31, 1988.
  - 10.1(c) Supplemental Agreements No. 8 through 11 to the Terminal C Lease -- incorporated by reference to Exhibit 10.10 to the 1993 S-1.
  - 10.1(d) Supplemental Agreements No. 12 through 15 to the Terminal C Lease -- incorporated by reference to Exhibit 10.2(d) to the 1995 10-K.
  - 10.1(e) Supplemental Agreement No. 16 to the Terminal C Lease.  
(3)

- 10.2 Assignment of Lease with Assumption and Consent dated as of August 15, 1987, among the Port Authority of New York and New Jersey, People Express Airlines, Inc. and Continental -- incorporated by reference to Exhibit 10.2 to the 1987 10-K.
- 10.3\* Amended and restated employment agreement between the Company and Gordon M. Bethune -- incorporated by reference to Exhibit 10.4 to the 1995 10-K.
- 10.3(a)\* Amendment to employment agreement, dated as of April 19, 1996, between the Company and Gordon M. Bethune -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 (the "1996 Second Quarter 10-Q").
- 10.3(b)\* Amendment to employment agreement, dated as of September 30, 1996, between the Company and Gordon M. Bethune -- incorporated by reference to Exhibit 10.1 to the 1996 Third Quarter 10-Q.
- 10.4\* Amended and restated employment agreement between the Company and Gregory D. Brenneman -- incorporated by reference to Exhibit 10.5 to the 1995 10-K.
- 10.4(a)\* Amendment to employment agreement, dated as of April 19, 1996, between the Company and Gregory D. Brenneman -- incorporated by reference to Exhibit 10.2 to the 1996 Second Quarter 10-Q.
- 10.4(b)\* Amendment to employment agreement, dated as of September 30, 1996, between the Company and Gregory D. Brenneman -- incorporated by reference to Exhibit 10.2 to the 1996 Third Quarter 10-Q.
- 10.5\* Amended and restated employment agreement between the Company and Lawrence W. Kellner -- incorporated by reference to Exhibit 10.3 to the 1996 Second Quarter 10-Q.
- 10.6\* Amended and restated employment agreement between the Company and C.D. McLean -- incorporated by reference to Exhibit 10.8 to the 1995 10-K.
- 10.7\* Form of amendment to employment agreements, dated as of April 19, 1996, between the Company and, respectively, Lawrence W. Kellner and C.D. McLean -- incorporated by reference to Exhibit 10.4 to the 1996 Second Quarter 10-Q.

- 10.7(a)\* Form of amendment to employment agreements, dated as of September 30, 1996, between the Company and, respectively, Lawrence W. Kellner and C.D. McLean -- incorporated by reference to Exhibit 10.3 to the 1996 Third Quarter 10-Q.
- 10.8\* Amended and restated employment agreement, as amended, between the Company and Jeffery A. Smisek -- incorporated by reference to Exhibit 10.2 to the Continental Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 (the "1997 First Quarter 10-Q").
- 10.9\* Executive Bonus Program -- incorporated by reference to Appendix B to the Company's proxy statement relating its annual meeting of stockholders held on June 26, 1996.
- 10.10\* Continental Airlines, Inc. 1994 Incentive Equity Plan ("1994 Equity Plan") -- incorporated by reference to Exhibit 4.3 to the Company's Form S-8 Registration Statement (No. 33-81324).
- 10.10(a)\* First Amendment to 1994 Equity Plan -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
- 10.10(b)\* Second Amendment to 1994 Equity Plan -- incorporated by reference to Exhibit 4.3(c) to the 1996 S-8.
- 10.10(c)\* Third Amendment to 1994 Equity Plan -- incorporated by reference to Exhibit 10.4 to the 1996 Third Quarter 10-Q.
- 10.10(d)\* Fourth Amendment to 1994 Equity Plan. (3)
- 10.10(e)\* Form of Employee Stock Option Grant pursuant to the 1994 Equity Plan. (3)
- 10.10(f)\* Form of Outside Director Stock Option Grant pursuant to the 1994 Equity Plan. (3)
- 10.10(g)\* Form of Restricted Stock Grant pursuant to the 1994 Equity Plan. (3)
- 10.11\* Continental Airlines, Inc. 1997 Stock Incentive Plan ("1997 Incentive Plan") -- incorporated by reference to Exhibit 4.3 to Continental's Form S-8 Registration Statement (No. 333-23165).
- 10.11(a)\* First Amendment to 1997 Incentive Plan. (3)
- 10.11(b)\* Form of Employee Stock Option Grant pursuant to the 1997 Incentive Plan. (3)

- 10.11(c)\*Form of Outside Director Stock Option Grant pursuant to the 1997 Incentive Plan. (3)
- 10.12\* Form of Letter Agreement relating to certain flight benefits between the Company and each of its nonemployee directors -- incorporated by reference to Exhibit 10.19 of the 1995 10-K.
- 10.13 Purchase Agreement No. 1783, including exhibits and side letters thereto, between the Company and Boeing, effective April 27, 1993, relating to the purchase of Boeing 757 aircraft ("Purchase Agreement No. 1783") -- incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993. (1)
- 10.13(a) Supplemental Agreement No. 4 to Purchase Agreement No. 1783, dated March 31, 1995 -- incorporated by reference to Exhibit 10.12(a) to Continental's Annual Report on Form 10-K for the year ended December 31, 1994 (File no. 0-9781). (1)
- 10.13(b) Supplemental Agreement No. 6 to Purchase Agreement No. 1783, dated June 13, 1996 -- incorporated by reference to Exhibit 10.6 to the 1996 Second Quarter 10-Q. (1)
- 10.13(c) Supplemental Agreement No. 7 to Purchase Agreement No. 1783, dated July 23, 1996 -- incorporated by reference to Exhibit 10.6(a) to the 1996 Second Quarter 10-Q. (1)
- 10.13(d) Supplemental Agreement No. 8 to Purchase Agreement No. 1783, dated October 27, 1996 -- incorporated by reference to Exhibit 10.11(d) to Continental's Annual Report on Form 10-K for the year ended December 31, 1996 (the "1996 10-K"). (1)
- 10.13(e) Letter Agreement No. 6-1162-GOC-044 to Purchase Agreement No. 1783, dated March 21, 1997 -- incorporated by reference to Exhibit 10.4 to the 1997 First Quarter 10-Q. (2)
- 10.13(f) Supplemental Agreement No. 9 to Purchase Agreement No. 1783, dated August 13, 1997 -- incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997. (2)
- 10.13(g) Supplemental Agreement No. 10, including side letters, to Purchase Agreement No. 1783, dated October 10, 1997. (2)(3)

- 10.14 Purchase Agreement No. 1951, including exhibits and side letters thereto, between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 737 aircraft ("Purchase Agreement No. 1951") -- incorporated by reference to Exhibit 10.8 to the 1996 Second Quarter 10-Q. (1)
- 10.14(a) Supplemental Agreement No. 1 to Purchase Agreement No. 1951, dated October 10, 1996 -- incorporated by reference to Exhibit 10.14(a) to the 1996 10-K. (1)
- 10.14(b) Supplemental Agreement No. 2 to Purchase Agreement No. 1951, dated March 5, 1997 -- incorporated by reference to Exhibit 10.3 to the 1997 First Quarter 10-Q. (2)
- 10.14(c) Supplemental Agreement No. 3, including exhibit and side letter, to Purchase Agreement No. 1951, dated July 17, 1997. (2)(3)
- 10.14(d) Supplemental Agreement No. 4, including exhibits and side letters, to Purchase Agreement No. 1951, dated October 10, 1997. (2)(3)
- 10.15 Aircraft General Terms Agreement between the Company and Boeing, dated October 10, 1997. (2)(3)
- 10.15(a) Letter Agreement No. 6-1162-GOC-136 between the Company and Boeing, dated October 10, 1997, relating to certain long-term aircraft purchase commitments of the Company. (2)(3)
- 10.16 Purchase Agreement No. 2060, including exhibits and side letters, between the Company and Boeing, dated October 10, 1997, relating to the purchase of Boeing 767 aircraft ("Purchase Agreement No. 2060"). (2)(3)
- 10.16(a) Supplement Agreement No. 1 to Purchase Agreement No. 2060. (2)(3)
- 10.17 Purchase Agreement No. 2061, including exhibits and side letters, between the Company and Boeing, dated October 10, 1997, relating to the purchase of Boeing 777 aircraft ("Purchase Agreement No. 2061"). (2)(3)
- 10.17(a) Supplemental Agreement No. 1 to Purchase Agreement No. 2061. (2)(3)
- 10.18 Lease Agreement dated as of May 1992 between the City and County of Denver, Colorado and Continental regarding Denver International Airport -- incorporated by reference to Exhibit 10.17 to the 1993 S-1.

- 10.18(a) Supplemental Lease Agreement, including an exhibit thereto, dated as of April 3, 1995 between the City and County of Denver, Colorado and Continental and United Air Lines, Inc. regarding Denver International Airport -- incorporated by reference to Exhibit 10.15(a) to Continental's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 0-9781).
- 10.19 Lease Agreement, as amended and supplemented, between the Company and the City of Houston, Texas regarding Terminal C of George Bush Intercontinental Airport -- incorporated by reference to Exhibit 10.5 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (the "1993 Third Quarter 10-Q").
- 10.20 Agreement and Lease dated as of May 1987, as supplemented, between the City of Cleveland, Ohio and Continental regarding Cleveland Hopkins International Airport -- incorporated by reference to Exhibit 10.6 to the 1993 Third Quarter 10-Q.
- 10.21 Third Revised Investment Agreement, dated April 21, 1994, between America West Airlines, Inc. and AmWest Partners, L.P. -- incorporated by reference to Exhibit 1 to Continental's Schedule 13D relating to America West Airlines, Inc. filed on August 25, 1994.
- 10.22 Governance Agreement, dated January 25, 1998, among Continental, Newbridge Parent Corporation and Northwest Airlines Corporation (the "Governance Agreement") -- incorporated by reference to Exhibit 99.1 to Continental's Current Report on Form 8-K, dated January 25, 1998.
- 10.22(a) First Amendment to the Governance Agreement, dated March 2, 1998. (3)
- 10.23 Letter Agreement No. 11 between the Company and General Electric Company, dated December 22, 1997, relating to certain long-term engine purchase commitments of the Company. (2)(3)
- 21.1 List of Subsidiaries of Continental. (3)
- 23.1 Consent of Ernst & Young LLP. (3)

24.1 Powers of attorney executed by certain directors and officers of Continental. (3)

27.1 Financial Data Schedule. (3)

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

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

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

Port Authority Lease No. ANA-170 Supplement No. 16  
Port Authority Facility -Newark International Airport

SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, made as of October 23, 1995, by and between  
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter  
referred to as "the Port Authority") and CONTINENTAL AIRLINES,  
INC. (hereinafter referred to as "the Lessee"),

WITNESSETH, That:

WHEREAS, the Port Authority and People Express Airlines,  
Inc. as of January 11, 1985 entered into an agreement of lease  
covering certain premises, rights and privileges at and in  
respect to Newark International (hereinafter called the  
"Airport") as therein set forth (said agreement of lease as  
heretofore supplemented and amended is hereinafter called the  
"Lease");and

WHEREAS, the Lease was thereafter assigned by said People  
Express Airlines, Inc. to the Lessee pursuant to an Assignment of  
Lease with Assumption and Consent Agreement entered into among  
the Port Authority, the Lessee and said People Express Airlines,  
Inc. and dated August 15, 1987; and

WHEREAS, a certain Stipulation between the parties hereto  
was submitted for approval of the United States Bankruptcy Court  
for the District of Delaware ("the Bankruptcy Court") covering  
the Lessee's assumption of the Lease as part of the confirmation  
of its reorganization plan in its Chapter 11 bankruptcy  
proceedings and as debtor and debtor in possession pursuant to  
the applicable provisions of the United States Bankruptcy Code as  
set forth in and subject to the terms and conditions of said  
Stipulation (said Stipulation being hereinafter referred to as  
the "Stipulation"); and

WHEREAS, the Stipulation and the Lessee's assumption of the  
Lease was approved by the Bankruptcy Court by an Order thereof  
dated the 1st day of October, 1993; and

WHEREAS, the Port Authority and the Lessee desire to amend  
the Lease in certain respects as hereinafter set forth;

NOW, THEREFORE, in consideration of the covenants and mutual  
agreements herein contained, the Port Authority and the Lessee  
hereby agree to amend the Lease, effective as of October 23,  
1995, as follows:

1. (a) "By-pass Corridor Construction Work" shall mean  
the construction work which shall be performed by the Lessee and  
which shall consist generally of the construction of a pedestrian  
corridor which will by-pass around the entrance/exit of the  
monorail station at the premises under the Lease (Area M) and  
which shall comply with all requirements for security clearance  
and screening of individuals and their baggage in accessing the  
secured areas of the premises under the Lease, together with all  
other necessary, required or appropriate work related thereto;  
all of said work to be more fully set forth in the plans and  
specifications which are or shall be a part of the Construction  
Application as hereinafter defined in subparagraph (b) (2) below.

(b) (1) The Lessee shall perform and complete, at its  
sole cost and expense, the design and construction of the By-pass  
Corridor Construction Work.

(2) The Lessee shall execute and submit for the Port  
Authority's approval a Construction Application in the form  
prescribed by the Port Authority covering the By-pass Corridor  
Construction Work. The Lessee shall comply with all the terms and  
provisions of the approved Construction Application (herein

referred to as the "Construction Application"). In the event of any inconsistency between the terms of the Construction Application and the terms of the Lease, as hereby amended, the terms of the Lease, as hereby amended, shall prevail and control. All By-pass Corridor Construction Work to be performed hereunder shall be done in accordance with and subject to the Lease, as hereby amended, the Construction Application and the final plans and specifications as and when the same may have been approved by the Port Authority, and subject to any conditions which may be set forth therein or which may be imposed by the General Manager of the Airport. All locations where the By-pass Corridor Construction Work is to be performed shall be as specified in the Construction Application. Notwithstanding any approval of the Construction Application and notwithstanding any reference therein to property lines or to space occupied by the Lessee it is hereby understood and agreed that the areas upon which the Lessee shall perform the By-pass Corridor Construction Work shall only be on the premises under the Lease.

(c) All By-pass Corridor Construction Work shall be done by the Lessee in accordance with the following further terms and conditions:

(1) The Lessee hereby assumes the risk of loss or damage to all or any part of the By-pass Corridor Construction Work prior to the completion thereof and the risk of loss or damage to all property of the Port Authority, the Lessee or others arising out of or in connection with the performance of the By-pass Corridor Construction Work. In the event of such loss or damage, the Lessee shall forthwith repair, replace and make good the Bypass Corridor Construction Work and any and all property of the Port Authority, the Lessee or others, without cost or expense to the Port Authority or others. The Lessee shall itself and shall also require its contractors to indemnify and hold harmless the Port Authority, its Commissioners, officers, agents, representatives and employees from and against all claims and demands, just or unjust, of third persons arising or alleged to arise out of the performance of the By-pass Corridor Construction Work and for all expenses incurred by it and by them in the defense, settlement or satisfaction thereof, including without limitation thereto, claims and demands for death, for personal injury or for property damage, direct or consequential, whether they arise from the acts or omissions of the Lessee, of any contractors of the Lessee, of the Port Authority, or of third persons, or from acts of God or of the public enemy, or otherwise, including claims by the City of Newark against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims, excepting only claims and demands which result solely from affirmative willful acts done by the Port Authority, its Commissioners, officers, agents, representatives and employees with respect to the By-pass Corridor Construction Work.

If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance written permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal, the immunity of the Port Authority, its Commissioners, officers, agents, representatives or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(2) Prior to engaging or retaining an architect or architects for the By-pass Corridor Construction Work, the name or names of said architect or architects shall be submitted to the Port Authority for its approval. The Port Authority shall have the right to disapprove any architect who may be unacceptable to it. All By-pass Corridor Construction Work shall be done in accordance with plans and specifications to be submitted to and approved by the Port Authority prior to the commencement of the By-pass Corridor Construction Work, and until such approval has been obtained the Lessee shall continue to resubmit plans and specifications as required. Upon approval of such plans and specifications by the Port Authority, the Lessee shall proceed diligently at its sole cost and expense to perform the By-pass Corridor Construction Work. The Lessee shall complete the By-pass Corridor Construction Work no later than December 31, 1996.

(3) Prior to entering a contract for any part of the By-pass Corridor Construction Work, the Lessee shall submit to the Port Authority for its approval the name(s) of the contractor or contractors to whom the Lessee proposes to award said contracts. The Port Authority shall have the right to disapprove any contractor who may be unacceptable to it. The Port Authority shall have the further right to disapprove any proposed contract. The Lessee shall submit said contracts to the Port Authority and shall include in all such contracts such provisions and conditions as may be required by the Port Authority. Without limiting the foregoing, all of the Lessee's contracts shall provide as follows: "If (i) the Contractor fails to perform any of his obligations under the Contract, including his obligation to the Lessee to pay any claims lawfully made against him by any materialman, subcontractor or workman or other third person which arises out of or in connection with the performance of the Contract or (ii) any claim (just or unjust) which arises out of or in connection with the Contract is made against the Lessee or (iii) any subcontractor under the Contract fails to pay any claims, lawfully made against him by any materialman, subcontractor, workman or other third persons which arises out of or in connection with the Contract or if in the Lessee's opinion any of the aforesaid contingencies is likely to arise, then the Lessee shall have the right, in its discretion, to withhold out of any payment (final or otherwise and even though such payments have already been certified as due) such sums as the Lessee may deem ample to protect it against delay or loss or to assume the payment of just claims of third persons, and to apply such sums in such manner as the Lessee may deem proper to secure such protection or satisfy such claims. All sums so applied shall be deducted from the Contractor's compensation. Omission by the Lessee to withhold out of any payment, final or otherwise, a sum for any of the above contingencies, even though such contingency has occurred at the time of such payment, shall not be deemed to indicate that the Lessee does not intend to exercise its right with respect to such contingency. Neither the above provisions for rights of the Lessee to withhold and apply monies nor any exercise, or attempted exercise of, or omission to exercise such rights by the Lessee shall create any obligation of any kind to such materialmen, subcontractors, workmen or other third persons. Until actual payment is made to the Contractor, his right to any amount to be paid under the Contract (even though such amount has already been certified as due) shall be subordinate to the rights of the Lessee under this provision. The Lessee shall file with the Port Authority a copy of its contracts with its contractors prior to the start of the By-pass Corridor Construction Work.

(4) The Lessee shall furnish or require its architect to furnish a full time resident engineer during the period of its performance of the By-pass Corridor Construction Work. The Lessee shall require certification by a licensed engineer of all pile driving data and of all controlled concrete work and such other certifications as may be requested by the Port Authority from time to time.

(5) The Lessee agrees to be solely responsible for any plans and specifications used by it and for any loss or damage resulting from the use thereof, notwithstanding the same have been approved by the Port Authority and notwithstanding the incorporation therein of Port Authority recommendations or requirements. Notwithstanding the requirement for approval by the Port Authority of the contracts to be entered into by the Lessee or the incorporation therein of Port Authority requirements or recommendations, and notwithstanding any rights the Port Authority may have reserved to itself hereunder, the Port Authority shall have no liabilities or obligations of any kind to any contractors engaged by the Lessee or for any other matter in connection therewith and the Lessee hereby releases and discharges the Port Authority, its Commissioners, officers, representatives and employees of and from any and all liability, claims for damages or losses of any kind, whether legal or equitable, or from any action or cause of action arising or alleged to arise out of the performance of any work pursuant to the contracts between the Lessee and its contractors. Any warranties contained in any contract entered into by the Lessee for the performance of the Bypass Corridor Construction Work hereunder shall be for the benefit of the Port Authority as well as the Lessee, and the contract shall so provide.

(6) The Port Authority shall have the right,

through its duly designated representatives, to inspect the By-pass Corridor Construction Work and the plans and specifications thereof, at any and all times during the progress thereof and from time to time, in its discretion, to take samples and perform testing on any part of the By-pass Corridor Construction Work.

(7) The Lessee agrees that it shall deliver to the Port Authority two (2) sets of "as built" microfilm drawings of the By-pass Corridor Construction Work mounted on aperture cards, all of which shall conform to the specifications of the Port Authority (the receipt of a copy of said Specifications prior to the execution of this Lease being hereby acknowledged by the Lessee), and the Lessee shall during the term of this Lease keep said drawings current showing thereon any changes or modifications which may be made. (No changes or modifications shall be made without prior Port Authority consent).

(8) The Lessee shall, if requested by the Port Authority, take all reasonable measures to prevent erosion of the soil and the blowing of sand during the performance of the By-pass Corridor Construction Work, including but not limited to the fencing of the area upon which the By-pass Corridor Construction Work is to be performed or portions thereof and the covering of open areas with asphaltic emulsion or similar materials as the Port Authority may direct.

(9) Title to any soil, dirt, sand or other matter (hereinafter in this Paragraph 9 collectively called "the matter") excavated by Lessee during the course of the By-pass Corridor Construction Work shall vest in the Port Authority and the matter shall be delivered by Lessee at its expense to any location on or off the Airport as may be designated by the Port Authority. The entire proceeds, if any, of the sale or other disposition of the matter shall belong to the Port Authority. Notwithstanding the foregoing the Port Authority may elect by prior written notice to Lessee to waive title to all or portions of the matter in which event Lessee at its expense shall dispose of the same without further instruction from the Port Authority.

(10) The Lessee shall pay the cost of the By-pass Corridor Construction Work and the Lessee shall pay or cause to be paid all claims lawfully made against it by its contractors, subcontractors, materialmen and workmen, arising out of or in connection with or because of the performance of the By-pass Corridor Construction Work, and shall cause its contractors and subcontractors to pay all such claims lawfully made against them. Nothing herein contained shall be deemed to constitute consent to the creation of any lien or claim against any part of the Airport.

(11) The Lessee in its own name as insured and including the Port Authority as an additional insured shall procure and maintain Comprehensive General Liability insurance, including but not limited to premises-operations, products liability, completed operations, explosion, collapse, and underground property damages, personal injury and independent contractors, with a broad form property damage endorsement, and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to subparagraphs (1) and (5) of this Paragraph 1(c), and Comprehensive Automobile Liability insurance covering owned, nonowned and hired vehicles and including automatic coverage for newly acquired vehicles. The said Comprehensive General Liability insurance policy shall have a limit of not less than \$10,000,000 combined single limit per occurrence for bodily injury and property damage liability, and said Comprehensive Automobile Liability policy shall have a limit of not less than \$5,000,000 combined single limit per occurrence for bodily injury and property damage liability. The Lessee may provide such insurance by requiring each contractor engaged by it for the By-pass Corridor Construction Work to procure and maintain such insurance including such contractual liability endorsement. Said insurance, whether provided by the Lessee or by a contractor engaged by the Lessee for the By-pass Corridor Construction Work shall not contain any care, custody or control exclusions, and shall not contain any exclusion for bodily injury to or sickness, disease or death of any employee of the Lessee or of any of its contractors which would conflict with or in any way impair coverage under the contractual liability endorsement. The said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Lessee thereunder with respect to any claim or action against

the Lessee by a third person shall pertain and apply with like effect with respect to any claim or action against the Lessee by the Port Authority, and shall also provide or contain an endorsement providing that the protections afforded the Port Authority thereunder with respect to any claim or action against the Port Authority by the Lessee or its contractors shall be the same as the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person as if the Port Authority were the named insured thereunder; but such provision or endorsement shall not limit, vary or affect the protections afforded the Port Authority thereunder as an additional insured.

The Lessee shall also procure and maintain in effect or cause to be procured and maintained in effect Worker's Compensation Insurance and Employer's Liability Insurance, in accordance with and as required by law.

The insurance required hereunder and under subparagraph (14) below shall be maintained in effect during the performance of the By-pass Corridor Construction Work. With respect to the insurance required hereunder and under subparagraph (14) below, a certified copy of each of the policies or a certificate or certificates evidencing the existence thereof, or binders, shall be delivered to the Port Authority at least fifteen (15) days prior to the commencement of any By-pass Corridor Construction Work. In the event any binder is delivered, it shall be replaced within thirty (30) days by a certified copy of the policy or a certificate. Each such copy or certificate shall bear the endorsement of or be accompanied by evidence of payment of the premium thereof and, also, contain a valid provision or endorsement that the policy may not be canceled, terminated, changed or modified without giving fifteen (15) days' written advance notice thereof to the Port Authority. Each such copy and each such certificate with respect to the insurance required under this Paragraph 1 shall contain an additional endorsement providing that the insurance carrier shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority. The aforesaid policies of insurance shall be written by a company or companies approved by the Port Authority, the Port Authority agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority agreeing not to act unreasonably hereunder.

(12) The Lessee shall be under no obligation to reimburse the Port Authority for expenses incurred by the Port Authority in connection with its normal review and approval of the plans and specifications covering the By-pass Corridor Construction Work submitted by the Lessee pursuant to this Agreement.

(13) The Lessee shall prior to the commencement of construction of the By-pass Corridor Construction Work and at all times during construction of the By-pass Corridor Construction Work submit to the Port Authority all engineering studies with respect to construction and samples of construction materials as may be required at any time and from time to time by the Port Authority.

(14) The Lessee shall procure and maintain Builder's Risk (All Risk) Completed Value Insurance covering the By-pass Corridor Construction Work during the performance thereof including material delivered to the ground area(s) in or on which the Bypass Corridor Construction Work is to be performed but not attached to the realty. Such insurance shall be in compliance with and subject to the applicable provisions set forth herein and shall name the Port Authority, the City of Newark, and the Lessee and its contractors and subcontractors as additional assureds and such policy shall provide that the loss shall be adjusted with and payable to the Lessee. Such proceeds shall be used by Lessee for the repair, replacement or rebuilding of the

By-pass Corridor Construction Work and any excess shall be paid over to the Port Authority. The insurance required hereunder shall be in compliance with and subject to the applicable provisions of sub-paragraph 11 above.

(15) The By-pass Corridor Construction Work which shall be performed strictly in accordance with the Lease, as hereby amended. The Lessee shall remove, re-do, replace or construct at its own cost and expense any and all portions of the By-pass Corridor Construction Work not done in accordance with the approved Construction Application, or the Lease or any further requirements of the Port Authority. The Lessee agrees that the By-pass Corridor Construction Work, including workmanship and material, shall be of first-class quality.

(16) Nothing contained herein shall grant or be deemed to grant to any contractor, architect, supplier, subcontractor or any other person engaged by the Lessee or any of its contractors in the performance of any part of the By-pass Corridor Construction Work any right of action or claim against the Port Authority, its Commissioners, officers, agents, representatives and employees with respect to any work any of them may do in connection with the By-pass Corridor Construction Work. Nothing contained herein shall create or be deemed to create any relationship between the Port Authority and any such contractor, architect, supplier, subcontractor or any other person engaged by the Lessee or any of its contractors in the performance of any part of the By-pass Corridor Construction Work and the Port Authority shall not be responsible to any of the foregoing for any payments due or alleged to be due thereto for any work performed or materials purchased in connection with the By-pass Corridor Construction Work.

(17) Nothing contained herein or in the Construction Application shall constitute a determination or indication by the Port Authority that Lessee has complied with the applicable governmental laws, ordinances, enactments, resolutions, rules and regulations, including but not limited to those of the City of Newark which may pertain to the By-pass Corridor Construction Work.

(18) The Lessee shall not commence performance of the By-pass Corridor Construction Work unless and until it has met with the General Manager of the Airport and has given him at least forty-eight (48) hours advance notice of its intention to commence the By-pass Corridor Construction Work.

(19) In its performance of the By-pass Corridor Construction Work, the Lessee shall at all times take all necessary precautions, including without limitation compliance with requirements of the Federal Aviation Administration and of the Port Authority, to ensure the safety of its operations, to protect all persons and property at the Airport and to ensure that the Lessee shall not disrupt or interfere with normal airport operations; and in connection with the foregoing the Lessee shall construct and install as part of the By-pass Corridor Construction Work such fences, equipment devices, barricades and lighting and other facilities as may be necessary, required or appropriate.

(20) (i) Without limiting any of the terms and conditions hereof, the Lessee understands and agrees that it shall put into effect prior to the commencement of any By-pass Corridor Construction Work an affirmative action program and Minority Business Enterprise ("MBE") program and Women-owned Business Enterprise ("WBE") program in accordance with the provisions of Schedule E, attached hereto and hereby made a part hereof. The provisions of said Schedule E shall be applicable to the Lessee's contractor or contractors and subcontractors at any tier of construction as well as to the Lessee and the Lessee shall include the provisions of said Schedule E within all of its construction contracts so as to make said provisions and undertakings the direct obligation of the construction contractor or contractors and subcontractors at any tier of construction. The Lessee shall and shall require its said contractor, contractors and subcontractors to furnish to the Port Authority such data, including but not limited to compliance reports relating to the operation and implementation of the affirmative action, MBE and WBE programs called for hereunder as the Port Authority may request at any time and from time to time regarding the affirmative action, MBE and WBE programs of the Lessee and

its contractor, contractors, and subcontractors at any tier of construction, and the Lessee shall and shall also require that its contractor, contractors and subcontractors at any tier of construction make and put into effect such modifications and additions thereto as may be directed by the Port Authority pursuant to the provisions hereof and said Schedule E to effectuate the goals of affirmative action and MBE and WBE programs.

As used herein and in Schedule E the term "construction work" or "construction" shall mean the By-pass Corridor Construction Work approved by the Port Authority to be performed by Lessee under the terms hereof; the term "construction contracts" shall mean and refer to the contracts covering or to cover the By-pass Corridor Construction Work and the term "premises" shall mean the portions of the premises under the Lease upon which the said By-pass Corridor Construction Work is to be performed.

(ii) In addition to and without limiting any of the terms and provisions hereof, the Lessee shall provide in its contracts and all subcontracts covering the By-pass Corridor Construction Work, or any portion thereof, that:

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

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

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

(dd) The contractor will include the provisions of subparagraphs (act) through (cc) of this paragraph in every subcontract or purchase order in such a manner that such provisions will be binding upon each subcontractor or vendor as to its work in connection with the contract;

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

(21) The Lessee shall give the Port Authority fifteen (15) days' notice prior to the commencement of construction of the By-Pass Corridor Construction Work. The Port Authority will assign to the By-Pass Corridor Construction Work a full time field engineer or engineers. The Lessee shall pay to the Port Authority for the services of said engineer or engineers the sum of Four Hundred Forty Dollars and No Cents (\$440.00) for each day or part thereof that the engineer or engineers are so assigned. Nothing contained herein shall affect any of the provisions of subparagraph (f) hereof or the rights of the Port Authority hereunder. This agreement for the services of said field engineer may be revoked at any time by either party on thirty (30) days' written notice to the other.

(d) The By-pass Corridor Construction Work shall be constructed in such a manner that there will be at all times a minimum of air pollution, water pollution or any other type of

pollution and a minimum of noise emanating from, arising out of or resulting from the operation, use or maintenance of any portion thereof by the Lessee and from the operations of the Lessee under the Lease. Accordingly, and in addition to all other obligations imposed on the Lessee under the Lease, as hereby amended, and without diminishing, limiting, modifying or affecting any of the same, the Lessee shall be obligated to construct as part of the Bypass Corridor Construction Work hereunder such structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the foregoing and each of the foregoing shall be and become a part of the By-pass Corridor Construction Work it affects and all of the foregoing shall be covered under the plans and specifications of Lessee submitted hereunder and shall be part of the By-pass Corridor Construction Work hereunder.

(e) Title to the By-pass Corridor Construction Work which is located within the territorial limits of the City of Newark shall pass to the City of Newark as the same or any part thereof is erected upon or under or affixed to the land or to any existing structures and said By-pass Corridor Construction Work (including without limitation the By-pass Corridor) shall be and become part of the premises under the Lease. Title to such part, if any, of the By-pass Corridor Construction Work which is located within the territorial limits of the City of Elizabeth shall vest in the Port Authority as the same or any part of thereof is erected upon or under or affixed to the land or to any existing structures and said By-pass Corridor Construction Work (including without limitation the By-pass Corridor) shall be and become part of the premises under the Lease.

(f) (1) When the By-pass Corridor Construction Work is substantially completed and ready for use, the Lessee shall advise the Port Authority to such effect and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that the By-pass Corridor Construction Work has been constructed strictly in accordance with the Construction Application and the approved plans and specifications and the provisions of the Lease, as hereby amended, and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders. Thereafter, the By-pass Corridor Construction Work will be inspected by the Port Authority and if the same has been completed as certified by the Lessee and the Lessee's licensed architect or engineer, as aforesaid, a certificate to such effect shall be delivered to the Lessee, subject to the condition that all risks thereafter with respect to the construction and installation of the same and any liability therefor for negligence or other reason shall be borne by the Lessee. It is understood and agreed, however, that the Lessee shall not use or permit the use of the Bypass Corridor Construction Work or any portion thereof unless and until such certificate is received from the Port Authority and the Lessee shall not use or permit the use of the By-pass Corridor Construction Work even if such certificate is received if the Port Authority states in such certificate that the same cannot be used until other work is completed by the Lessee.

(2) The term "Completion Date" for the purposes of this Agreement shall mean the date appearing on the aforesaid certificate issued by the Port Authority pursuant to subparagraph (1) above after the substantial completion of the By-pass Corridor Construction Work.

2. (a)-(1) As used herein: the term the "Cost of the By-pass Corridor Construction Work" shall mean the sum of the following actually paid by the Lessee (including all amounts paid directly by the Port Authority to the Lessee's contractors as may be elected by the Port Authority under subparagraph (c) (2) (ii) below) to the extent that the inclusion of the same is permitted by generally accepted accounting principles consistently applied:

(i) amounts actually paid or incurred by the Lessee to its independent contractor(s) for work actually performed and labor and materials actually furnished in connection with the By-pass Corridor Construction Work; and

(ii) amounts actually paid and costs incurred by the Lessee in connection with the By-pass Corridor Construction Work for engineering, architectural, professional and consulting services and supervision of construction for the By-pass Corridor

Construction Work; provided, however, that payments under this item (ii) shall not exceed fifteen percent (15%) of the amounts paid under item (i) above.

(2) Each reimbursement payment made by the Port Authority to the Lessee for the Cost of the By-pass Corridor Construction Work pursuant to subparagraph (c) of this Paragraph 2 and each direct payment paid directly by the Port Authority to the Lessee's contractors for the Cost of the By-pass Corridor Construction Work, as may be elected by the Port Authority pursuant to subparagraph (c)(2)(ii) below, is referred to herein as a "Construction Payment".

(b) It is specifically understood and agreed that notwithstanding anything to the contrary herein, all costs and expenses of the By-pass Corridor Construction Work shall be borne solely by the Lessee without payment or reimbursement by the Port Authority except to the extent provided for herein with respect to, and properly included in a Construction Payment, and subject to the limitation set forth in subparagraph (d) below.

(c) (1) The Port Authority shall make Construction Payments for the Cost of the By-pass Corridor Construction Work, as follows: On the twentieth day of the calendar month following the full execution of this Supplemental Agreement by the Port Authority and the Lessee and on the twentieth day of each calendar month thereafter up to and including the calendar month in which the last certificate described hereunder is delivered to the Port Authority by the Lessee, the Lessee shall deliver to the Port Authority a certificate which shall be signed by a responsible fiscal officer of the Lessee, sworn to before a notary public and which shall set forth a representation by the Lessee that it will apply the Construction Payment only to the Cost of the By-pass Corridor Construction Work and for no other purpose whatsoever. Each such certificate shall certify the sum of (i) the amounts of actual payments made by the Lessee and the amounts due and payable from the Lessee to its contractors (itemized by name and amount) for work actually performed and labor and materials actually furnished for the By-pass Corridor Construction Work; and (ii) the amounts of actual payments made by the Lessee and the amounts due and payable from the Lessee in connection with the By-pass Corridor Construction Work for engineering, architectural, professional and consulting services and supervision of construction (it being understood that, with respect to the Cost of the By-pass Corridor Construction Work, that payments under this item (ii) shall not exceed fifteen percent (15%) of the amounts paid under item (i) above and shall only apply to payments not included in a prior certificate). Any Construction Payment by the Port Authority which may exceed the limitation set forth in (ii) above shall be promptly refunded to the Port Authority upon demand. Each such certificate for the By-pass Corridor Construction Work shall also set forth all due and payable amounts included by the Lessee in previous certificates against which a Construction Payment has been made by the Port Authority and which have been paid by the Lessee since the submission of each such previous certificate and shall have attached thereto or included thereon such verification as shall be required by the Port Authority that such amounts have been paid. Notwithstanding the foregoing, no Construction Payment shall be made by the Port Authority until all due and payable amounts included on all previously submitted certificates have been paid by the Lessee and the payment thereof verified to the satisfaction of the Port Authority (unless such amounts are being withheld by the Lessee in accordance with the provision of subparagraph (c)(3) below, and the amount of such withheld amount shall have been deducted from the amount of a Construction Payment). Each such certificate shall also set forth, in reasonable detail, the amounts paid or due and payable to specified independent contractors and the amounts paid or due and payable to other specified persons and third parties which have not previously been reported in certificates delivered to the Port Authority. Each such certificate shall also (x) have attached thereto reproduction copies or duplicate originals of the invoices of the contractor(s) of the Lessee and for such invoices an acknowledgment by the contractor(s) of the receipt by them of such amounts and payments; (y) certify that the amounts, payments and expenses therein set forth constitute portions of the Cost of the By-pass Corridor Construction Work; and (z) contain the Lessee's certification that the work for which a Construction Payment is requested has been accomplished, and that the amounts requested have been paid or are due and payable. Each

such certificate shall also set forth the total cumulative payments made by the Lessee as aforesaid from the commencement of the By-pass Corridor Construction Work to the date of the certificate, and each such certificate shall also contain a certification by the Lessee that each portion of the By-pass Corridor Construction Work covered by said certificate has been performed strictly in accordance with the terms of the Lease, as hereby amended.

(2) (i) Within thirty (30) days after delivery of a duly submitted certificate by the Lessee, the Port Authority shall make a Construction Payment to the Lessee or, as provided in item (ii) below, directly to the Lessee's contractors for the Cost of the By-pass Corridor Construction Work during the period covered by such certificate, as certified in such certificate (but only to the extent that such amounts or any portion thereof have not theretofore been included in a prior certificate). It is understood that at the election of the Port Authority no Construction Payment will be made if the Port Authority's inspection, review or audit does not substantiate the contents of any of said certificates and until such matters have been resolved to the satisfaction of the Port Authority, but the Port Authority shall have no obligation to conduct any such inspection or audit at such time. The certificate shall also contain such further information and documentation with respect to the Cost of the Bypass Corridor Construction Work as the Port Authority from time to time may require. It is hereby expressly understood and agreed that nothing herein shall be or be deemed to be for the benefit of any contractor of the Lessee.

(ii) After the delivery of each of the duly submitted certificates by the Lessee to the Port Authority containing all of the certifications and verifications in accordance with the foregoing provisions of this subparagraph (c), the Port Authority shall also have the right to elect, in its sole discretion, from time to time to make any or all of the Construction Payments, or portions thereof, called for under this subparagraph (c) directly to any of the Lessee's independent contractors, as applicable; it being expressly understood and agreed, without limiting any other provision of this Paragraph 2, that each of the Lessee's certificates to be delivered hereunder shall contain an appropriate breakdown of costs separately listed for each of the Lessee's independent contractors. In the event the Port Authority elects to make any such direct Construction Payment or Payments to the Lessee's independent contractor(s) each such Construction Payment shall be deemed to have been made to the Lessee and to the extent of such payment by the Port Authority, the Port Authority shall be released of such obligation to the Lessee. The Port Authority shall send the Lessee at the time of making such direct payment a notice thereof setting forth the name of the contractor to whom such payment was made and the amount of such payment.

(3) The Lessee shall set forth in its final certificate submitted pursuant to this subparagraph (c) its final statement of the Cost of the By-pass Corridor Construction Work and shall mark such statement "Final". The Lessee shall submit said final certificate to the Port Authority no later than (i) March 31, 1997, or (ii) a date which is sixty days following the Completion Date, whichever is earlier; the date of said final certificate being herein called the "Final Date". After submitting said final certificate, Lessee shall submit no further certificate hereunder with respect to the Cost of the By-pass Corridor Construction Work.

(d) The entire obligation of the Port Authority under this Supplemental Agreement to reimburse the Lessee for the Cost of the By-pass Corridor Construction Work (including Construction Payments made to the Lessee and Construction Payments made directly to the Lessee's contractors) shall be limited in amount to a total of One Million Dollars and No Cents (\$1,000,000.00) to be paid pursuant to certificates of the Lessee submitted in accordance with subparagraph (c) above no later than the Final Date.

(e) The Port Authority shall have the right by its agents, employees and representatives to audit and inspect during regular business hours after the submission of the final certificate called for in subparagraph (c) hereof, the books and records and other data of the Lessee relating to the Cost of the By-pass Corridor Construction Work as aforesaid; it being

specifically understood that the Port Authority shall not be bound by any prior audit, review or inspection conducted by it. The Lessee agrees to keep such books, records and other data within the Port of New York District, but the Lessee shall not be required to maintain any such books, records and other data for more than five (5) years after it has delivered the final certificate called for under subparagraph (c) above.

3. As hereby amended, all the terms, provisions, covenants and conditions of the Lease shall continue in full force and effect.

4. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Agreement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation or execution of this Agreement.

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

6. This Agreement together with the Lease to which it is supplementary constitutes the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by an instrument in writing duly executed on behalf of both the Port Authority and the Lessee. The Lessee agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in writing in the Lease or in this Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first written above.

ATTEST  
\_\_\_\_\_  
THE PORT AUTHORITY OF NEW YORK  
AND NEW JERSEY  
By: \_\_\_\_\_  
Secretary  
(Title): \_\_\_\_\_

ATTEST:  
\_\_\_\_\_  
CONTINENTAL AIRLINES, INC.  
By: \_\_\_\_\_  
Secretary  
(Title): \_\_\_\_\_

SCHEDULE E

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

PART I. Affirmative Action Guidelines - Equal Employment  
Opportunity

I. As a matter of policy, the Port Authority hereby requires the Lessee and the Lessee shall require the Contractor, s hereinafter defined, to comply with the provisions set forth in this Schedule E and Paragraph 1 (c)(20) of this Agreement. The provisions set forth in this Part I are similar to the conditions for bidding on federal government contracts adopted by the Office of Federal Contract Compliance effective May 8, 1978.

The Lessee, as well as each bidder, contractor and subcontractor of the Lessee and each subcontractor of a contractor at any tier of construction (herein collectively referred to as the "Contractor"), must fully comply with the following conditions set forth herein as to each construction trade to be used on the construction work or any portion thereof

(said conditions being herein called the "Bid Conditions"). The Lessee hereby commits itself to the goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions. The Lessee shall likewise require the Contractor to commit itself to said goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions by submitting a properly signed bid.

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

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

(1) Minority participation:

Minority, except laborers	30%
Minority, laborers	40%

(2) Female participation:

Female, except laborers	6.9%
Female, laborers	6.9%

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

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

(b) The Contractor shall provide written notification to the Lessee and the Lessee shall provide written notification to the Manager of the Office of Business and Job Opportunity of the Port Authority within ten (10) working days of awarding any construction subcontract in excess of Ten Thousand Dollars and No Cents (\$10,000.00) at any tier for construction work. The notification shall list the name, address and telephone number of the sub-contractor; the employer identification number; the estimated starting and completion dates of the subcontract; and the geographical area in which the subcontract is to be performed.

(c) As used in these specifications:

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

(2) "Minority" includes:

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

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

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

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

(d) Whenever the Contractor, or any subcontractor at any

tier, subcontracts a portion of the construction work involving any construction trade, it shall physically include in each subcontract in excess of Ten Thousand Dollars and No Cents (\$10,000.00) those provisions which include the applicable goals for minority and female participation.

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

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

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

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

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

(1) Ensure and maintain a working environment free of harassment, intimidation and coercion at all sites, and in all facilities at which the Contractor's employees are assigned to work. The Contractor, where possible, will assign two (2) or more women to each phase of the construction project. The Contractor shall specifically ensure that all foremen, superintendents and other supervisory personnel at the premises are aware of and carry out the Contractor's obligation to maintain such a working environment, with specific attention to minority or female individuals working at the premises.

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

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

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

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

these programs to the sources compiled pursuant to subparagraph (2) of paragraph II (h) of Part I hereof.

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

(7) Review, at least every six (6) months, the Contractor's EEO policy and affirmative action obligations hereunder with all employees having any responsibility for hiring, assignment, layoff, termination or other employment decisions including specific review of these items with on-premises supervisory personnel such as Superintendents, General Foremen, etc., prior to the initiation of construction work at the premises. A written record shall be made and maintained identifying the time and place of these meetings, persons attending, subject matter discussed and disposition of the subject matter.

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

(9) Direct its recruitment efforts, both oral and written, to minority, female and community organizations, to schools with minority and female students and to minority and female recruitment and training organizations and to State-certified minority referral agencies serving the Contractor's recruitment area and employment needs. Not later than one (1) month prior to the date for the acceptance of applications for apprenticeship or other training by any recruitment source, the Contractor shall send written notification to organizations such as the above, describing the openings, screening procedures and tests to be used in the selection process.

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

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

(12) Conduct, at least every six (6) months, an inventory and evaluation at least of all minority and female personnel for promotional opportunities and encourage these employees to seek or prepare for such opportunities through appropriate training, etc.

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

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

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

(16) Conduct a review, at least every six (6) months, of all supervisors' adherence to and performance under the Contractor's EEO policies and affirmative action obligations.

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

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

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

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

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

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

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

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

(q) Without limiting any other obligation, term or provision under the Lease, the Contractor shall cooperate with all federal, state and local agencies established for the purpose of implementing affirmative action compliance programs and shall

comply with all procedures and guidelines established or which may be established by the Port Authority.

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

As a matter of policy, the Port Authority requires the Lessee and the Contractor shall itself and shall require the general contractor or other construction supervisor and each of the Lessee's contractors to use every good faith effort to provide for meaningful participation by Minority Business Enterprises and Women-owned Business Enterprises in the construction work pursuant to the provisions of this Schedule E. For purposes hereof, Minority Business Enterprise ("MBE") shall mean any business enterprise at least fifty-one percent (51%) of which is owned by, or in the case of a publicly owned business, at least fifty-one percent (51%) of the stock of which is owned by citizens or permanent resident aliens who are minorities and such ownership is real, substantial and continuing. For the purposes hereof, Women-owned Business Enterprise ("WBE") shall mean any business enterprise at least fifty-one percent (51%) of which is owned by, or in the case of a publicly owned business, at least fifty-one percent (51%) of the stock of which is owned by women and such ownership is real, substantial and continuing. A minority shall be as defined in paragraph II(c) of Part I of this Schedule E. "Meaningful participation" shall mean that at least seventeen percent (17%) of the total dollar value of the construction contracts (including subcontracts) covering the construction work are for the participation of MBEs and WBEs, of which at least twelve percent (12%) are for the participation of MBEs and five percent (5%) for WBE's. Good faith efforts to include meaningful participation by MBEs and WBEs shall include at least the following:

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

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

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

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

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

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

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

Initialed:

\_\_\_\_\_  
For the Port Authority

\_\_\_\_\_  
For the Lessee

FOURTH AMENDMENT TO  
CONTINENTAL AIRLINES, INC.  
1994 INCENTIVE EQUITY PLAN

RESOLVED, that pursuant to paragraph 15 of the Company's 1994 Incentive Equity Plan, as amended, such Plan be and hereby is amended such that the penultimate paragraph of paragraph 11 of such Plan shall read in its entirety as follows:

"Upon the occurrence of a Change in Control, with respect to each Participant, (AA) all Stock Options granted to such Participant and outstanding at such time shall immediately vest and become exercisable in full (but subject, however, in the case of ISOs, to the aggregate fair market value, determined as of the date the ISOs are granted, of the stock with respect to which ISOs are exercisable for the first time by such Participant during any calendar year not exceeding \$100,000) and, except as required by law, all restrictions on the transfer of shares acquired pursuant to such Stock Options shall terminate and (BB) all restrictions applicable to such Participant's Restricted Stock shall be deemed to have been satisfied and such Restricted Stock shall vest in full."

EMPLOYEE STOCK OPTION GRANT  
PURSUANT TO THE TERMS OF THE  
CONTINENTAL AIRLINES, INC.  
1994 INCENTIVE EQUITY PLAN

Grant of Stock Option. Continental Airlines, Inc., a Delaware corporation ("Company"), hereby grants to ("Optionee") the right, privilege and option as herein set forth (the "Stock Option") to purchase up to \_\_\_\_\_ (\_\_\_\_\_) shares (the "Shares") of Class B common stock, \$.01 par value per share, of Company ("Common Stock"), in accordance with the terms of this document. The Shares, when issued to Optionee upon the exercise of the Stock Option, shall be fully paid and nonassessable. The Stock Option is granted pursuant to and to implement in part the Continental Airlines, Inc. 1994 Incentive Equity Plan (as amended and in effect from time to time, the "Plan") and is subject to the provisions of the Plan, which is hereby incorporated herein and is made a part hereof, as well as the provisions of this document. By acceptance of the Stock Option, Optionee agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan and this Stock Option. All capitalized terms have the meanings set forth in the Plan unless otherwise specifically provided. All references to specified paragraphs pertain to paragraphs of this Stock Option unless otherwise provided. The Stock Option is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Option Term. Subject to earlier termination as provided herein, the Stock Option shall terminate on \_\_\_\_\_. The period during which the Stock Option is in effect is referred to as the "Option Period".

3. Option Exercise Price. The exercise price (the "Option Price") of the Shares subject to the Stock Option shall be \$\_\_\_\_ per Share (which is the Market Value per Share on the date hereof).

4. Vesting. Subject to the following provisions of this Paragraph 4, the total number of Shares subject to this Stock Option shall vest in \_\_\_\_\_ percent (\_\_\_\_%) increments on each of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. The vested Shares that may be acquired under the Stock Option may be purchased at any time after they become vested, in whole or in part, during the Option Period. In addition, the total number of Shares subject to this Stock Option shall become exercisable upon the occurrence of one of the events as described in Paragraph 6(c) or 6(d).

5. Method of Exercise. To exercise the Stock Option, Optionee shall deliver written notice to Company (to the attention of the Secretary of the Company) stating the number of Shares with respect to which the Stock Option is being exercised together with payment for such Shares. Payment shall be made (i) in cash or by check acceptable to Company, (ii) provided that Optionee can do so without incurring liability under Section 16(b) of the Securities Exchange Act of 1934, as amended, in nonforfeitable, unrestricted shares of Company's Common Stock owned by Optionee at the time of exercise of the Stock Option having an aggregate Market Value at the date of exercise equal to the aggregate Option Price per Share so paid for or (iii) by a combination of (i) and (ii). In addition, at the request of Optionee, and to the extent permitted by applicable law and subject to Paragraph 15, the Stock Option may be exercised pursuant to a "cashless exercise" arrangement with any brokerage firm approved by the Administrator or its delegate under which arrangement such brokerage firm, on behalf of Optionee, shall pay to Company the exercise price of the Options being exercised, and Company, pursuant to an irrevocable notice from Optionee, shall promptly after receipt of the exercise price deliver the shares being purchased to such firm.

6. Termination of Employment. Voluntary or involuntary termination of employment, retirement, death or Disability of Optionee, or occurrence of a Change in Control, shall affect Optionee's rights under the Stock Option as follows:

(a) Involuntary Termination for Gross Misconduct.

The Stock Option shall terminate immediately and shall not be

exercisable if Optionee's employment (defined below) is terminated involuntarily for gross misconduct (defined below).

(b) Other Involuntary Termination or Voluntary Termination. If Optionee's employment is terminated involuntarily other than for gross misconduct or if Optionee voluntarily terminates employment, then immediately (i) the Stock Option shall terminate as to Shares subject thereto to the extent not yet then vested pursuant to Paragraph 4, (ii) the Stock Option shall terminate as to all remaining Shares subject thereto to the extent not exercised pursuant to Paragraph 5 within 30 days after such termination of employment and (iii) all restrictions (other than those described in Paragraph 10) on transfer of Shares acquired pursuant to the Stock Option shall terminate.

(c) Change in Control. If a Change in Control shall occur, then immediately (i) the Stock Option shall become exercisable in full, whether or not otherwise exercisable, and (ii) all restrictions (other than those described in Paragraph 10) on transfer of Shares acquired pursuant to the Stock Option shall terminate.

(d) Retirement, Death or Disability. If Optionee's employment is terminated by retirement, death or Disability, then immediately (i) the Stock Option shall become exercisable in full, whether or not otherwise exercisable, for a term of one year thereafter by Optionee or, in the case of death, by the person or persons to whom Optionee's rights under the Stock Option shall pass by will or by the applicable laws of descent and distribution, or in the case of Disability, by Optionee's personal representative, and (ii) all restrictions (other than those described in Paragraph 10) on transfer of Shares acquired pursuant to the Stock Option shall terminate. However, in no event may any Stock Option be exercised by anyone after the earlier of (y) the expiration of the Option Period or (z) one year after Optionee's death, retirement, Disability, or involuntary termination (described above).

(e) Definitions. For purposes of the Stock Option, "employment" means employment by Company or a Subsidiary. In this regard, neither the transfer of a Participant from employment by Company to employment by a Subsidiary nor the transfer of a Participant from employment by a Subsidiary to employment by Company shall be deemed to be a termination of employment of the Participant. Moreover, the employment of a Participant shall not be deemed to have been terminated because of absence from active employment on account of temporary illness or during authorized vacation or during temporary leaves of absence from active employment granted by Company or a Subsidiary for reasons of professional advancement, education, health, or government service, or during military leave for any period if the Participant returns to active employment within 90 days after the termination of military leave, or during any period required to be treated as a leave of absence by virtue of any valid law or agreement. "Gross misconduct" means such misconduct, dishonesty, wilful and repeated disobedience or other action or inaction as might reasonably be expected to injure Company or any of its Subsidiaries or its or their business interests or reputation. The Administrator's determination in good faith regarding whether a termination of employment or gross misconduct has occurred shall be conclusive and determinative.

7. Reorganization of Company and Subsidiaries. The existence of the Stock Option shall not affect in any way the right or power of Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Company's capital structure or its business, or any merger or consolidation of Company or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares or the rights thereof, or the dissolution or liquidation of Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

8. Adjustment of Shares. In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving Company,

appropriate adjustments shall be made to the terms and provisions of this Stock Option, in the same manner as is provided for adjustments to the terms and provisions of the warrants issued by Company to Air Canada and to Air Partners, L.P. under the Warrant Agreement dated as of April 27, 1993.

9. No Rights in Shares. Optionee shall have no rights as a stockholder in respect of Shares until such Optionee becomes the holder of record of such Shares.

10. Certain Restrictions. By exercising the Stock Option, Optionee agrees that if at the time of such exercise the sale of Shares issued hereunder is not covered by an effective registration statement filed under the Securities Act of 1933 ("Act"), Optionee will acquire the Shares for Optionee's own account and without a view to resale or distribution in violation of the Act or any other securities law, and upon any such acquisition Optionee will enter into such written representations, warranties and agreements as Company may reasonably request in order to comply with the Act or any other securities law or with this document. Optionee agrees that Company shall not be obligated to take any affirmative action in order to cause the issuance or transfer of Shares hereunder to comply with any law, rule or regulation that applies to the Shares subject to the Stock Option.

11. Shares Reserved. Company shall at all times during the Option Period reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Stock Option.

12. Nontransferability of Option. The Stock Option granted pursuant to this document is not transferable other than by will, the laws of descent and distribution or by qualified domestic relations order. The Stock Option will be exercisable during Optionee's lifetime only by Optionee or by Optionee's guardian or legal representative. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Optionee.

13. Amendment and Termination. No amendment or termination of the Stock Option shall be made by the Board or the Administrator at any time without the written consent of Optionee. No amendment or termination of the Plan will adversely affect the rights, privileges and option of Optionee under the Stock Option without the written consent of Optionee.

14. No Guarantee of Employment. The Stock Option shall not confer upon Optionee any right with respect to continuance of employment or other service with Company or any Subsidiary, nor shall it interfere in any way with any right Company or any Subsidiary would otherwise have to terminate such Optionee's employment or other service at any time.

15. Withholding of Taxes. Company shall have the right to (i) make deductions from the number of Shares otherwise deliverable upon exercise of the Stock Option in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations.

16. No Guarantee of Tax Consequences. Neither Company nor any Subsidiary nor the Administrator makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person eligible for benefits under the Stock Option.

17. Severability. In the event that any provision of the Stock Option shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Stock Option, and the Stock Option shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

18. Governing Law. The Stock Option shall be construed in accordance with the laws of the State of Texas to the extent federal law does not supersede and preempt Texas law.

Executed as of the \_\_\_\_ day of \_\_\_\_, 199\_.

"COMPANY"

CONTINENTAL AIRLINES, INC.  
By Order of the Administrator

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted as of the \_\_\_\_ day of \_\_\_\_, 199\_.

"OPTIONEE"

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

OUTSIDE DIRECTOR STOCK OPTION GRANT  
PURSUANT TO THE TERMS OF THE  
CONTINENTAL AIRLINES, INC.  
1994 INCENTIVE EQUITY PLAN

1. Grant of Option. Continental Airlines, Inc., a Delaware corporation ("Company"), hereby grants to \_\_\_\_\_ ("Optionee") the right, privilege and option as herein set forth (the "Outside Director Stock Option") to purchase \_\_\_\_\_ shares (the "Shares") of Class B common stock, \$.01 par value per share, of Company ("Common Stock"), in accordance with the terms of this document. The Shares, when issued to Optionee upon the exercise of the Outside Director Stock Option, shall be fully paid and nonassessable. The Outside Director Stock Option is granted pursuant to and to implement in part the Continental Airlines, Inc. 1994 Incentive Equity Plan (as amended from time to time, the "Plan") and is subject to the provisions of the Plan, which is hereby incorporated herein and made a part hereof, as well as the provisions of this document. By acceptance of the Outside Director Stock Option, Optionee agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan as implemented by the Outside Director Stock Option. All capitalized terms have the meanings set forth in the Plan unless otherwise specifically provided. All references to specified paragraphs pertain to paragraphs of this Outside Director Stock Option unless otherwise specifically provided. The Outside Director Stock Option is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Option Term. Subject to earlier termination as provided herein or in the Plan, the Outside Director Stock Option shall terminate on the date that is the tenth anniversary of the Date of Grant of the Outside Director Stock Option, which tenth anniversary shall be \_\_\_\_\_. The period during which the Outside Director Stock Option is in effect is referred to as the "Option Period".

3. Option Exercise Price. The exercise price (the "Option Price") of the Shares subject to the Outside Director Stock Option shall be \$\_\_\_\_ per Share (the closing sales price of the Common Stock on \_\_\_\_\_, the Date of Grant).

4. Date Exercisable. This Outside Director Stock Option shall become exercisable on the date immediately following the Date of Grant.

5. Method of Exercise. To exercise the Outside Director Stock Option, Optionee shall deliver written notice to Company stating the number of Shares with respect to which the Outside Director Stock Option is being exercised together with payment for such Shares. Payment shall be made in cash or by check acceptable to Company.

6. Termination of Board Service. The Outside Director Stock Option shall terminate on, and may not be exercised after the earlier of (i) the date that is one year after termination of Optionee's service on the Board for any reason and (ii) the expiration of the Option Period.

7. Reorganization of Company and Subsidiaries. The existence of the Outside Director Stock Option shall not affect in any way the right or power of Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Company's capital structure or its business, or any merger or consolidation of Company or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares or the rights thereof, or the dissolution or liquidation of Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

8. Adjustment of Shares. In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving

Company, appropriate adjustments shall be made to the terms and provisions of this Outside Director Stock Option, in the same manner as is provided for adjustments to the terms and provisions of the warrants issued by Company to Air Canada and to Air Partners, L.P. under the Warrant Agreement dated as of April 27, 1993.

9. No Rights in Shares. Optionee shall have no rights as a stockholder in respect of Shares until such Optionee becomes the holder of record of such Shares.

10. Certain Restrictions. By exercising the Outside Director Stock Option, Optionee agrees that if at the time of such exercise the sale of Shares issued hereunder is not covered by an effective registration statement filed under the Securities Act of 1933 ("Act"), Optionee will acquire the Shares for Optionee's own account and without a view to resale or distribution in violation of the Act or any other securities law, and upon any such acquisition Optionee will enter into such written representations, warranties and agreements as Company may reasonably request in order to comply with the Act or any other securities law or with this document. Optionee agrees that Company shall not be obligated to take any affirmative action in order to cause the issuance or transfer of Shares hereunder to comply with any law, rule or regulation that applies to the Shares subject to the Outside Director Stock Option.

11. Shares Reserved. Company shall at all times during the Option Period reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Outside Director Stock Option.

12. Nontransferability of Option. The Outside Director Stock Option granted pursuant to this document is not transferable other than by will, the laws of descent and distribution or by qualified domestic relations order. The Outside Director Stock Option will be exercisable during Optionee's lifetime only by Optionee or by Optionee's guardian or legal representative. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Optionee.

13. Amendment and Termination. No amendment or termination of the Outside Director Stock Option shall be made by the Board or the Committee at any time without the written consent of Optionee. No amendment or termination of the Plan will adversely affect the rights, privileges and options of Optionee under the Outside Director Stock Option without the written consent of Optionee.

14. No Guarantee of Board Service. The Outside Director Stock Option shall not confer upon Optionee any right with respect to continuance of service on the Board, nor shall it interfere in any way with any right to terminate such Optionee's Board service.

15. Withholding of Taxes. Company shall have the right to (i) make deductions from the number of Shares otherwise deliverable upon exercise of the Outside Director Stock Option in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations.

16. No Guarantee of Tax Consequences. Neither Company nor any Subsidiary nor the Committee makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person eligible for benefits under the Outside Director Stock Option.

17. Severability. In the event that any provision of the Outside Director Stock Option shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Outside Director Stock Option and the Outside Director Stock Option shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

18. Governing Law. The Outside Director Stock Option shall be construed in accordance with the laws of the State of

Texas to the extent federal law does not supersede and preempt  
Texas law.

Executed this \_\_\_\_ day of \_\_\_\_, 199\_.

"COMPANY"

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_

Name:

Title:

Accepted as of the \_\_\_\_ day of \_\_\_\_, 199\_.

"OPTIONEE"

\_\_\_\_\_  
Name:

RESTRICTED STOCK GRANT  
PURSUANT TO THE TERMS OF THE  
CONTINENTAL AIRLINES, INC.  
1994 INCENTIVE EQUITY PLAN

1. Grant of Restricted Shares. Continental Airlines, Inc., a Delaware corporation ("Company"), hereby grants to \_\_\_\_\_ ("Participant") all rights, title and interest in the record and beneficial ownership of \_\_\_\_\_ (\_\_\_\_\_) shares (the "Restricted Shares") of Class B common stock, \$.01 par value per share, of Company ("Common Stock") subject to the conditions described in Paragraphs 4 and 5 as well as the other provisions of this grant of Restricted Stock (the "Restricted Stock Grant"). The Restricted Shares are granted pursuant to and to implement in part the Continental Airlines, Inc. 1994 Incentive Equity Plan (as amended and in effect from time to time, the "Plan") and are subject to the provisions of the Plan, which is hereby incorporated herein and is made a part hereof, as well as the provisions of this document. By acceptance of the Restricted Stock Grant, Participant agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan and this Restricted Stock Grant. All capitalized terms have the meanings set forth in the Plan unless otherwise specifically provided. All references to specified paragraphs pertain to paragraphs of this Restricted Stock Grant unless otherwise specifically provided.

2. Custody of Restricted Shares. Upon satisfaction of the vesting conditions set forth in Paragraph 4 or the occurrence of any of the events contemplated by Paragraph 5(b) or 5(c), Company shall issue and deliver to Participant a certificate or certificates for such number of Restricted Shares as are required to be issued and delivered under the Restricted Stock Grant. Prior to the satisfaction of such vesting conditions or the occurrence of such events, the Restricted Shares are not transferable and shall be held in trust or in escrow pursuant to an agreement satisfactory to the Administrator until such time as the restrictions on their transfer have expired. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Participant.

3. Risk of Forfeiture. Subject to Paragraphs 5(b) and 5(c), should Participant's employment (defined below) with Company and any Subsidiaries terminate prior to any of the vesting dates set forth in Paragraph 4, Participant shall forfeit the right to receive the Restricted Shares that would otherwise have vested on such dates.

4. Vesting Dates. Subject to Paragraph 5, the Restricted Shares subject to this Restricted Stock Grant shall vest in \_\_\_\_\_ percent (\_\_\_\_%) increments on each of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.

5. Termination of Employment. Voluntary or involuntary termination of employment, retirement, death or Disability of Participant, or occurrence of a Change in Control, shall affect Participant's rights under this Restricted Stock Grant as follows:

(a) Voluntary or Involuntary Termination. If, other than as specified below, Participant voluntarily terminates employment (defined below) or if Participant's employment is terminated involuntarily, then Participant shall forfeit the right to receive all Restricted Shares that have not theretofore vested pursuant to Paragraph 4.

(b) Change in Control. If a Change in Control shall occur, then immediately all nonvested Restricted Shares shall fully vest, all restrictions (other than those described in Paragraph 9) applicable to such Restricted Shares shall terminate and Company shall release from escrow or trust and shall issue and deliver to Participant a certificate or certificates for all Restricted Shares.

(c) Retirement, Death or Disability. If Participant's employment is terminated by retirement, death or Disability, then immediately all nonvested Restricted Shares shall be deemed fully vested, all restrictions (other than described

in Paragraph 9) applicable to Restricted Shares shall terminate and Company shall release from escrow or trust and shall issue and deliver to Participant a certificate or certificates for all Restricted Shares.

(d) Definition of Employment. For purposes of the Restricted Stock Grant, "employment" means employment by Company or a Subsidiary. In this regard, neither the transfer of a Participant from employment by Company to employment by a Subsidiary nor the transfer of a Participant from employment by a Subsidiary to employment by Company shall be deemed to be a termination of employment of Participant. Moreover, the employment of a Participant shall not be deemed to have been terminated because of absence from active employment on account of temporary illness or during authorized vacation or during temporary leaves of absence from active employment granted by Company or a Subsidiary for reasons of professional advancement, education, health, or government service, or during military leave for any period if Participant returns to active employment within 90 days after the termination of military leave, or during any period required to be treated as a leave of absence by virtue of any valid law or agreement. The Administrator's determination in good faith regarding whether a termination of employment of any type has occurred shall be conclusive and determinative.

6. Ownership Rights. Subject to the restrictions set forth herein and subject to Paragraph 8, Participant is entitled to all voting and ownership rights applicable to the Restricted Shares, including the right to receive any cash dividends that may be paid on Restricted Shares, whether or not vested.

7. Reorganization of Company and Subsidiaries. The existence of the Restricted Stock Grant shall not affect in any way the right or power of Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Company's capital structure or its business, or any merger or consolidation of Company or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Restricted Shares or the rights thereof, or the dissolution or liquidation of Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

8. Recapitalization Events. In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving Company ("Recapitalization Events"), then for all purposes references herein to Common Stock or to Restricted Shares shall mean and include all securities or other property (other than cash) that holders of Common Stock of Company are entitled to receive in respect of Common Stock by reason of each successive Recapitalization Event, which securities or other property (other than cash) shall be treated in the same manner and shall be subject to the same restrictions as the underlying Restricted Shares.

9. Certain Restrictions. By accepting the Restricted Stock Grant, Participant agrees that if at the time of delivery of certificates for Restricted Shares issued hereunder any sale of such Shares of Common Stock is not covered by an effective registration statement filed under the Securities Act of 1933 (the "Act"), Participant will acquire the Restricted Shares for Participant's own account and without a view to resale or distribution in violation of the Act or any other securities law, and upon any such acquisition Participant will enter into such written representations, warranties and agreements as Company may reasonably request in order to comply with the Act or any other securities law or with this document.

10. Amendment and Termination. No amendment or termination of the Restricted Stock Grant shall be made by the Board or the Administrator at any time without the written consent of Participant. No amendment or termination of the Plan will adversely affect the right, title and interest of Participant under the Restricted Stock Grant or to Restricted Shares granted thereunder without the written consent of Participant.

11. No Guarantee of Employment. The Restricted Stock Grant shall not confer upon Participant any right with respect to continuance of employment or other service with Company or any Subsidiary, nor shall it interfere in any way with any right Company or any Subsidiary would otherwise have to terminate such Participant's employment or other service at any time.

12. Withholding of Taxes. Company shall have the right to (i) make deductions from the number of Restricted Shares otherwise deliverable upon satisfaction of the conditions precedent under the Restricted Stock Grant (and other amounts payable under the Restricted Stock Grant) in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations.

13. No Guarantee of Tax Consequences. Neither Company nor any Subsidiary nor the Administrator makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person eligible for benefits under the Restricted Stock Grant.

14. Severability. In the event that any provision of the Restricted Stock Grant shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Restricted Stock Grant and the Restricted Stock Grant shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

15. Governing Law. The Restricted Stock Grant shall be construed in accordance with the laws of the State of Texas to the extent federal law does not supersede and preempt Texas law.

Executed as of the \_\_\_\_ day of \_\_\_\_, 199\_.

"COMPANY"

CONTINENTAL AIRLINES, INC.  
By Order of the Administrator

By: \_\_\_\_\_  
Printed Name:  
Title:

Accepted as of the \_\_\_\_ day of \_\_\_\_, 199\_.

"PARTICIPANT"

\_\_\_\_\_  
Printed Name:

FIRST AMENDMENT TO  
CONTINENTAL AIRLINES, INC.  
1997 STOCK INCENTIVE PLAN

RESOLVED, that pursuant to Section X of the Company's 1997 Stock Incentive Plan, such Plan be and hereby is amended such that the penultimate paragraph of Section IX(c) of such Plan shall read in its entirety as follows:

"Upon the occurrence of a Change in Control, with respect to each recipient of an Award hereunder, (AA) all Options granted to such recipient and outstanding at such time shall immediately vest and become exercisable in full (but subject, however, in the case of Incentive Stock Options, to the aggregate fair market value, determined as of the date the Incentive Stock Options are granted, of the stock with respect to which Incentive Stock Options are exercisable for the first time by such recipient during any calendar year not exceeding \$100,000) and, except as required by law, all restrictions on the transfer of shares acquired pursuant to such Options shall terminate and (BB) all restrictions applicable to such recipient's Restricted Stock shall be deemed to have been satisfied and such Restricted Stock shall vest in full."

STOCK OPTION AGREEMENT  
(PURSUANT TO THE TERMS OF THE  
CONTINENTAL AIRLINES, INC.  
1997 STOCK INCENTIVE PLAN)

This STOCK OPTION AGREEMENT (this "Option Agreement") is between Continental Airlines, Inc., a Delaware corporation ("Company"), and \_\_\_\_\_ ("Optionee"), and is dated as of the date set forth immediately above the signatures below.

1. Grant of Option. The Company hereby grants to Optionee the right, privilege and option as herein set forth (the "Option") to purchase up to \_\_\_\_\_ (\_\_\_\_\_) shares (the "Shares") of Class B common stock, \$.01 par value per share, of Company ("Common Stock"), in accordance with the terms of this Option Agreement. The Shares, when issued to Optionee upon the exercise of the Option, shall be fully paid and nonassessable. The Option is granted pursuant to and to implement in part the Continental Airlines, Inc. 1997 Stock Incentive Plan (as amended and in effect from time to time, the "Plan") and is subject to the provisions of the Plan, which is hereby incorporated herein and is made a part hereof, as well as the provisions of this Option Agreement. Optionee agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan and this Option Agreement. All capitalized terms have the meanings set forth in the Plan unless otherwise specifically provided. All references to specified paragraphs pertain to paragraphs of this Option Agreement unless otherwise provided. The Option is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code")

2. Option Term. Subject to earlier termination as provided herein, the Option shall terminate on \_\_\_\_\_. The period during which the Option is in effect is referred to as the "Option Period".

3. Option Exercise Price. The exercise price (the "Option Price") of the Shares subject to the Option shall be \$\_\_\_\_ per Share (which is the Market Value per Share on the date hereof).

4. Vesting. Subject to the following provisions of this Paragraph 4, the total number of Shares subject to this Option shall vest in \_\_\_\_\_ percent (\_\_\_\_%) increments on each of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. The vested Shares that may be acquired under the Option may be purchased at any time after they become vested, in whole or in part, during the Option Period. In addition, the total number of Shares subject to this Option shall become exercisable upon the occurrence of one of the events as described in Paragraph 6(c) or 6(d).

5. Method of Exercise. To exercise the Option, Optionee shall deliver an irrevocable written notice to Company (to the attention of the Secretary of the Company) stating the number of Shares with respect to which the Option is being exercised together with payment for such Shares. Payment shall be made (i) in cash or by check acceptable to Company, (ii) in nonforfeitable, unrestricted shares of Company's Common Stock owned by Optionee at the time of exercise of the Option having an aggregate market value (measured by the Market Value per Share) at the date of exercise equal to the aggregate exercise price of the Option being exercised or (iii) by a combination of (i) and (ii). In addition, at the request of Optionee, and to the extent permitted by applicable law and subject to Paragraph 15, the Option may be exercised pursuant to a "cashless exercise" arrangement with any brokerage firm approved by the Administrator or its delegate under which arrangement such brokerage firm, on behalf of Optionee, shall pay to Company the exercise price of the Options being exercised, and Company, pursuant to an irrevocable notice from Optionee, shall promptly after receipt of the exercise price deliver the shares being purchased to such firm.

6. Termination of Employment. Voluntary or involuntary termination of employment, retirement, death or Disability of Optionee, or occurrence of a Change in Control, shall affect

Optionee's rights under the Option as follows:

(a) Involuntary Termination for Gross Misconduct.

The Option shall terminate immediately and shall not be exercisable if Optionee's employment (defined below) is terminated involuntarily for gross misconduct (defined below).

(b) Other Involuntary Termination or Voluntary Termination.

If Optionee's employment is terminated involuntarily other than for gross misconduct or if Optionee voluntarily terminates employment, then immediately (i) the Option shall terminate as to Shares subject thereto to the extent not yet then vested pursuant to Paragraph 4 or not then exercisable pursuant to Paragraph 6(c) below, (ii) the Option shall terminate as to all remaining Shares subject thereto to the extent not exercised pursuant to Paragraph 5 within 30 days after such termination of employment (or, as to Shares for which the Option may then be exercised pursuant to Paragraph 6(c) below, to the extent not exercised within the 30 day period described therein) and (iii) all restrictions (other than those described in Paragraph 10) on transfer of Shares acquired pursuant to the Option shall terminate.

(c) Change in Control.

If a Change in Control shall occur, then immediately (i) the Option shall become exercisable in full, whether or not otherwise exercisable, and (ii) all restrictions (other than those described in Paragraph 10) on transfer of Shares acquired pursuant to the Option shall terminate.

(d) Retirement, Death or Disability.

If Optionee's employment is terminated by retirement, death or Disability, then immediately (i) the Option shall become exercisable in full, whether or not otherwise exercisable, for a term of one year thereafter by Optionee or, in the case of death, by the person or persons to whom Optionee's rights under the Option shall pass by will or by the applicable laws of descent and distribution, or in the case of Disability, by Optionee's personal representative, and (ii) all restrictions (other than those described in Paragraph 10) on transfer of Shares acquired pursuant to the Option shall terminate. However, in no event may any Option be exercised by anyone after the earlier of (y) the expiration of the Option Period or (z) one year after Optionee's death, retirement or Disability (described above).

Definitions.

For purposes of the Option, "employment" means employment by Company or a subsidiary (as the term "subsidiary" is defined in the Plan). In this regard, neither the transfer of a Participant from employment by Company to employment by a subsidiary nor the transfer of a Participant from employment by a subsidiary to employment by Company shall be deemed to be a termination of employment of the Participant. Moreover, the employment of a Participant shall not be deemed to have been terminated because of absence from active employment on account of temporary illness or during authorized vacation or during temporary leaves of absence from active employment granted by Company or a subsidiary for reasons of professional advancement, education, health, or government service, or during military leave for any period if the Participant returns to active employment within 90 days after the termination of military leave, or during any period required to be treated as a leave of absence by virtue of any valid law or agreement. "Gross misconduct" means such misconduct, dishonesty, wilful and repeated disobedience or other action or inaction as might reasonably be expected to injure Company or any of its subsidiaries or its or their business interests or reputation. The Administrator's determination in good faith regarding whether a termination of employment, gross misconduct or Disability has occurred shall be conclusive and determinative.

7. Reorganization of Company and Subsidiaries.

The existence of the Option shall not affect in any way the right or power of Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Company's capital structure or its business, or any merger or consolidation of Company or any issue of bonds, debentures, preferred or prior preference stock ahead of or

affecting the Shares or the rights thereof, or the dissolution or liquidation of Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

8. Adjustment of Shares. In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving Company, appropriate adjustments shall be made to the terms and provisions of this Option, in the same manner as is provided for adjustments to the terms and provisions of the warrants issued by Company to Air Canada and to Air Partners, L.P. under the Warrant Agreement dated as of April 27, 1993.

9. No Rights in Shares. Optionee shall have no rights as a stockholder in respect of Shares until such Optionee becomes the holder of record of such Shares.

10. Certain Restrictions. By exercising the Option, Optionee agrees that if at the time of such exercise the sale of Shares issued hereunder is not covered by an effective registration statement filed under the Securities Act of 1933 ("Act"), Optionee will acquire the Shares for Optionee's own account and without a view to resale or distribution in violation of the Act or any other securities law, and upon any such acquisition Optionee will enter into such written representations, warranties and agreements as Company may reasonably request in order to comply with the Act or any other securities law or with this Option Agreement. Optionee agrees that Company shall not be obligated to take any affirmative action in order to cause the issuance or transfer of Shares hereunder to comply with any law, rule or regulation that applies to the Shares subject to the Option.

11. Shares Reserved. Company shall at all times during the Option Period reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Option.

12. Nontransferability of Option. The Option granted pursuant to this Option Agreement is not transferable other than by will, the laws of descent and distribution or by qualified domestic relations order. The Option will be exercisable during Optionee's lifetime only by Optionee or by Optionee's guardian or legal representative. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Optionee.

13. Amendment and Termination. No amendment or termination of the Option shall be made by the Board or the Administrator at any time without the written consent of Optionee. No amendment or termination of the Plan will adversely affect the rights, privileges and option of Optionee under the Option without the written consent of Optionee.

14. No Guarantee of Employment. The Option shall not confer upon Optionee any right with respect to continuance of employment or other service with Company or any subsidiary, nor shall it interfere in any way with any right Company or any subsidiary would otherwise have to terminate such Optionee's employment or other service at any time.

15. Withholding of Taxes. Company shall have the right to (i) make deductions from the number of Shares otherwise deliverable upon exercise of the Option in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations.

16. No Guarantee of Tax Consequences. Neither Company nor any subsidiary nor the Administrator makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person eligible for benefits under the Option.

17. Severability. In the event that any provision of the Option shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not

affect the remaining provisions of the Option, and the Option shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

18. Governing Law. The Option shall be construed in accordance with the laws of the State of Delaware to the extent federal law does not supersede and preempt Delaware law.

IN WITNESS WHEREOF, the parties have entered into this Option Agreement as of the \_\_\_\_\_ of \_\_\_\_\_, 1997.

"COMPANY"

CONTINENTAL AIRLINES, INC.  
By Order of the Administrator

By: \_\_\_\_\_  
Name:  
Title:

"OPTIONEE"

\_\_\_\_\_  
Name:

OUTSIDE DIRECTOR STOCK OPTION AGREEMENT  
(PURSUANT TO THE TERMS OF THE  
CONTINENTAL AIRLINES, INC.  
1997 STOCK INCENTIVE PLAN)

This STOCK OPTION AGREEMENT (this "Option Agreement") is between Continental Airlines, Inc., a Delaware corporation ("Company"), and \_\_\_\_\_ ("Optionee"), and is dated as of the date set forth immediately above the signatures below.

1. Grant of Option. The Company hereby grants to Optionee the right, privilege and option as herein set forth (the "Option") to purchase up to \_\_\_\_\_ (\_\_\_\_\_) shares (the "Shares") of Class B common stock, \$.01 par value per share, of Company ("Common Stock"), in accordance with the terms of this Option Agreement. The Shares, when issued to Optionee upon the exercise of the Option, shall be fully paid and nonassessable. The Option is granted pursuant to and to implement in part the Continental Airlines, Inc. 1997 Stock Incentive Plan (as amended and in effect from time to time, the "Plan") and is subject to the provisions of the Plan, which is hereby incorporated herein and is made a part hereof, as well as the provisions of this Option Agreement. Optionee agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan and this Option Agreement. All capitalized terms have the meanings set forth in the Plan unless otherwise specifically provided. All references to specified paragraphs pertain to paragraphs of this Option Agreement unless otherwise provided. The Option is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Option Term. Subject to earlier termination as provided herein, the Option shall terminate on \_\_\_\_\_. The period during which the Option is in effect is referred to as the "Option Period".

3. Option Exercise Price. The exercise price (the "Option Price") of the Shares subject to the Option shall be \$\_\_\_\_\_ per Share (which is the Market Value per Share on the date hereof).

4. Vesting. The total number of Shares subject to this Option shall vest immediately upon the grant hereof.

5. Method of Exercise. To exercise the Option, Optionee shall deliver an irrevocable written notice to Company (to the attention of the Secretary of the Company) stating the number of Shares with respect to which the Option is being exercised together with payment for such Shares. Payment shall be made (i) in cash or by check acceptable to Company, (ii) in nonforfeitable, unrestricted shares of Company's Common Stock owned by Optionee at the time of exercise of the Option having an aggregate market value (measured by the Market Value per Share) at the date of exercise equal to the aggregate exercise price of the Option being exercised or (iii) by a combination of (i) and (ii). In addition, at the request of Optionee, and to the extent permitted by applicable law and subject to Paragraph 15, the Option may be exercised pursuant to a "cashless exercise" arrangement with any brokerage firm approved by the Administrator or its delegate under which arrangement such brokerage firm, on behalf of Optionee, shall pay to Company the exercise price of the Options being exercised, and Company, pursuant to an irrevocable notice from Optionee, shall promptly after receipt of the exercise price deliver the shares being purchased to such firm.

6. Termination of Board Service. The Option shall terminate on, and may not be exercised after the earlier of (i) the date that is one year after termination of Optionee's service on the Board for any reason and (ii) the expiration of the Option Period.

7. Reorganization of Company and Subsidiaries. The existence of the Option shall not affect in any way the right or power of Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Company's capital structure or its business, or any merger or consolidation of Company or any issue of bonds,

debentures, preferred or prior preference stock ahead of or affecting the Shares or the rights thereof, or the dissolution or liquidation of Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

8. Adjustment of Shares. In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving Company, appropriate adjustments shall be made to the terms and provisions of this Option, in the same manner as is provided for adjustments to the terms and provisions of the warrants issued by Company to Air Canada and to Air Partners, L.P. under the Warrant Agreement dated as of April 27, 1993.

9. No Rights in Shares. Optionee shall have no rights as a stockholder in respect of Shares until such Optionee becomes the holder of record of such Shares.

10. Certain Restrictions. By exercising the Option, Optionee agrees that if at the time of such exercise the sale of Shares issued hereunder is not covered by an effective registration statement filed under the Securities Act of 1933 ("Act"), Optionee will acquire the Shares for Optionee's own account and without a view to resale or distribution in violation of the Act or any other securities law, and upon any such acquisition Optionee will enter into such written representations, warranties and agreements as Company may reasonably request in order to comply with the Act or any other securities law or with this Option Agreement. Optionee agrees that Company shall not be obligated to take any affirmative action in order to cause the issuance or transfer of Shares hereunder to comply with any law, rule or regulation that applies to the Shares subject to the Option.

11. Shares Reserved. Company shall at all times during the Option Period reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Option.

12. Nontransferability of Option. The Option granted pursuant to this Option Agreement is not transferable other than by will, the laws of descent and distribution or by qualified domestic relations order. The Option will be exercisable during Optionee's lifetime only by Optionee or by Optionee's guardian or legal representative. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Optionee.

13. Amendment and Termination. No amendment or termination of the Option shall be made by the Board or the Administrator at any time without the written consent of Optionee. No amendment or termination of the Plan will adversely affect the rights, privileges and option of Optionee under the Option without the written consent of Optionee.

14. No Guarantee of Board Service. The Option shall not confer upon Optionee any right with respect to continuance of service on the Board, nor shall it interfere in any way with any right to terminate Optionee's Board service at any time.

15. Withholding of Taxes. Company shall have the right to (i) make deductions from the number of Shares otherwise deliverable upon exercise of the Option in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations.

16. No Guarantee of Tax Consequences. Neither Company nor any subsidiary nor the Administrator makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person eligible for benefits under the Option.

17. Severability. In the event that any provision of the Option shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Option, and the Option shall be construed and enforced as if the illegal, invalid, or

unenforceable provision had never been included herein.

18. Governing Law. The Option shall be construed in accordance with the laws of the State of Delaware to the extent federal law does not supersede and preempt Delaware law.

IN WITNESS WHEREOF, the parties have entered into this Option Agreement as of the \_\_\_ day of \_\_\_\_\_, 199\_.

"COMPANY"

CONTINENTAL AIRLINES, INC.  
By Order of the Administrator

By: \_\_\_\_\_  
Name:  
Title:

"OPTIONEE"

\_\_\_\_\_  
Name:

Supplemental Agreement No. 10

to

Purchase Agreement No. 1783

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 757-224 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of October 10, 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. 1783 dated as of March 18, 1993, as amended and supplemented, relating to Boeing Model 757-224 aircraft (the Agreement); and

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

Whereas, Buyer and Boeing have mutually agreed to amend the Agreement to incorporate the effects 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 and Articles:

Remove and replace, in its entirety, the Table of Contents with a new Table of Contents (attached hereto) to reflect amendment of the Agreement as of the date of this Supplemental Agreement No. 10.

2. Letter Agreements:

2.1 Remove and replace, in its entirety, Letter Agreement 1783-9, "Escalation Sharing" with Letter Agreement 1783-9R1, "Escalation Sharing", to clarify the language which describes how the escalation sharing will be calculated.

2.2 Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-289, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] with Letter Agreement 6-1162-MMF-289R1, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] incorporate a change to the method used to calculate Buyer's lease payment.

2.3 Remove and replace, in its entirety, Letter Agreement 6-1162-WLJ-375R5, "Special Matters" with new Letter Agreement No. 6-1162-GOC-132, "Special Matters" to incorporate the effect of a revised business offer.

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: \_\_\_/s/ Gunar O. Clem\_\_\_\_\_ By: /s/ Brian Davis

Its: Attorney-In-Fact Its: Vice President

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October 10, 1997  
1783-9R1

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

Subject: Letter Agreement No. 1783-9R1 to  
Purchase Agreement No. 1783 -  
Escalation Sharing

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1783 dated as of March 18, 1993, as previously amended and supplemented (the Agreement), between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 757-224 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1783-9.

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

1. Commitment.

Boeing agrees to share one-half of the escalation up to a maximum of 3 percent per year in each of the years 1997 and 1998, as more fully described in paragraph 2 below, for any of Buyer's Aircraft which are scheduled to deliver after December 31, 1996. For the purpose of this Letter Agreement such aircraft are referred to as "Eligible Aircraft."

All escalation calculations under this Letter Agreement will be made in accordance with Exhibit D to the Agreement entitled "Price Adjustment Due to Economic Fluctuations - Airframe Price Adjustment" (hereinafter referred to as "Exhibit D"), [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

2. Escalation Credit Memo.

2.1 Calculation - Eligible Aircraft Delivering in 1997.

At the time of delivery of each Eligible Aircraft delivering in 1997, Boeing will issue to Buyer a credit memorandum (the 1997 Credit Memorandum) which shall be applied to the Purchase Price of such Aircraft. The 1997 Credit Memorandum shall be calculated as follows:

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

2.2 Calculation - Eligible Aircraft Delivering in 1998.

At the time of delivery of each Eligible Aircraft delivering in 1998, Boeing will issue to Buyer a credit memorandum (the 1998 Credit Memorandum) which shall be applied to the Purchase Price of such Aircraft. The 1998 Credit Memorandum shall be calculated as follows:

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

2.3 Eligible Aircraft Delivering after 1998.

For Eligible Aircraft delivering after the calendar year 1998, the amount of the credit memorandum will be the amount calculated pursuant to paragraph 2.2 above through December 1998. This credit memorandum amount will be escalated from December 1998 to the month of delivery.

3. Advance Payment Base Price.

It is agreed that the Advance Payment Base Prices for the Eligible Aircraft set forth in Article 3 of the Agreement includes an estimate for the escalation sharing credit memorandum pursuant to this Letter Agreement.

4. Escalating Credits (STE).

It is agreed that the credit memoranda specified in Letter Agreement No. 6-1162-GOC-132, which escalate in accordance with Exhibit D, will be calculated using the same factors used to develop the adjusted airframe escalation pursuant to this Letter Agreement.

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

6-1162-MMF-289R1  
October 10, 1997

Continental Airlines, Inc.  
Suite 1923  
2929 Allen Parkway  
Houston, TX 77019

Subject: Letter Agreement No. 6-1162-MMF-289R1 to  
Purchase Agreement No. 1783 -  
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY  
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO  
A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1783 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 757 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-289 dated June 13, 1996.

All terms not defined herein have the same meaning as in the Agreement.

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

5. Confidential Treatment.

Boeing and Buyer agree that certain commercial and financial information contained in this Letter Agreement is confidential and subject to the confidentiality provisions of Letter Agreement 6-1162-WLJ-367R2, Disclosure of Confidential Information.

If this Letter Agreement correctly states your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By: /s/ Gunar O. Clem

Its: Attorney-In-Fact

AGREED and ACCEPTED this 10th day of October, 1997.

CONTINENTAL AIRLINES, INC.

By: /s/ Brian Davis

Its: Vice President

Date: \_\_\_\_\_

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

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

October 10, 1997  
6-1162-GOC-132

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

Subject: Letter Agreement No. 6-1162-GOC-132 to Purchase  
Agreement No. 1783 - Special Matters

Ladies and Gentlemen:

This Letter Agreement amends and supplements Purchase Agreement No. 1783 dated as of March 18, 1993 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 757-224 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-WLJ-375R5, dated August 13, 1997.

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

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

7. Maintenance Specialist Support

Boeing shall provide, on a mutually agreeable schedule, one (1) maintenance specialist (Specialist) for a period of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to advise and instruct Continental Micronesia personnel in the maintenance of 757 Aircraft. The Specialist shall be qualified to provide advice and instruction on 757 electrical and avionics systems. The scope of duties of the Specialist shall exclude flying on Buyer's Aircraft in any technical capacity, performing maintenance work, and signing-off maintenance log books or aircraft maintenance releases. The Specialist shall be assigned to Guam to support the introduction of the Model 757 into the Continental Micronesia fleet. The Specialist shall be assigned to a normal work shift, but not exceed eight (8) hours in any 24 hour period and five (5) days in any seven (7) day period. Buyer shall reimburse Boeing for all airfares incurred in the assignment or reassignment of the Specialist.

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

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

8. Confidential Treatment.

Boeing and Buyer understand that certain information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Notwithstanding the provisions of Letter Agreement 6-1162-WLJ-367R4, Boeing and Buyer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Supplemental Agreement No. 3

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 July 17, 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 elected to install CFM56-3-B1 engines rated at 20,000 pounds thrust on the Model 737-500 aircraft and Boeing has revised the prices for the Special Features installed on the Model 737-500; 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. 3.

2. Articles:

Remove and replace, in its entirety, "Article 3. Price of Aircraft", with "3. Price of Aircraft" attached hereto, to incorporate into the Agreement the price for the 20,000 pound thrust CFM56-3-B1 engines and the revised Special Features prices for the Model 737-524.

3. Table 1:

Remove and replace, in its entirety, the first page of "Table 1. Aircraft Deliveries and Description" that relates to Model 737-524 aircraft, with the revised first page to "Table 1. Aircraft Deliveries and Description" attached hereto, to reflect the change in price that results from the change in engine thrust and the revision of the Special Features prices and to incorporate the latest escalation estimates into the calculation of the Advance Payment Base Prices.

4. Exhibits:

Remove and replace, in its entirety, Exhibit A-4, entitled "Aircraft Configuration", with Exhibit A-4 attached hereto, to incorporate the 20,000 pound thrust CFM56-3-B1 engine and the revised Special Features prices into the Purchase Agreement.

5. Letter Agreements:

Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-378, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] with Letter Agreement 6-1162-MMF-

378R1, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] the effect of installing 20,000 pound thrust CFM56-3-B1 engines on the aircraft.

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: /s/ Gunar O. Clem

By: /s/ Brian Davis

Its: Attorney-In-Fact

Its: Vice President

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SUPPLEMENTAL AGREEMENTS

DATED AS OF:

Supplemental Agreement No. 1

October 10, 1996

Supplemental Agreement No. 2

March 5, 1997

Supplemental Agreement No. 3

July 17, 1997

Supplemental

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Current Generation Aircraft.

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

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

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

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

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

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

3.1.2 New Generation Aircraft

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

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

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

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

3.2 Aircraft Basic Price.

3.2.1 Current Generation Aircraft:

3.2.1.1 Model 737-524 Aircraft.

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

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

3.2.2 New Generation Aircraft.

3.2.2.1 Model 737-624 Aircraft.

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

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

3.2.2.3 Model 737-824 Aircraft.

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

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

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.

AIRCRAFT CONFIGURATION

Dated July 17, 1997

relating to

BOEING MODEL 737-524 AIRCRAFT

Exhibit A-4

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

0253CG3001  
CHANGE BUYER FURNISHED EQUIPMENT (BFE) TO  
SELLER PURCHASED EQUIPMENT (SPE)

1110MP3262  
EXTERIOR DECORATIVE FINISH DESOTO H.S. IN  
LIEU OF CROWN METRO

1110MP3278  
EXTERIOR MARKINGS - LOGO REVISION

1110MP3398  
EXTERIOR DECORATIVE FINISH - REVISION

1120MP3040  
SPE CATERING STRIPE - WHITE DEFLECTOR TAPE  
- EXTERIOR MARKING REVISION

2210CG3022  
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) -  
GLIDE SLOPE CAPTURE INHIBIT BEFORE  
LOCALIZER CAPTURE

2210CG3120  
DIGITAL FLIGHT CONTROL SYSTEM (DFCS) -  
PADDLE AUTOPILOT ENGAGE MODE CONTROL PANEL

2311MP3241  
HF - COMPLETE PROVISIONS

2312CG3038  
THIRD VHF COMMUNICATIONS - INSTALLATION -  
BFE COLLINS

2312CG3093  
DUAL VHF COMMUNICATIONS - INSTALLATION -  
BFE ROCKWELL INTERNATIONAL CORP

2312MP3491  
TRIPLE VHF COMMUNICATIONS - INSTALLATION -  
BFE ROCKWELL INTERNATIONAL CORP - VHF-900  
DATA RADIOS IN LIEU OF VHF-700 RADIOS

2322CH3064  
AIRCRAFT COMMUNICATIONS ADDRESSING AND  
REPORTING SYSTEM (ACARS) - ARINC 724 -  
TELEDYNE - FULL CERTIFICATION

2322CH3180  
ACARS PRINTER - REPLACEMENT - BFE MILTOPE  
P/N 700750-111 IN LIEU OF BFE TP-4185

2322CH3181  
ACARS MANAGEMENT UNIT (MU) - ADDITIONAL  
PARAMETERS

2322MP3189  
AIRCRAFT COMMUNICATION ADDRESSING AND  
REPORTING (ACARS) - BFE DATA LOADABLE ARINC  
724 - TELEDYNE-FULL CERT W/ 3RD VHF  
FULL-FORMAT

2322MP3190  
PROVIDE PARTIAL PROVISIONS FOR 724 ACARS IN  
LIEU OF COMPLETE INSTALLATION OF BFE UNITS

2322MP3201  
ACARS - BFE MILTOPE PRINTER - INSTALLATION

2322MP3310  
VOICE CAPABILITY VIA ACARS

2322MP3322  
ACARS SOFTWARE REVISION - 820A IN LIEU OF - 820

2331MP3151  
PASSENGER ADDRESS - PART NUMBER CHANGE FOR  
COLOR, SPE

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

2334MP3209  
AUDIO ENTERTAINMENT - PARTIAL PROVISIONS

2350CH3023  
FLIGHT COMPARTMENT AUDIO MUTING REVISION -  
ONE SIDE MUTING

2350CH3119  
DIGITAL AUDIO CONTROL SYSTEM - HEADSET  
AURAL ALERTS - DELETION

2350CH3120  
INTERPHONE - BFE MICROPHONES, BOOM  
MIC/HEADSETS, AND HEADPHONES - REVISION

2370MP3146  
SOLID STATE VOICE RECORDER SYSTEM - SPE  
LORAL FAIRCHILD

2410CG3009  
CONSTANT SPEED DRIVE (CSD) AND GENERATOR -  
INSTALLATION - SUNDSTRAND

2500CH3396  
FLIGHT COMPARTMENT DOOR - USE OF  
CONTINENTAL UNIQUE KEY

2510MP3061  
INTERCHANGE OXYGEN AND AUDIO CONTROL PANELS  
- FLIGHT DECK

2511CG3025  
SECOND OBSERVER'S STATION

2520CH3483  
INTERIOR COLORS/MATERIAL - REVISION

2520CH3484  
INTERIOR ARRANGEMENT - 10 FIRST CLASS, 94  
TOURIST CLASS

2520MP3511  
DRAPERY P/N CHANGE (SFE)

2520MP3512  
PASSENGER COMPARTMENT - FOOTWELL LINING FOR  
SPE CLOSET AND SPE WINDSCREEN - REVISION

2524CH3314  
PASSENGER COMPARTMENT - WINDSCREEN/STOWAGE  
UNIT INSTALLATION - BFE WITH SIX INCH  
FOOTWELL AND PROVISIONS FOR WHEELCHAIR  
STOWAGE

2524CH3315  
PASSENGER COMPARTMENT - BFE 22 INCH DEEP  
CLOSET, UNDERBIN AND SEAT TRACK MOUNTED,  
WITH 6 INCH FOOTWELL, AFT OF GALLEY G2 -

2524MP3367  
CLASS DIVIDER - DELETION OF SEAT TRACK  
MOUNTED JOGGLED CLASS DIVIDER

2524MP3417  
CLASS DIVIDER - SPE DRIESSEN - INSTALLATION

2525MP3120  
INTERIOR ARRANGEMENT REVISION

2525MP3194  
SPE KOITO PASSENGER SEATS IN LIEU OF SPE BE  
AEROSPACE PASSENGER SEATS - INSTALLATION

2527MP3098  
CHANGE IN CARPET/ENTRY MAT

2527MP3100  
CARPET REVISION - BFE IN LIEU OF SFE

2528MP3174  
LITERATURE POCKETS - SPE MCGEE PLASTICS IN

LIEU OF BOEING STANDARD - REVISION

2529MP3139

SFE ATTENDANT SEAT COVER MATERIAL AND COLOR  
- REVISION

2530MP3456

INSTALLATION OF ASSIST HANDLES, GALLEYS G1  
AND G2

2530MP3457

G1 GALLEY OVEN DELETION (SPE)

2530MP3458

GALLEY CHANGES (SPE), 1/2 SIZE CART  
PROVISIONS

2530MP3461

GALLEYS - INSTALLATION OF SPE DRIESSEN  
STANDARD CARRIERS IN LIEU OF SPE B.F.E,  
INC. STANDARD CARRIERS

2530MP3463

GALLEYS - WATER FILTERS - INSTALLATION

2550CG3102

FWD AND AFT CARGO COMPARTMENT LINING AND  
FLOOR PANEL REVISION - INSTALL HEAVIER GAGE  
MATERIAL

2560CH3230

EMERGENCY EQUIPMENT - OVERWATER - HOOVER  
LIFE VESTS AND EMERGENCY TRANSMITTER

2560MP3242

EMERGENCY EQUIPMENT - OVERWATER - DELETION  
OF PROVISIONS

2560MP3243

EMERGENCY EQUIPMENT - OVERWATER - DELETION

2564CH3010

PROTECTIVE BREATHING EQUIPMENT ADDITION IN  
FLIGHT DECK - BUYER FURNISHED

2564CH3011

BUYER FURNISHED MEDICAL KIT (NORTH HEALTH  
PART NUMBER 01-70-65) INSTALLED IN FLIGHT  
DECK

2564MP3067

MEDICAL KIT CONTAINER (SPE) - REVISION

2750MP3019

TRAILING EDGE FLAP TRANSMISSION BALLSCREWS  
& REPLACEMENT - THOMSON SAGINAW IN LIEU OF  
BEAVER

2811CG3001

FUEL TANK WATER SCAVENGING SYSTEM -  
INSTALLATION - 737-300 AND 737-500

2840CH3022

FUEL FLOW INDICATOR - REPLACEMENT - SFE  
SMITHS S347T001-14 IN LIEU OF S347T001-13

2910MP3074

ENGINE DRIVEN HYDRAULIC PUMPS - ABEX  
QUICK ATTACHMENT

3131CH3230

DIGITAL FLIGHT DATA RECORDER - ARINC 717 -  
SUNDSTRAND GXUS

3131CH3313

ACCELEROMETER - INSTALLATION - BFE MAGNETEC  
P/N 3001-01-111

3131CG3330

DIGITAL FLIGHT DATA ACQUISITION UNIT  
(DFDAU) - INSTALLATION - BFE TELEDYNE WITH

ACMS AND INTERNAL DISK DRIVE P/N  
2233000-3-A

3240CG3086

NOSE LANDING GEAR WHEELS - ALLIEDSIGNAL INC  
IN LIEU OF BF GOODRICH CO

3241CG3005

MAIN LANDING GEAR WHEELS AND BRAKES -  
ALLIEDSIGNAL INC

3244CH3002

PARKING BRAKE WARNING LIGHT UNDER THE  
FORWARD FACE OF THE NOSE GEAR STEERING  
COVER - INSTALLATION

3245MP3025

SFE GOODYEAR TIRES IN LIEU OF SFE TIRES  
MANUFACTURED BY THE BOEING STANDARD SUPPLIER

3310CH3015

KEEP OUT OF FLIGHT COMPARTMENT WARNING  
LIGHT INSTALLATION

3320CH3026

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

3343CH3006

WING TIP FAIRING REVISION - ADDITION OF  
INCANDESCENT LAMP ACCESS PANEL

3343CH3012

INSTALL A SECOND INCANDESCENT POSITION  
LIGHT ON EACH WING TIP - RETAIN EXISTING  
STROBE AND LOGO LIGHTS

3351MP3013

DELETE LSI EMERGENCY FLOOR PROXIMITY  
LIGHTING SYSTEM

3351MP3018

EMERGENCY FLOOR PROX LIGHTS SEAT MOUNTED  
CLASS CONFIGURATION

3412CG3009

AIR DATA COMPUTER (ADC) - INSTALLATION -  
HONEYWELL INC IN LIEU OF SMITHS INDUSTRIES

3412CH3027

STATIC SOURCE ERROR CORRECTION (SSEC) -  
DEACTIVATION

3419CH3019

AMBER WINDSHEAR INCREASING PERFORMANCE  
CAUTION MESSAGE ACTIVATION ON EADI

3419MP3026

AMBER WINDSHEAR INCREASING PERFORMANCE  
CAUTION MESSAGE ON EADI - DELETION

3421MP3037

INERTIAL REFERENCE UNIT (IRU) - ACTIVATION  
OF THE 1995 UPDATED MAGVAR TABLE

3422CG3005

ATTITUDE COMPARATOR ON EADI

3422CG3007

FILLED INTEGRATED CUE - FLIGHT DIRECTOR  
COMMAND

3422CG3015

FMA DISPLAY LOCATION - TOP

3422CG3016

RANGE ARCS SUPPRESSED

3422CG3018

MAP/PLAN MODE ORIENTATION - 'HEADING UP'

3422CG3019  
NAV MODE ORIENTATION - 'HEADING UP'

3422CG3020  
CENTER MAP MODE - FULL COMPASS ROSE

3422CG3021  
SINGLE CHANNEL AUTOPILOT ANNUNCIATION

3422CG3022  
AIRSPEED TAPE ON EADI

3422CG3040  
AIRSPEED TREND ON SPEED TAPE

3422CG3054  
EADI AND EHSI DISPLAY UNIT COLOR - BROWN

3422CG3084  
EFIS PIN SELECTABLE FEATURE - ADF  
POINTER(S) DISPLAY ON EFIS MAP MODE

3422MP3132  
DELETE EFIS OPTIONAL FEATURE - MAP/PLAN  
DISPLAY ORIENTATION - "HEADING UP"

3422CG3149  
RADIO ALTITUDE DISPLAY ON EADI - ADD RISING  
RUNWAY PLUS RADIO ALTITUDE DIAL

3422MP3231  
EFIS OPTIONAL FEATURE - FLIGHT DIRECTOR  
COMMAND DISPLAY - SPLIT AXIS IN LIEU OF  
INTEGRATED CUE

3422MP3249  
EFIS OPTIONAL FEATURE - NAV DISPLAY  
ORIENTATION - BASIC "TRACK UP" IN LIEU OF  
"HEADING UP"

3431CG3020  
DUAL VHF NAVIGATION - INSTALLATION - BFE  
ROCKWELL INTERNATIONAL CORP

3432CH3015  
MARKER BEACON SENSITIVITY AUTOMATIC SWITCHING

3432CG3017  
MARKER BEACON - INSTALLATION - BFE ROCKWELL  
INTERNATIONAL CORP

3433CG3036  
LOW RANGE RADIO ALTIMETER (LRRA) - INSTALLATION  
- BFE ROCKWELL INTERNATIONAL CORP

3443CG3083  
WEATHER RADAR - INSTALLATION - BFE ROCKWELL  
INTERNATIONAL CORP WITH TURBULENCE MODE

3443MP3099  
WEATHER RADAR SYSTEM - ARINC 708A SINGLE  
WEATHER RADAR SYSTEM WITH PREDICTIVE  
WINDSHEAR - PARTIAL PROVISIONS

3443MP3101  
WEATHER RADAR - INSTALLATION OF BENDIX  
SYSTEM WITH P/N 066-05008-0201

3443MP3128  
WEATHER RADAR - INSTALLATION OF BENDIX -0416  
TRANSCIEVER AND -0414 CONTROL PANEL IN LIEU OF  
-0201 TRANSCIEVER AND -0418 CONTROL PANEL

3443MP3150  
WEATHER RADAR - INSTALL SPE TRANSCIEVER P/N  
066-50008-0202 IN LIEU OF EXISTING P/N  
066-50008-0201

3445CG3092  
TCAS II - INSTALLATION - BFE ALLIEDSIGNAL INC

3445CH3112  
TCAS II COMPUTER UNIT - BFE BENDIX  
066-50000-0102 IN LIEU OF BFE BENDIX  
066-50000-0504

3445MP3137  
TCAS COMPUTER BFE CHANGE FROM P/N  
066-50000-0102 TO P/N 066-50000-0108

3446CH3018  
GPWS FLAPS WARNING INHIBIT ONLY IN LIEU OF  
SEPARATE SWITCHES FOR FLAPS INHIBIT AND  
LANDING GEAR INHIBIT

3446CH3050  
GPWS VOICE CALLOUT REVISION - "HALF" VOLUME  
IN LIEU OF "FULL" VOLUME

3446CH3056  
GPWS RADIO ALTITUDE VOICE CALLOUTS - (100,  
50, 30, 20, 10, BANK ANGLE)

3453CH3234  
MODE S TRANSPONDER COAXIAL RELAY - INSTALL  
SPE DOW-KEY IN LIEU OF SFE

3455CG3003  
DISTANCE MEASURING EQUIPMENT (DME) -  
INSTALLATION - BFE ROCKWELL INTERNATIONAL  
CORP WITH AGILITY MODE

3457CG3021  
DUAL AUTOMATIC DIRECTION FINDER (ADF) -  
INSTALLATION - BFE

3457MP3073  
ADF - INSTALLATION OF SINGLE SYSTEM WITH  
DUAL CONTROL PANEL

3458CG3004  
INSTALL PARTIAL PROVISIONS FOR GLOBAL  
POSITION SYSTEM

3461CG3004  
BUYER FURNISHED NAVIGATION DATA BASE

3461CG3007  
FMC POSITION UPDATE AND RUNWAY OFFSET UPON  
TO/GA ACTIVATION (IN METERS)

3461CG3009  
FMC FLIGHT NUMBER ENTRY

3461CG3199  
FMC - REVISION - INSTALLATION OF A SECOND 4  
MCU, UPDATE 7 FMC INTO EXISTING PARTIAL PROVISIONS

3461MP3365  
FMC POSITION UPDATE AND RUNWAY OFFSET UPON  
TO/GA ACTIVATION - FEET IN LIEU OF METERS

3461MP3381  
FMC REVISION - DELETION OF A SECOND 4 MCU,  
UPDATE 7 FMC

3461MP3453  
FLIGHT MANAGEMENT SYSTEM - PROVISIONS FOR  
SECOND FMC - REVISION

3510CG3027  
CREW OXYGEN - 114 CU. FT. IN LIEU OF 76 CU.  
FT. CYLINDER

3910CH3052  
RELOCATION OF THE EFIS AND VHF NAVIGATION  
CONTROL PANELS

3910CH3057  
EXTERNAL POSITION LIGHT SWITCH INSTALLATION  
- FLIGHT DECK SWITCH CONVENTION

3910MP3110  
PANEL ARRANGEMENT - ACARS PRINTER AND IDU  
RELOCATION

3920CG3048  
AUXILIARY E/E EQUIPMENT (E5) RACK  
INSTALLATION - 737-500

3920CG3104  
AUXILIARY E/E EQUIPMENT (E5) RACK  
DELETION - 737-500

3920MP3106  
GROUNDING WRIST STRAP ADDITION - E/E  
COMPARTMENT

5121CG3059  
CARGO COMPARTMENT CORROSION PROTECTION AND  
DRAINAGE

5121CG3067  
ADDITIONAL CORROSION PROTECTION FOR  
INTEGRAL FUEL TANKS - EXTREME ENVIRONMENT

5250MP3002  
FLIGHT COMPARTMENT DOOR SEAL - ADDITION

5352MP3005  
RADOME REVISION - INSTALL SPE NORTON QUARTZ  
RADOME IN LIEU OF STANDARD SFE RADOME VIA  
SUPPLIER STC

7200CH3216  
ENGINES - INSTALLATION OF CFM56-3-B1  
ENGINES OPERATED AT 20,000 POUNDS

7740CH3007  
ENGINE INDICATING SYSTEM - DELETION (THIS  
CR BACKS OUT PRR 33004-64)

7900MP3022  
LUBRICATING OIL - MOBIL JET 254 IN LIEU OF  
MOBIL JET II

7930MP3001  
PROVIDE DUAL ELEMENT OIL TEMPERATURE  
TRANSMITTER, MAIN ENGINES

TOTAL AMOUNT FOR SPECIAL FEATURES

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

6-1162-MMF-378R1  
July 17, 1997

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

Subject: Letter Agreement No. 6-1162-MMF-378R1 to Purchase  
Agreement No. 1951 - [CONFIDENTIAL MATERIAL  
OMITTED AND FILED SEPARATELY WITH THE SECURITIES  
AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR  
CONFIDENTIAL TREATMENT]

This Letter Agreement amends Purchase Agreement No. 1951 dated  
July 23, 1996 (the Agreement) between THE BOEING COMPANY (Boeing)  
and CONTINENTAL AIRLINES, INC. (Buyer) relating to Model 737-524  
aircraft (the Aircraft). This Letter Agreement supersedes and  
replaces in its entirety Letter Agreement 6-1162-MMF-378 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  
SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR  
CONFIDENTIAL TREATMENT]

2. Confidential Treatment. Buyer understands that certain  
commercial and financial information contained in this Letter  
Agreement including any attachments hereto is considered by  
Boeing as confidential. Buyer agrees that it will treat this  
Letter Agreement and the information contained herein as  
confidential and will not, without the prior written consent of  
Boeing, disclose this Letter Agreement or any information  
contained herein to any other person or entity except as provided  
in Letter Agreement 6-1162-MMF-308R1.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 17, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment

Supplemental Agreement No. 4

to

Purchase Agreement No. 1951

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of October 10, 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 Purchase Agreement); and

WHEREAS, Buyer has requested and Boeing has agreed to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

WHEREAS, Boeing and Buyer have mutually agreed to amend the Purchase 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 Purchase 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. 4.

2. Table 1:

Remove and replace, in their entirety, pages T-2, T-3 and T-4 of "Table 1, Aircraft Deliveries and Descriptions" that relate to Models 737-700, 737-800 and 737-600 aircraft, respectively, with the revised pages T-2, T-3 and T-4 attached hereto, to reflect the mutually agreed upon revised delivery schedules and aircraft model types.

3. Letter Agreements:

3.1 Remove and replace, in its entirety, Letter Agreement 1951-8R1, "Escalation Sharing - New Generation Aircraft" with Letter Agreement 1951-8R2, "Escalation Sharing - New Generation Aircraft", to clarify the language describing escalation sharing for 1998 New Generation Aircraft.

3.2 Remove and replace, in its entirety, Letter Agreement 1951-11, "Escalation Sharing - Current Generation Aircraft" with Letter Agreement 1951-11R1, "Escalation Sharing - Current Generation Aircraft", to clarify the language describing escalation sharing for 1998 Current Generation Aircraft.

3.3 Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-308R1, "Disclosure of Confidential Information" with Letter Agreement 6-1162-MMF-308R2, "Disclosure of Confidential Information", to revise the schedule of confidential documents, revise the conditions for disclosure of confidential documents, and to incorporate language limiting the requirement to revise this Letter Agreement in the future.

3.4 Remove and replace, in its entirety, Letter Agreement 6-

1162-MMF-310R1, "Certain Contractual Matters" with Letter Agreement 6-1162-GOC-131, "Special Matters", to incorporate the effect of a revised business offer.

3.5 Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-311R1, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] with Letter Agreement 6-1162-MMF-311R2, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to incorporate a change to the method used to calculate Buyer's lease payment.

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

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

THE BOEING COMPANY CONTINENTAL AIRLINES, INC.

By: /s/ Gunar O. Clem By: /s/ Brian Davis

Its: Attorney-In-Fact Its: Vice President

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6-1162-MMF-308R2 Disclosure of Confidential . . . . SA 4  
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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

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Supplemental Agreement No. 4 . . . . .	October 1997

October 10, 1997  
1951-8R2

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

Subject: Letter Agreement No. 1951-8R2 to  
Purchase Agreement No. 1951 -  
Escalation Sharing - New Generation Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement), between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-624/-724/-824 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-8R1 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.

1. Commitment.

Boeing agrees to share one-half of the escalation up to a maximum of 3 percent per year in each of the years 1997 and 1998, as more fully described in paragraph 2 below, for any of Buyer's Aircraft which are scheduled to deliver after December 31, 1996. For the purpose of this Letter Agreement such aircraft are referred to as "Eligible Aircraft."

All escalation calculations under this Letter Agreement will be made in accordance with Exhibit D to the Agreement entitled "Price Adjustment Due to Economic Fluctuations - Airframe Price Adjustment" (hereinafter referred to as "Exhibit D"), using actual escalation indices published for the applicable period.

2. Escalation Credit Memo.

2.1 Calculation - Eligible Aircraft Delivering in 1997.

At the time of delivery of each Eligible Aircraft delivering in 1997, Boeing will issue to Buyer a credit memorandum (the 1997 Credit Memorandum) which shall be applied to the Purchase Price of such Aircraft. The 1997 Credit Memorandum shall be calculated as follows:

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

2.2 Calculation - Eligible Aircraft Delivering in 1998.

At the time of delivery of each Eligible Aircraft delivering in 1998, Boeing will issue to Buyer a credit memorandum (the 1998 Credit Memorandum) which shall be applied to the Purchase Price of such Aircraft. The 1998 Credit Memorandum shall be calculated as follows:

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

2.3 Eligible Aircraft Delivering after 1998.

For Eligible Aircraft delivering after the calendar year 1998, the amount of the credit memorandum will be the amount calculated pursuant to paragraph 2.2 above through December 1998. This credit memorandum amount will be escalated from December 1998 to the month of delivery pursuant to Exhibit D to the Agreement.

3. Advance Payment Base Price.

It is agreed that the Advance Payment Base Prices for the Eligible Aircraft set forth in Article 3 of the Agreement includes an estimate for the escalation sharing credit memorandum pursuant to this Letter Agreement.

4. Escalating Credits (STE).

It is agreed that the credit memoranda specified in Letter Agreement No. 6-1162-GOC-131, which escalate in accordance with Exhibit D, will be calculated using the same factors used to develop the adjusted airframe escalation pursuant to this Letter Agreement.

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis



October 10, 1997  
1951-11R1

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

Subject: Letter Agreement No. 1951-11R1 to  
Purchase Agreement No. 1951 -  
Escalation Sharing - Current Generation Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement), between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-524 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-11 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.

1. Commitment.

Boeing agrees to share one-half of the escalation up to a maximum of 3 percent per year in each of the years 1997 and 1998, as more fully described in paragraph 2 below, for any of Buyer's aircraft which are scheduled to deliver after December 31, 1996. For the purpose of this Letter Agreement such aircraft are referred to as "Eligible Aircraft."

All escalation calculations under this Letter Agreement will be made in accordance with Exhibit D1 to the Agreement entitled "Price Adjustment Due to Economic Fluctuations - Airframe Price Adjustment" (hereinafter referred to as "Exhibit D1"), using actual escalation indices published for the applicable period.

2. Escalation Credit Memo.

2.1 Calculation - Eligible Aircraft Delivering in 1997.

At the time of delivery of each Eligible Aircraft delivering in 1997, Boeing will issue to Buyer a credit memorandum (the 1997 Credit Memorandum) which shall be applied to the Purchase Price of such Aircraft. The 1997 Credit Memorandum shall be calculated as follows:

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

2.2 Calculation - Eligible Aircraft Delivering in 1998.

At the time of delivery of each Eligible Aircraft delivering in 1998, Boeing will issue to Buyer a credit memorandum (the 1998 Credit Memorandum) which shall be applied to the Purchase Price of such Aircraft. The 1998 Credit Memorandum shall be calculated as follows:

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

2.3 Eligible Aircraft Delivering after 1998.

For Eligible Aircraft delivering after the calendar year 1998, the amount of the credit memorandum will be the amount calculated pursuant to paragraph 2.2 above through December 1998. This credit memorandum amount will be escalated pursuant to Exhibit D1 to the Agreement from December 1998 to the month of delivery.

3. Advance Payment Base Price.

It is agreed that the Advance Payment Base Prices for the Eligible Aircraft set forth in Article 3.4 of the Agreement include an estimate for the escalation sharing credit memorandum pursuant to this Letter Agreement.

4. Escalating Credits (STE).

It is agreed that the credit memoranda specified in Letter Agreement No.6-1162-GOC-131 which escalate in accordance with Exhibit D1, will be calculated using the same factors used to develop the adjusted airframe escalation pursuant to this Letter Agreement.

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis



October 10, 1997  
6-1162-MMF-308R2

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

Subject: Letter Agreement No. 6-1162-MMF-308R2 to  
Purchase Agreement No. 1951 -  
Disclosure of Confidential Information

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-308R1 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.

1. Boeing and Buyer each understand that certain commercial and financial information contained in the documents listed below and any documents that amend, supplement or supersede such documents (Confidential Documents) is considered by the other party to be confidential.

2. Boeing and Buyer agree that each party will treat the Confidential Documents and the information contained therein as confidential and will not, without the other party's prior written consent, disclose such Confidential Documents or any information contained therein to any other person or entity except as may be required by (i) applicable law or governmental regulations; or (ii) for financing the Aircraft in accordance with the provisions of Article 10 of the Agreement.

3. In connection with any such disclosure or filing of the Confidential Documents, or the information contained therein pursuant to any such applicable law or governmental regulation, Buyer or Boeing, as applicable, will request and use its best reasonable efforts to obtain confidential treatment of such Confidential Documents and the information contained therein. Boeing and Buyer agree to cooperate with each other in making and supporting any such request for confidential treatment.

#### Schedule of Confidential Documents

1. Letter Agreement No. 6-1162-MMF-295.
2. Letter Agreement No. 6-1162-MMF-296.
3. Letter Agreement No. 6-1162-MMF-309R1.
4. Letter Agreement No. 6-1162-MMF-311R1.
5. Letter Agreement No. 6-1162-MMF-312R1.
6. Letter Agreement No. 6-1162-MMF-319.
7. Letter Agreement No. 6-1162-MMF-378R1.
8. Letter Agreement No. 6-1162-MMF-379R1.
9. Letter Agreement No. 6-1162-GOC-015.

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davus

Its Vice President

6-1162-MMF-311R2  
October 10, 1997

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

Subject: Letter Agreement No. 6-1162-MMF-311R2 to  
Purchase Agreement No. 1951 -  
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY  
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT  
TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1751 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-311R1 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 SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. Confidential Treatment.

Boeing and Buyer agree that certain commercial and financial information contained in this Letter Agreement is confidential and subject to the confidentiality provisions of Letter Agreement 6-1162-MMF-308R2, Disclosure of Confidential Information.

If this Letter Agreement correctly states your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

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

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

October 10, 1997  
6-1162-GOC-131

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

Subject: Letter Agreement No. 6-1162-GOC-131 to  
Purchase Agreement No. 1951 - Special Matters

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-310R1, 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.

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

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

2.1 Firm Aircraft. Notwithstanding the Advance Payment Schedule contained in Article 5 of the Agreement, Buyer may pay advance payments, according to the following schedule, for Aircraft on firm order as of the date of signing Supplemental Agreement No. 4 to the Agreement.



4.2 Option Aircraft Base Price Adjustment.

Notwithstanding the provisions of Paragraph 2.1.1 of the Attachment to Letter Agreements 1951-3R1 and 1951-9, Boeing agrees that the Base Airplane Price contained in Article 3 of the Agreement shall apply to the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft incorporated by Supplemental Agreement No. 1 dated October 10, 1996.

5. Model Substitution.

5.1 Model 737-724/-824 Aircraft. Buyer may elect to substitute Model 737-824 for Model 737-724 or Model 737-724 for Model 737-824 Aircraft for any Aircraft or Option Aircraft delivering in 1999 or later. Buyer's model substitution notice to Boeing must be in writing to Boeing no later than the first day of the tenth month prior to delivery of each Aircraft.

5.2 Model 737-624 Aircraft. Buyer may elect to substitute either Model 737-724 or 737-824 Aircraft for Model 737-624 Option Aircraft delivering in 2000 or later. Buyer's written model substitution notice must be received by Boeing no later than the first day of the tenth month prior to delivery of each Aircraft.

5.3 Model 737-524 Aircraft. Buyer may elect to substitute Model 737-324 for Model 737-524 Aircraft. Buyer's substitution notice must be in writing and received by Boeing no later than the first day of the tenth month prior to delivery of each Aircraft if Customer and Boeing have previously agreed on a configuration for the Model 737-324. If configuration for the Model 737-324 has not been established, than the notice period shall be the time required to configure the Model 737-324 plus 10 months.

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

7. Confidential Treatment.

Boeing and Buyer understand that certain information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Notwithstanding the provisions of Letter Agreement 6-1162-MMF-308R2, Boeing and Buyer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

## AIRCRAFT GENERAL TERMS AGREEMENT

AGTA-CAL

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

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AIRCRAFT GENERAL TERMS AGREEMENT AGTA-CAL

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to

BOEING AIRCRAFT

This Aircraft General Terms Agreement AGTA-CAL (AGTA) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) will apply to all Boeing aircraft contracted for purchase from Boeing by Customer after the date shown below except this AGTA will not apply to Boeing aircraft purchased, whether by amendment or otherwise, under contracts between Boeing and Customer that were executed prior to the date shown below.

Article 1. Subject Matter of Sale.

1.1 Aircraft. Boeing will manufacture and sell to Customer and Customer will purchase from Boeing aircraft under purchase agreements which incorporate the terms and conditions of this AGTA.

1.2 Buyer Furnished Equipment. Exhibit A, Buyer Furnished Equipment Provisions Document to this AGTA, contains the obligations of Customer and Boeing with respect to equipment purchased and provided by Customer, which Boeing will receive, inspect, store and install in an aircraft before delivery to Customer. This equipment is defined in Exhibit A as Buyer Furnished Equipment (BFE).

1.3 Customer Support. Exhibit B, Customer Support Document to this AGTA, contains the obligations of Boeing relating to Materials (as defined in Part 3 thereof), training, services and other things in support of aircraft.

1.4 Product Assurance. Exhibit C, Product Assurance Document to this AGTA, contains the obligations of Boeing and the suppliers of equipment installed in each aircraft at delivery relating to warranties, patent indemnities, software copyright indemnities and service life policies.

Article 2. Price, Taxes and Payment.

2.1 Price.

2.1.1 Airframe Price is defined as the price of the airframe for a specific model of aircraft described in a purchase agreement. (For Models 737-600, 737-700 and 737-800, the Airframe Price includes Engine Price.)

2.1.2 Optional Features Prices are defined as the prices for optional features selected by Customer for a specific model of aircraft described in a purchase agreement.

2.1.3 Engine Price is defined as the price set by the engine manufacturer for a specific engine to be installed on the model of aircraft described in a purchase agreement (not applicable to Models 737-600, 737-700 and 737-800).

2.1.4 Aircraft Basic Price is defined as the sum of the Airframe Price, Optional Features Prices and the Engine Price, if applicable.

2.1.5 Escalation Adjustment is defined as the price adjustment to the Airframe Price and the Optional Features Prices (and the Engine Price for Models 737-600, 737-700 and 737-800) resulting from the calculation using the economic price formula contained in Exhibit D, Escalation Adjustment to the AGTA. The price adjustment to the Engine Price for all other models of aircraft will be calculated using the economic price

formula in the Engine Escalation Adjustment to the applicable purchase agreement.

2.1.6 Advance Payment Base Price is defined as the estimated price of an aircraft as of the date of signing a purchase agreement for the scheduled month of delivery of such aircraft using commercial forecasts of the Escalation Adjustment.

2.1.7 Aircraft Price is defined as the total amount Customer is to pay for an aircraft at the time of delivery, which is the sum of the Aircraft Basic Price, the Escalation Adjustment and other price adjustments made pursuant to the purchase agreement.

## 2.2 Taxes.

2.2.1 Taxes are defined as all taxes, fees, charges or duties and any interest, penalties, fines or other additions to tax, including, but not limited to sales, use, value added, gross receipts, stamp, excise, transfer and similar taxes, imposed by any domestic or foreign taxing authority arising out of or in connection with the performance of the applicable purchase agreement or the sale, delivery, transfer or storage of any aircraft, BFE, or other things furnished under the applicable purchase agreement. Except for U.S. federal income taxes and Washington State business and occupation taxes imposed on Boeing or Boeing's assignee, Customer will be responsible for and pay all Taxes. Customer is responsible for filing all tax returns, reports and declarations and payment of any taxes related to or imposed on BFE.

2.2.2 Reimbursement of Boeing. Customer will promptly reimburse Boeing on demand, net of additional taxes thereon, for any Taxes that are imposed on and paid by Boeing or for which Boeing is responsible for collecting and for which Customer is responsible as set forth above.

## 2.3 Payment.

2.3.1 Advance Payment Schedule. Customer will make advance payments to Boeing for each aircraft in the amounts and on the dates indicated in the schedule set forth in the applicable purchase agreement.

2.3.2 Payment at Delivery. Customer will pay any unpaid balance of the Aircraft Price at the time of delivery of each aircraft.

2.3.3 Form of Payment. Customer will make all payments to Boeing by unconditional deposit of United States Dollars in a bank account in the United States designated by Boeing.

2.3.4 Monetary and Government Regulations. Customer is responsible for complying with all monetary control regulations and for obtaining necessary governmental authorizations related to payments.

## Article 3. Regulatory Requirements and Certificates.

3.1 Certificates. Boeing will manufacture each aircraft to conform to the appropriate Type Certificate issued by the United States Federal Aviation Administration (FAA) for the specific model of aircraft and will obtain from the FAA and furnish to Customer at delivery of each aircraft either a Standard Airworthiness Certificate or an Export Certificate of Airworthiness issued pursuant to Part 21 of the Federal Aviation Regulations, as appropriate.

## 3.2 FAA or Applicable Regulatory Authority Manufacturer Changes.

3.2.1 A Manufacturer Change is defined as any change to an aircraft, data relating to an aircraft, or testing of an aircraft required by the FAA or any other United States governmental agency having jurisdiction, to obtain a Standard Airworthiness Certificate or by the country of import and/or registration to obtain an Export Certificate of Airworthiness.

3.2.2 A Manufacturer Change will be incorporated at no charge to Customer unless:

(i) the FAA issues the requirement after the date of the applicable purchase agreement in which case Customer shall pay for any Manufacturer Change which is incorporated into any aircraft which delivers more than 18 months after the date of the purchase agreement or 18 months after the date of the Type Certificate, whichever is later; or

(ii) the requirement is solely necessary to comply with a requirement of the country of import and/or registration, other than the United States.

3.2.3 Customer will pay Boeing's charge for validation of an aircraft required by any governmental agency of the country of import and/or registration, other than the United States.

### 3.3 FAA Operator Changes.

3.3.1 An Operator Change is defined as a change in equipment that is required by Federal Aviation Regulations which (i) is generally applicable to transport category aircraft to be used in United States certified air carriage and (ii) the required compliance date is on or before the scheduled delivery month of the aircraft.

3.3.2 Boeing will deliver each aircraft with Operator Changes incorporated or, at Boeing's option, with suitable provisions for the incorporation of such equipment and Customer will pay Boeing's applicable charges.

3.4 Export License. If an export license is required by United States law or regulation for any aircraft or any other things delivered under the purchase agreement, it is Customer's obligation to obtain such license. If requested, Boeing will assist Customer in applying for any such export license. Customer will furnish any required supporting documents.

## Article 4. Detail Specification; Changes.

4.1 Configuration Changes. The Detail Specification is defined as the Boeing document that describes the configuration of each aircraft purchased by Customer. The Detail Specification for each aircraft may be amended by (i) Boeing to reflect the incorporation of Manufacturer Changes and Operator Changes or (ii) the agreement of the parties. In either case the amendment will describe the particular changes to be made and any effect on design, performance, weight, balance, scheduled delivery month, Aircraft Basic Price, Aircraft Price and Advance Payment Base Price.

4.2 Development Changes. Development Changes are defined as changes to aircraft that do not affect the Aircraft Price or scheduled delivery month, and do not adversely affect guaranteed weight, guaranteed performance or compliance with the interchangeability or replaceability requirements set forth in the applicable Detail Specification. Boeing may, at its option, incorporate Development Changes into the Detail Specification and into an aircraft prior to delivery to Customer.

4.3 Notices. Boeing will promptly notify Customer of any amendments to the Detail Specification.

## Article 5. Representatives, Inspection, Demonstration Flights, Test Data and Performance Guarantee Compliance.

5.1 Office Space. Twelve months before delivery of the first aircraft purchased, and continuing until the delivery of the last aircraft on firm order, Boeing will furnish, free of charge, suitable office space and equipment for the accommodation of up to three representatives of Customer in or conveniently located near the assembly plant.

5.2 Inspection. Customer's representatives may inspect each aircraft at any reasonable time provided such inspection does not interfere with Boeing's performance.

5.3 Demonstration Flights. Prior to delivery, Boeing will fly each aircraft not less than 1 1/2 hours and up to 4 hours to demonstrate to Customer the function of the aircraft and its equipment using Boeing's production flight test procedures.

Customer may designate up to five representatives to participate as observers.

#### 5.4 Test Data; Performance Guarantee Compliance.

Performance Guarantees are defined as the written guarantees in a purchase agreement regarding the operational performance of an aircraft. Boeing will furnish to Customer flight test data obtained on an aircraft of the same model to evidence compliance with the Performance Guarantees. Performance Guarantees will be met if reasonable engineering interpretations and calculations based on the flight test data establish that the particular aircraft being delivered under the applicable purchase agreement would, if actually flown, comply with the guarantees.

#### 5.5 Special Aircraft Test Requirements. Boeing

may use an aircraft for flight and ground tests prior to delivery, without reduction in the Aircraft Price, if the tests are considered necessary by Boeing (i) to obtain or maintain the Type Certificate or Certificate of Airworthiness for the aircraft; or (ii) to evaluate potential improvements that may be offered for production or retrofit incorporation.

### Article 6. Delivery.

#### 6.1 Notices of Delivery Dates. Boeing will (i)

notify Customer of the approximate delivery date of each aircraft at least 30 days before the scheduled month of delivery and (ii) notify Customer of the scheduled delivery date at least 14 days before such date.

#### 6.2 Place of Delivery. Each aircraft will be

delivered at a facility selected by Boeing in the State of Washington.

#### 6.3 Bill of Sale. At delivery of an aircraft,

Boeing will provide Customer a bill of sale conveying good title, free of encumbrances.

#### 6.4 Delay. If Customer delays acceptance

of an aircraft beyond the scheduled delivery date, Customer will reimburse Boeing for all costs incurred by Boeing as a result of the delay.

### Article 7. Excusable Delay.

#### 7.1 General. Boeing will not be liable for any

delay in the scheduled delivery month of an aircraft or other performance under a purchase agreement caused by: (i) acts of God; (ii) war or armed hostilities; (iii) government acts or priorities; (iv) fires, floods, or earthquakes; (v) strikes or labor troubles causing cessation, slowdown, or interruption of work; or (vi) any other cause to the extent such cause is beyond Boeing's control and not occasioned by Boeing's fault or negligence. A delay resulting from any such cause is defined as an Excusable Delay.

#### 7.2 Notice. Boeing will give written notice to

Customer (i) of a delay as soon as Boeing concludes that an aircraft will be delayed beyond the scheduled delivery month due to an Excusable Delay; and (ii) of a revised delivery month based on Boeing's appraisal of the facts.

##### 7.2.1 If after Boeing gives Customer a

written notice specifying a revised delivery month Boeing concludes that an aircraft will be further delayed beyond such revised delivery month, Boeing shall provide Customer with a revised written notice specifying a new revised delivery month.

##### 7.2.2 If an Excusable Delay occurs after

Boeing has provided Customer with the scheduled delivery date, Boeing will give prompt verbal and written notice to Customer of the delay and of the revised delivery date based on Boeing's appraisal of the facts.

#### 7.3 Anticipated Delay in Delivery of Twelve

Months or Less. If the revised delivery month is 12 months or less after the scheduled delivery month, Customer will accept such aircraft when tendered for delivery, subject to the following:

##### 7.3.1 The calculation of the Escalation

Adjustment will be based on the scheduled delivery month.

7.3.2 The advance payment schedule will be adjusted to reflect the revised delivery month.

7.3.3 All other provisions of the applicable purchase agreement, including the BFE on dock dates for the delayed aircraft, are unaffected by an Excusable Delay.

7.4 Anticipated Delay in Delivery of More Than Twelve Months. If the revised delivery month is more than 12 months after the scheduled delivery month, or more than 12 months after a revised delivery month in the case of the occurrence of a second event of Excusable Delay, either party may terminate the applicable purchase agreement with respect to such aircraft within 30 days of the notice. If either party does not terminate the applicable purchase agreement with respect to such aircraft, all terms and conditions of the applicable purchase agreement will remain in effect.

7.5 Aircraft Damaged Beyond Repair. If an aircraft is destroyed or damaged beyond repair for any reason before delivery, Boeing will give written notice to Customer specifying the earliest month possible, consistent with Boeing's other contractual commitments and production capabilities, in which Boeing can deliver a replacement. Customer will have 30 days from receipt of such notice to elect to have Boeing manufacture a replacement aircraft under the same terms and conditions of purchase, except that the calculation of the Escalation Adjustment will be based upon the scheduled delivery month in effect immediately prior to the date of such notice, or, failing such election, the applicable purchase agreement will terminate with respect to such aircraft. Boeing will not be obligated to manufacture a replacement aircraft if reactivation of the production line for the specific model of aircraft would be required.

7.6 Termination. Termination under this Article will discharge all obligations and liabilities of Boeing and Customer with respect to any aircraft and all related undelivered Materials, as defined in Exhibit B, Customer Support Document, training, services and other things terminated under the applicable purchase agreement, except that Boeing will return to Customer, without interest, an amount equal to all advance payments paid by Customer for the aircraft. If Customer terminates the applicable purchase agreement as to any aircraft pursuant to this Article 7, Boeing may elect, by written notice to Customer within 30 days of such termination, to purchase from Customer any BFE related to the aircraft at the invoice prices paid, or contracted to be paid, by Customer.

7.7 Exclusive Rights. The termination rights in this Article are in substitution for all other rights of termination or any claim arising by operation of law due to delays in performance covered by this Article.

## Article 8. Risk Allocation/Insurance.

### 8.1 Title and Risk with Boeing.

8.1.1 Boeing's Indemnification of Customer. Until transfer of title to an aircraft to Customer, Boeing will indemnify and hold harmless Customer and Customer's observers from and against all claims and liabilities, including all expenses and attorneys' fees incident thereto or incident to establishing the right to indemnification, for injury to or death of any person(s), including employees of Boeing but not employees of Customer, or for loss of or damage to any property, including an aircraft, arising out of or in any way related to the operation of an aircraft during all demonstration and test flights conducted under the provisions of the applicable purchase agreement, whether or not arising in tort or occasioned by the negligence of Customer or any of Customer's observers.

8.1.2 Definition of Customer. For the purpose of this Article, "Customer" is defined as Continental Airlines, Inc., its divisions, subsidiaries, affiliates, the assignees of each, and their respective directors, officers, employees and agents.

### 8.2 Insurance.

8.2.1 Insurance Requirements. Customer will

purchase and maintain insurance acceptable to Boeing and will provide a certificate of such insurance that names Boeing as an additional insured for any and all claims and liabilities for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including any aircraft, arising out of or in any way relating to Materials, training, services or other things provided under Exhibit B of the AGTA, which will be incorporated by reference into the applicable purchase agreement, whether or not arising in tort or occasioned by the negligence of Boeing, except with respect to legal liability to persons or parties other than Customer or Customer's assignees arising out of an accident caused solely by a product defect in an aircraft. Customer will provide such certificate of insurance at least thirty (30) days prior to the scheduled delivery of the first aircraft under a purchase agreement. The insurance certificate will reference each aircraft delivered to Customer pursuant to each applicable purchase agreement. Annual renewal certificates will be submitted to Boeing before the expiration of the policy periods. Appendix I states the terms, limits, provisions and coverages required by this Article 8.2.1. The failure of Boeing to demand compliance with this 8.2.1 in any year will not in any way relieve Customer of its obligations hereunder nor constitutes a waiver by Boeing of these obligations.

8.2.2 Noncompliance with Insurance Requirements. If Customer fails to comply with any of the insurance requirements of Article 8.2.1 or if any of the insurers fails to pay a claim covered by the insurance or otherwise fails to meet any of insurer's obligations required by Appendix I, Customer will provide the same protection to Boeing as that required by Article 8.2.1 above.

8.2.3 Definition of Boeing. For purposes of this article, "Boeing" is defined as The Boeing Company, its divisions, subsidiaries, affiliates, assignees of each and their respective directors, officers, employees and agents.

## Article 9. Assignment, Resale or Lease.

9.1 Assignment. The applicable purchase agreement is for the benefit of the parties and their respective successors and assigns. No rights or duties of either party may be assigned or delegated, or contracted to be assigned or delegated, without the prior written consent of the other party, except:

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

9.1.2 Boeing may assign its rights to receive money; and

9.1.3 Boeing may assign any of its rights and duties to any wholly-owned subsidiary of Boeing, provided that Boeing will remain fully responsible to Buyer for all obligations that Boeing assigns to a wholly-owned subsidiary and Buyer may continue to deal exclusively with Boeing.

9.1.4 Boeing may assign any of its rights and duties with respect to Part 1, Articles 1, 2, 4 and 5 of Exhibit B, Customer Support Document to the AGTA, to the extent it relates to maintenance and flight training, to FlightSafety Boeing Training International L.L.C, provided that Boeing will remain fully responsible to Buyer for all obligations that Boeing assigns to FlightSafety Boeing Training International L.L.C. and Buyer may continue to deal exclusively with Boeing.

9.2 Transfer by Customer at Delivery. Boeing will take any requested action reasonably required for the purpose of causing an aircraft, at time of delivery, to be subject to an equipment trust, conditional sale, lien or other arrangement for Customer to finance the aircraft. However, no such action will require Boeing to divest itself of title to or possession of the aircraft until delivery of and payment for the aircraft.

9.3 Transfer of Unexpired Rights. If, following delivery of an aircraft, Customer sells or leases the aircraft (including any sale and lease back for financing purposes), all of Customer's rights with respect to the aircraft under the applicable purchase agreement will inure to the benefit of the purchaser or

lessee of such aircraft, effective upon Boeing's receipt of the written agreement of the purchaser or lessee, in a form reasonably satisfactory to Boeing, to comply with all applicable terms and conditions of the applicable purchase agreement. Sample forms of agreements acceptable to Boeing are attached as Appendices II and III.

9.4 Notice of Sale or Lease After Delivery.

Customer will give notice to Boeing as soon as practicable of the sale or lease of an aircraft including in the notice the name of the entity with title and/or possession of such aircraft.

9.5 Exculpatory Clause in Post-Delivery Sale or Lease.

If, following the delivery of an aircraft, Customer sells or leases such aircraft and obtains from the transferee any form of exculpatory clause protecting Customer from liability for loss of or damage to the aircraft, and/or related incidental or consequential damages, including without limitation loss of use, revenue or profit, Customer shall obtain from Boeing from the purchaser or lessee the same protection.

9.6 Appointment of Agent - Warranty Claims.

If, following delivery of an aircraft, Customer appoints an agent to act directly with Boeing for the administration of claims relating to the warranties under the applicable purchase agreement, Boeing will deal with the agent for that purpose, effective upon Boeing's receipt of the agent's written agreement, in a form satisfactory to Boeing, to comply with all applicable terms and conditions of the applicable purchase agreement. A sample form of agreement acceptable to Boeing is attached as Appendix V.

9.7 No Increase in Boeing Liability.

No action taken by Customer or Boeing relating to the resale or lease of an aircraft or the assignment of Customer's rights under the applicable purchase agreement will subject Boeing to any liability beyond that in the applicable purchase agreement or modify in any way Boeing's obligations under the applicable purchase agreement.

Article 10. Termination for Certain Events.

10.1 Termination. If either party

(i) ceases doing business as a going concern, suspends all or substantially all its business operations, or makes an assignment for the benefit of creditors, or generally does not pay its debts as they become due, or admits in writing its inability to pay its debts; or

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

the other party may terminate any purchase agreement with respect to any undelivered aircraft, Materials, training, services and other things by giving written notice of termination.

10.2 Repayment of Advance Payments.

If Customer terminates the applicable purchase agreement under this Article, Boeing will repay to Customer, without interest, an amount equal to any advance payments received by Boeing from Customer with respect to undelivered aircraft.

Article 11. Notices.

All notices required by this AGTA or by any applicable purchase agreement will be in English, will be effective on the date of receipt and will be transmitted by any customary means of written communication addressed as follows:

Customer: Continental Airlines, Inc.

2929 Allen Parkway  
Suite 2010  
Houston, TX 77019

Attention: V.P. Fleet Management

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

Attention: Vice President - Contracts  
Mail Stop 75-38

Article 12. Miscellaneous.

12.1 Government Approval. Boeing and Customer will assist each other in obtaining any governmental consents or approvals required to effect certification and sale of aircraft under the applicable purchase agreement.

12.2 Headings. Article and paragraph headings used in this AGTA and in any purchase agreement are for convenient reference only and are not intended to affect the interpretation of this AGTA or any purchase agreement.

12.3 GOVERNING LAW. THIS AGTA AND ANY PURCHASE AGREEMENT WILL BE INTERPRETED UNDER AND GOVERNED BY THE LAW OF THE STATE OF WASHINGTON, U.S.A., EXCEPT THAT WASHINGTON'S CHOICE OF LAW RULES SHALL NOT BE INVOKED FOR THE PURPOSE OF APPLYING THE LAW OF ANOTHER JURISDICTION.

12.4 Waiver/Severability. Failure by either party to enforce any provision of this AGTA or any purchase agreement will not be construed as a waiver. If any provision of this AGTA or any provision of any purchase agreement are held unlawful or otherwise ineffective by a court of competent jurisdiction, the remainder of the AGTA or the applicable purchase agreement will remain in effect.

12.5 Survival of Obligations. The Articles and Exhibits of this AGTA including but not limited to those relating to insurance, DISCLAIMER AND RELEASE and the EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES will survive termination or cancellation of any purchase agreement or part thereof.

DATED AS OF October 10, 1997

CONTINENTAL AIRLINES, INC.

THE BOEING COMPANY

By /s/ Brian Davis

By /s/ Gunar O. Clem

Its Vice President

Its Attorney in Fact

EXHIBIT A

to

AIRCRAFT GENERAL TERMS AGREEMENT

AGTA-CAL

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

The parties acknowledge Boeing intends to implement a new Buyer Furnished Equipment Process for Buyer Furnished Equipment in 1998. New documentation reflecting the new process will be offered to Customers as soon as practicable. It is the intention of the parties to replace this Exhibit with a mutually agreeable new process when such a new process becomes available.

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

1. General.

Certain equipment to be installed in the Aircraft is furnished to Boeing by Customer at Customer's expense. This equipment is designated "Buyer Furnished Equipment" (BFE) and is listed in the Detail Specification. Boeing will provide to Customer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in sequence installation of BFE as described in the applicable Supplemental Exhibit to this Exhibit A in a purchase agreement at the time of aircraft purchase.

2. Supplier Selection.

Customer will:

2.1 Select and notify Boeing of the suppliers of BFE items by those dates appearing in Supplemental Exhibit BFE1 to the applicable purchase agreement at the time of aircraft purchase.

2.2 Meet with Boeing and such selected BFE suppliers promptly after such selection to:

2.2.1 complete BFE configuration design requirements for such BFE; and

2.2.2 confirm technical data submittal dates for BFE certification.

3. Customer's Obligations.

Customer will:

3.1 comply with and cause the supplier to comply with the provisions of the BFE Document or BFE Report;

3.1.1 deliver technical data (in English) to Boeing as required to support installation and FAA certification in accordance with the schedule provided by Boeing or as mutually agreed upon during the BFE meeting referred to above;

3.1.2 deliver BFE including production and/or flight training spares to Boeing in accordance with the quantities and schedule provided therein; and

3.1.3 deliver appropriate quality assurance documentation to Boeing as required with each BFE part (D6-56586, "BFE Product Acceptance Requirements");

3.2 authorize Boeing to discuss all details of the BFE directly with the BFE suppliers;

3.3 authorize Boeing to conduct or delegate to the supplier quality source inspection and supplier hardware acceptance of BFE at the supplier location;

3.3.1 require supplier's contractual compliance to Boeing defined source inspection and supplier delegation programs, including availability of adequate facilities for Boeing resident personnel; and

3.3.2 assure that Boeing identified supplier's quality systems be approved to Boeing document D1-9000;

3.4 use reasonable commercial efforts to obtain from the supplier's thereof, a non-exclusive, perpetual, royalty-free, irrevocable license for Boeing to copy BFE Aircraft Software to enable Boeing to load the software copies in (i) the aircraft's mass storage device (MSD), (ii) media (e.g., diskettes, CD-ROMs, etc.), (iii) the BFE hardware and/or (iv) an intermediate device or other media to facilitate copying of the BFE Aircraft Software into the aircraft's MSD, BFE hardware and/or media, including media as Boeing may deliver to Customer with the aircraft;

3.5 grant Boeing a license, extending the same rights set forth in paragraph 3.4 above, to copy: (i) BFE Aircraft Software and data Customer has modified and/or (ii) other software and data Customer has added to the BFE Aircraft Software;

3.6 provide necessary field service representation at Boeing's facilities to support Boeing on all issues related to the installation and certification of BFE;

3.7 deal directly with all BFE suppliers to obtain overhaul data, provisioning data, related product support documentation and any warranty provisions applicable to the BFE;

3.8 work closely with Boeing and the BFE suppliers to resolve any difficulties, including defective equipment, that arise;

3.9 be responsible for modifying, adjusting and/or calibrating BFE as required for FAA approval and for all related expenses;

3.10 warrant that the BFE will meet the requirements of the Detail Specification; and

3.11 be responsible for providing equipment which is FAA certifiable at time of Aircraft delivery, or for obtaining waivers from the applicable regulatory agency for non-FAA certifiable equipment.

#### 4. Boeing's Obligations.

Other than as set forth below, Boeing will provide for the installation of and install the BFE and obtain certification of the Aircraft with the BFE installed.

#### 5. Nonperformance by Customer.

If Customer's nonperformance of obligations in this Exhibit or in the BFE Document causes a delay in the delivery of the Aircraft or causes Boeing to perform out-of-sequence or additional work, Customer will reimburse Boeing for all resulting expenses and be deemed to have agreed to any such delay in Aircraft delivery. In addition Boeing will have the right to:

5.1 provide and install specified equipment or suitable alternate equipment and increase the price of the Aircraft accordingly; and/or

5.2 deliver the Aircraft to Customer without the BFE installed.

#### 6. Return of Equipment.

BFE not installed in the Aircraft will be returned to Customer in accordance with Customer's instructions and at Customer's expense.

#### 7. Title and Risk of Loss.

Title to and risk of loss of BFE will at all times remain with Customer or other owner. Boeing will have only such liability for BFE as a bailee for mutual benefit would have, but will not be liable for loss of use.

#### 8. Indemnification of Boeing.

Customer hereby indemnifies and holds harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including any Aircraft, arising out of or in any way connected with any nonconformance or defect in any BFE and whether or not arising in tort or occasioned by the negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the BFE.

#### 9. Patent Indemnity.

Customer hereby indemnifies and holds harmless Boeing from

and against all claims, suits, actions, liabilities, damages and costs arising out of any actual or alleged infringement of any patent or other intellectual property rights by BFE or arising out of the installation, sale or use of BFE by Boeing.

10. Definitions.

For the purposes of the above indemnities, the term "Boeing" includes The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

EXHIBIT B

to

AIRCRAFT GENERAL TERMS AGREEMENT

AGTA-CAL

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

CUSTOMER SUPPORT DOCUMENT

This document contains:

- Part 1: Maintenance and Flight Training Programs;  
Operations Engineering Support
- Part 2: Field Services and Engineering Support  
Services
- Part 3: Technical Information and Materials
- Part 4: Alleviation or Cessation of Performance
- Part 5: Protection of Proprietary Information and  
Proprietary Materials

CUSTOMER SUPPORT DOCUMENT

PART 1:BOEING MAINTENANCE AND FLIGHT TRAINING  
PROGRAMS; OPERATIONS ENGINEERING SUPPORT

1. Boeing Training Programs.

1.1 Boeing will provide maintenance training and flight training programs to support the introduction of a specific model of aircraft into service. The training programs will consist of general and specialized courses and will be described in a Supplemental Exhibit to the applicable purchase agreement.

1.2 Boeing will conduct all training in the Seattle area unless otherwise agreed.

1.3 All training will be presented in the English language. If translation is required, Customer will provide interpreters.

1.4 Customer will be responsible for all living expenses of Customer's personnel. Boeing will transport Customer's personnel between their local lodging and Boeing's training facility.

2. Training Planning Conferences.

Customer and Boeing will conduct planning conferences approximately 12 months before the scheduled delivery month of the first aircraft of a model to define and schedule the maintenance and flight training programs.

3. Operations Engineering Support.

3.1 As long as an aircraft purchased by Customer from Boeing is operated by Customer in scheduled revenue service, Boeing will provide operations engineering support. Such support will include:

3.1.1 assistance with the analysis and preparation of performance data to be used in establishing operating practices and policies for Customer's operation of aircraft;

3.1.2 assistance with interpretation of the minimum equipment list, the definition of the configuration deviation list and the analysis of individual aircraft performance;

3.1.3 assistance with solving operational problems associated with delivery and route-proving flights;

3.1.4 information regarding significant service items relating to aircraft performance or flight operations; and

3.1.5 if requested by Customer, Boeing will provide operations engineering support during an aircraft ferry flight.

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

If requested by Customer, Boeing will conduct the classroom portions of the maintenance and flight training (except for the Performance Engineer training courses) at a mutually acceptable alternate training site, subject to the following conditions:

4.1 Customer will provide acceptable classroom space, simulators (as necessary for flight training) and training equipment required to present the courses;

4.2 Customer will pay Boeing's then-current per diem charge for each Boeing instructor for each day, or fraction thereof, that the instructor is away from the Seattle area, including travel time;

4.3 Customer will reimburse Boeing for the actual costs of round-trip transportation for Boeing's instructors and the shipping costs of training Materials between the Seattle area and the alternate training site;

4.4 Customer will be responsible for all taxes, fees, duties, licenses, permits and similar expenses incurred by Boeing and its employees as a result of Boeing's providing training at the alternate site or incurred as a result of Boeing providing revenue service training; and

4.5 Those portions of training that require the use of training devices not available at the alternate site will be conducted at Boeing's facility or at some other alternate site.

## 5. General Terms and Conditions.

5.1 Boeing flight instructor personnel will not be required to work more than 5 days per week, or more than 8 hours in any one 24-hour period, of which not more than 5 hours per 8-hour workday will be spent in actual flying. These foregoing restrictions will not apply to ferry assistance or revenue service training services, which will be governed by FAA rules and regulations.

5.2 Normal Line Maintenance is defined as line maintenance that Boeing might reasonably be expected to furnish for flight crew training at Boeing's facility, and will include ground support and aircraft storage in the open, but will not include provision of spare parts. Boeing will provide Normal Line Maintenance services for any aircraft while the aircraft is used for flight crew training at Boeing's facility. Customer will provide such services if flight crew training is conducted elsewhere. Regardless of the location of such training, Customer will be responsible for providing all maintenance items (other than those included in Normal Line Maintenance) required during the training, including, but not limited to, fuel, oil, landing fees and spare parts.

5.3 If the training is based at Boeing's facility, and the aircraft is damaged during such training, Boeing will make all necessary repairs to the aircraft as promptly as possible. Customer will pay Boeing's reasonable charge, including the price of parts and materials, for making the repairs. If Boeing's estimated labor charge for the repair exceeds \$25,000, Boeing and Customer will enter into an agreement for additional services before beginning the repair work.

5.4 If the flight training is based at Boeing's facility, several airports in the states of Washington, Montana and Oregon, as well as the services of the fixed base operator at Grant County Airport at Moses Lake, Washington, may be used. Unless otherwise agreed in the flight training planning conference, it will be Customer's responsibility to make arrangements for the use of such airports.

5.5 If Boeing agrees to make arrangements on behalf of Customer for the use of airports for flight training, Boeing will pay on Customer's behalf any landing fees charged by any airport used in conjunction with the flight training. At least 30 days before flight training, Customer will provide Boeing an open purchase order against which Boeing will invoice Customer for any landing fees Boeing paid on Customer's behalf. The invoice will be submitted to Customer approximately 60 days after flight training is completed, when all landing fee charges have been received and verified. Customer will pay to Boeing within 30 days of the date of the invoice.

5.6 If requested by Boeing, in order to provide the flight training or ferry flight assistance, Customer will make available to Boeing an aircraft after delivery to familiarize Boeing instructor or ferry flight crew personnel with such aircraft. If flight of the aircraft is required for any Boeing instructor or ferry flight crew member to maintain an FAA license for flight proficiency or landing currency, Boeing will be responsible for the costs of fuel, oil, landing fees and spare parts attributable to that portion of the flight.

5.7 If any part of the training described in paragraph 1.1 of this Exhibit is not used by Customer within 12 months after the delivery of the last aircraft under the relevant purchase agreement, Boeing will not be obligated to provide such training.

CUSTOMER SUPPORT DOCUMENT

PART 2: FIELD AND ENGINEERING SUPPORT SERVICES

1. Field Service Representation.

Boeing will furnish field service representation to advise Customer with respect to the maintenance and operation of an aircraft (Field Service Representatives).

1.1 Field Service Representatives will be available at a facility designated by Customer beginning before the scheduled delivery month of the first aircraft and ending 12 months after delivery of the last aircraft covered by a specific purchase agreement.

1.2 Customer will provide, at no charge to Boeing, suitable furnished office space and office equipment at the location where Boeing is providing Field Service Representatives. As required, Customer will assist each Field Service Representative with visas, work permits, customs, mail handling, identification passes and formal introduction to local airport authorities.

1.3 Boeing Field Service Representatives are assigned to various airports around the world. Whenever Customer's aircraft are operating through any such airport, the services of Boeing's Field Service Representatives are available to Customer.

2. Engineering Support Services.

Boeing will, if requested by Customer, provide technical advisory assistance for any aircraft and Boeing Product (as defined in Part I of Exhibit C). Technical advisory assistance, provided from the Seattle area or at a base designated by Customer as appropriate, will include:

2.1 Operational Problem Support. If Customer experiences operational problems with an aircraft, Boeing will analyze the information provided by Customer to determine the probable nature and cause of the problem and to suggest possible solutions.

2.2 Schedule Reliability Support. If Customer is not satisfied with the schedule reliability of a specific model of aircraft, Boeing will analyze information provided by Customer to determine the nature and cause of the problem and to suggest possible solutions.

2.3 Maintenance Cost Reduction Support. If Customer is concerned that actual maintenance costs of a specific model of aircraft are excessive, Boeing will analyze information provided by Customer to determine the nature and cause of the problem and to suggest possible solutions.

2.4 Aircraft Structural Repair Support. If Customer is designing structural repairs and desires Boeing's support, Boeing will analyze and comment on Customer's engineering releases relating to structural repairs not covered by Boeing's Structural Repair Manual.

2.5 Aircraft Modification Support. If Customer is designing aircraft modifications and requests Boeing's support, Boeing will analyze and comment on Customer's engineering proposals for changes in, or replacement of, systems, parts, accessories or equipment manufactured to Boeing's detailed design. Boeing will not analyze or comment on any major structural change unless Customer's request for such analysis and comment includes complete detailed drawings, substantiating information (including any information required by applicable government agencies), all stress or other appropriate analyses, and a specific statement from Customer of the substance of the review and the response requested.

2.6 Facilities, Ground Equipment and Maintenance Planning Support. Boeing will, at Customer's request, evaluate Customer's technical facilities, tools and equipment for servicing and maintaining aircraft, to recommend changes where necessary and to assist in the formulation of an overall maintenance plan.

2.7 Post-Delivery Service Support. Boeing will, at Customer's request, perform work on an aircraft after delivery but prior to the initial departure flight or upon the return of the aircraft to Boeing's facility prior to completion of that flight. In that event the following provisions will apply.

2.7.1 Boeing may rely upon the commitment authority of the Customer's personnel requesting the work.

2.7.2 As title and risk of loss has passed to Customer, the insurance provisions of Article 8.2 of the AGTA apply.

2.7.3 The provisions of the Boeing Warranty in Part 2 of Exhibit C of this AGTA apply.

2.7.4 Customer will pay Boeing for requested work not covered by the Boeing Warranty, if any.

2.7.5 The DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions in Article 12 of Part 2 of Exhibit C of this AGTA apply.

2.8 Additional Services. Boeing may, at Customer's request, provide additional services for an aircraft after delivery, which may include retrofit kit changes (kits and/or information), training, maintenance and repair of aircraft. Such additional services will be subject to a mutually acceptable price, schedule and scope of work. The DISCLAIMER AND RELEASE and the EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions in Article 12 of Part 2 of Exhibit C of this AGTA and the insurance provisions in Article 8.2 of this AGTA will apply to any such work. Title to and risk of loss of any such aircraft will always remain with Customer.

CUSTOMER SUPPORT DOCUMENT

PART 3: TECHNICAL INFORMATION AND MATERIALS

1. General.

Materials are defined as any and all items that are created by Boeing or a third party, which are provided pursuant to this AGTA, directly or indirectly from Boeing and serve primarily to contain, convey or embody information. Materials may include either tangible embodiments (for example, documents or drawings), or intangible embodiments (for example, software and other electronic forms) of information but excludes Aircraft Software. Aircraft Software is defined as software that is installed on and used in the operation of the aircraft.

Boeing will furnish to Customer certain Materials to support the maintenance and operation of the aircraft at no additional charge to Customer, except as otherwise provided herein. Such Materials will, if applicable, be prepared generally in accordance with Air Transport Association of America (ATA) Specification No. 100, entitled "Specification for Manufacturers' Technical Data". Materials will be in English and in the units of measure used by Boeing to manufacture an aircraft.

Digitally-produced Materials will, if applicable, be prepared generally in accordance with ATA Specification No. 2100, dated January 1994, "Digital Data Standards for Aircraft Support."

2. Materials Planning Conferences.

Customer and Boeing will conduct planning conferences approximately 12 months before the scheduled delivery month of the first aircraft of a model in order to mutually determine the proper format and quantity of Materials to be furnished to Customer in support of the aircraft.

When available, Customer may select Boeing standard digital format as the delivery medium or, alternatively, Customer may select a reasonable quantity of printed and 16mm microfilm formats. When Boeing standard digital format is selected, Customer may also select up to 5 copies of printed or microfilm format copies, with the exception of the Illustrated Parts Catalog, which will be provided in one selected format only.

3. Information and Materials - Incremental Increase.

Until one year after the month of delivery of the last aircraft covered by a specific purchase agreement, Customer may annually request in writing a reasonable increase in the quantity of Materials with the exception of microfilm master copies, digital formats, and others for which a specified number of copies are provided. Boeing will provide the additional quantity at no additional charge beginning with the next normal revision cycle. Customer may request a decrease in revision quantities at any time.

4. Advance Representative Copies.

All advance representative copies of Materials will be selected by Boeing from available sources. Such advance copies will be for advance planning purposes only.

5. Customized Materials.

All customized Materials will reflect the configuration of each aircraft as delivered.

6. Revisions.

6.1 Revision Service. Boeing will provide revisions free of charge to certain Materials to be identified in the planning conference conducted for a specific model of aircraft, reflecting changes developed by Boeing, as long as Customer operates an aircraft of that model.

6.2 Revisions Based on Boeing Service Bulletin Incorporation. If Boeing receives written notice that Customer intends to incorporate, or has incorporated, any Boeing service

bulletin in an aircraft, Boeing will at no charge issue revisions to Materials with revision service reflecting the effects of such incorporation into such aircraft.

7. Computer Software Documentation for Boeing Manufactured Airborne Components and Equipment.

Boeing will provide to Customer a Computer Software Index containing a listing of (i) all programmed airborne avionics components and equipment manufactured by Boeing or a Boeing subsidiary, designed and developed in accordance with Radio Technical Commission for Aeronautics Document No. RTCA/DO-178 dated January 1982, No. RTCA/DO-178A dated March 1985, or later as available, and installed by Boeing in aircraft covered by the applicable purchase agreement and (ii) specific software documents (Software Documentation) available to Customer from Boeing for the listed components and equipment.

Two copies of the Computer Software Index will be furnished to Customer at no charge, with the first aircraft of a model. Revisions to the Computer Software Index applicable to such model of aircraft will be issued to Customer at no charge, as revisions are developed by Boeing for so long as Customer operates the aircraft.

Software Documentation will be provided to Customer upon written request. The charge to Customer for Software Documentation will be Boeing's price to reproduce the Software Documentation requested. Software Documentation will be prepared generally in accordance with ATA Specification No. 102 revised April 20, 1983, "Specification for Computer Software Manual" but Software Documentation will not include, and Boeing will not be obligated to provide, any code (including, but not limited to, original source code, assembled source code, or object code) on computer sensible media.

8. Supplier Technical Data.

8.1 For supplier-manufactured programmed airborne avionics components and equipment classified as Seller Furnished Equipment (SFE) or Seller Purchased Equipment (SPE) which contain computer software designed and developed in accordance with Radio Technical Commission for Aeronautics Document No. RTCA/DO-178 dated January 1982, No. RTCA/DO-178A dated March 1985, or later as available, Boeing will request that each supplier of the components and equipment make software documentation available to Customer in a manner similar to that described in Article 7 above.

8.2 The provisions of this Article will not be applicable to items of BFE.

8.3 Boeing will furnish to Customer a document identifying the terms and conditions of the product support agreements between Boeing and its suppliers requiring the suppliers to fulfill Customer's requirements for information and services in support of the specific model of aircraft.

9. Buyer Furnished Equipment Data.

Boeing will incorporate BFE information into the customized Materials providing Customer makes the information available to Boeing at least nine months prior to the scheduled delivery month of Customer's first aircraft of a specific model. Customer agrees to furnish the information in Boeing standard digital format if Materials are to be delivered in Boeing standard digital format.

10. Materials Shipping Charges.

Boeing will pay the reasonable transportation costs of the Materials. Customer is responsible for any customs clearance charges, duties, and taxes.

11. Customer's Shipping Address.

The Materials furnished to Customer hereunder are to be sent to a single address to be specified. Customer will promptly notify Boeing of any change to the address.

CUSTOMER SUPPORT DOCUMENT

PART 4: ALLEVIATION OR CESSATION OF PERFORMANCE

Boeing will not be required to provide any Materials, services, training or other things at a facility designated by Customer if any of the following conditions exist:

1. a labor stoppage or dispute in progress involving Customer;
2. wars or warlike operations, riots or insurrections in the country where the facility is located;
3. any condition at the facility which, in the opinion of Boeing, is detrimental to the general health, welfare or safety of its personnel or their families;
4. the United States Government refuses permission to Boeing personnel or their families to enter into the country where the facility is located, or recommends that Boeing personnel or their families leave the country; or
5. the United States Government refuses permission to Boeing to deliver Materials, services, training or other things to the country where the facility is located.

After the location of Boeing personnel at the facility, Boeing further reserves the right, upon the occurrence of any of such events, to immediately and without prior notice to Customer relocate its personnel and their families.

CUSTOMER SUPPORT DOCUMENT

PART 5: PROTECTION OF PROPRIETARY INFORMATION  
AND PROPRIETARY MATERIALS

1. General.

Title to all Materials containing, conveying or embodying confidential, proprietary or trade secret information (Proprietary Information) belonging to Boeing or a third party (Proprietary Materials), will at all times remain with Boeing or such third party. Customer will treat all Proprietary Materials and all Proprietary Information in confidence and use and disclose the same only as specifically authorized in this AGTA or the CSGTA, and except to the extent required by law.

2. License Grant.

Boeing grants to Customer a worldwide, non-exclusive, non-transferable license to use and disclose Proprietary Materials in accordance with the terms and conditions of this AGTA. Customer is authorized to make copies of Materials (except for Materials bearing the copyright legend of a third party), and all copies of Proprietary Materials will belong to Boeing and be treated as Proprietary Materials under this AGTA. Customer will preserve all proprietary legends, and all copyright notices on all Materials and insure the inclusion of those legends and notices on all copies.

3. Use of Proprietary Materials and Proprietary Information.

Customer is authorized to use Proprietary Materials and Proprietary Information for the purpose of: (a) operation, maintenance, repair, or modification of Customer's aircraft for which the Proprietary Materials and Proprietary Information have been specified by Boeing and (b) development and manufacture of training devices for use by Customer.

4. Providing of Proprietary Materials to Contractors.

Customer is authorized to provide Proprietary Materials to Customer's contractors for the sole purpose of maintenance, repair, or modification of Customer's aircraft for which the Proprietary Materials have been specified by Boeing. In addition, Customer may provide Proprietary Materials to Customer's contractors for the sole purpose of developing and manufacturing training devices for Customer's use. Before providing Proprietary Materials to its contractor, Customer will first obtain a written agreement from the contractor by which the contractor agrees (a) to use the Proprietary Materials only on behalf of Customer, (b) to be bound by all of the restrictions and limitations of this Part 5, and (c) that Boeing is a third party beneficiary under the written agreement. Customer agrees to provide copies of all such written agreements to Boeing upon request. A sample agreement acceptable to Boeing is attached as Appendix VII.

5. Providing of Proprietary Materials and Proprietary Information to Regulatory Agencies.

When and to the extent required by a government regulatory agency having jurisdiction over Customer or an aircraft, Customer is authorized to provide Proprietary Materials and to disclose Proprietary Information to the agency for use in connection with Customer's operation, maintenance, repair, or modification of such aircraft. Customer agrees to take all reasonable steps to prevent the agency from making any distribution, disclosure, or additional use of the Proprietary Materials and Proprietary Information provided or disclosed. Customer further agrees to notify Boeing immediately upon learning of any (a) distribution, disclosure, or additional use by the agency, (b) request to the agency for distribution, disclosure, or additional use, or (c) intention on the part of the agency to distribute, disclose, or make additional use of Proprietary Materials or Proprietary Information.

EXHIBIT C

to

AIRCRAFT GENERAL TERMS AGREEMENT

AGTA-CAL

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

PRODUCT ASSURANCE DOCUMENT

This document contains:

- Part 1: Exhibit C Definitions
- Part 2: Boeing Warranty
- Part 3: Boeing Service Life Policy
- Part 4: Supplier Warranty Commitment
- Part 5: Boeing Interface Commitment
- Part 6: Boeing Indemnities against Patent and Copyright Infringement

PRODUCT ASSURANCE DOCUMENT

PART 1: EXHIBIT C DEFINITIONS

Authorized Agent - Agent appointed by Customer to perform corrections and to administer warranties (see Appendix VI to the AGTA for a form acceptable to Boeing).

Average Direct Hourly Labor Rate - the average hourly rate (excluding all fringe benefits, premium-time allowances, social charges, business taxes and the like) paid by Customer to its Direct Labor employees.

Boeing Product - any system, accessory, equipment, part or Aircraft Software that is manufactured by Boeing or manufactured to Boeing's detailed design with Boeing's authorization.

Correct - to repair, modify, provide modification kits or replace with a new product.

Correction - a repair, a modification, a modification kit or replacement with a new product.

Corrected Boeing Product - a Boeing Product which is free of defect as a result of a Correction.

Direct Labor - Labor spent by Customer's direct labor employees to remove, disassemble, modify, repair, inspect and bench test a defective Boeing Product, and to reassemble, reinstall a Corrected Boeing Product and perform final inspection.

Direct Materials - Items such as parts, gaskets, grease, sealant and adhesives, installed or consumed in performing a Correction, excluding allowances for administration, overhead, taxes, customs duties and the like.

Source Control Drawing (SCD) - a Boeing document defining specifications for certain Supplier Products.

Supplier - the manufacturer of a Supplier Product.

Supplier Product - any system, accessory, equipment, part or Aircraft Software that is not manufactured to Boeing's detailed design. This includes but is not limited to parts manufactured to a SCD, all standards, and other parts obtained from non-Boeing sources.

PRODUCT ASSURANCE DOCUMENT

PART 2: BOEING WARRANTY

1. Warranty Applicability.

This warranty applies to all Boeing Products and other items as specified. Additional warranties applicable to Supplier Products are in Part 4. Additional warranties applicable to engines will be provided by Supplemental Exhibits to individual purchase agreements.

2. Warranty.

2.1 Coverage. Boeing warrants that at the time of aircraft delivery:

- (i) the aircraft, including all Boeing Products, engines, and Supplier Products will conform to the Detail Specification except for portions stated to be estimates, approximations or design objectives;
- (ii) all Boeing Products in the aircraft will be free from defects in material and workmanship, including process of manufacture;
- (iii) all Boeing Products in the aircraft will be free from defects in design, including selection of materials and the process of manufacture, in view of the state of the art at the time of design, and
- (iv) the workmanship utilized to install Supplier Products, engines and BFE will be free from defects.

2.2 Exceptions. The following conditions do not constitute a defect under this warranty:

- (i) conditions resulting from normal wear and tear;
- (ii) conditions resulting from acts or omissions of Customer; and
- (iii) conditions resulting from failure to properly service and maintain the aircraft.

3. Warranty Periods.

3.1 Warranty. The warranty period begins on the date of aircraft delivery and ends: (i) after 48 months for Boeing aircraft models 777-200, -300 or 737-600, -700, -800, or new aircraft models designed and manufactured with similar, new technology; or, (ii) after 36 months for any other Boeing aircraft model.

3.2 Warranty on Corrected Boeing Products. The warranty period applicable to a Corrected Boeing Product, including the workmanship to Correct and install, resulting from a defect in material or workmanship is the remainder of the warranty period for the defective Boeing Product it replaced. The warranty period for a Corrected Boeing Product resulting from a defect in design is (i) 18 months or the remainder of the initial warranty period, whichever is longer; or (ii) 6 months following the initial installation of the Corrected Boeing Product provided that such time period shall not be greater than 6 months past the initial warranty period, whichever is longer. The 18 month period begins on the date of delivery of the Corrected Boeing Product or date of delivery of the kit or kits furnished to correct the Boeing Product.

3.3 Survival of Warranties. All warranty periods are stated above. The Performance Guarantees will not survive delivery of the aircraft.

4. Remedies.

4.1 Defect Correction. At Customer's option, Boeing will either Correct or reimburse Customer to Correct defects in Boeing Products discovered during the warranty period.

4.2 Warranty Labor Rate. If Customer or its Authorized Agent Corrects a defective Boeing Product, reimbursement to Customer for Direct Labor hours will be provided at Customer's established Warranty Labor Rate. Customer's established Warranty Labor Rate will be the greater of the standard labor rate or 150% of Customer's Average Direct Hourly Rate. The standard labor rate paid by Boeing to its customers is established and published annually. Prior to or concurrently with submittal of Customer's first claim for Direct Labor reimbursement, Customer will notify Boeing of Customer's then-current Average Direct Hourly Labor rate, and thereafter notify Boeing of any material change in such rate. Boeing will require information from Customer to substantiate such rates.

4.3 Warranty Inspections. In addition to the remedies to Correct defects in Boeing Products, Boeing will reimburse Customer for cost of Direct Labor to perform inspections of the aircraft to determine whether or not a covered defect exists in a Boeing Product, provided:

4.3.1 the inspections are recommended by a service bulletin or service letter issued by Boeing during the warranty period; and

4.3.2 such reimbursement will not apply to any inspections performed after a Correction is available to Customer.

4.4 Credit Memorandum Reimbursement. Boeing will make all reimbursements by credit memoranda which may be applied toward the purchase of Boeing goods and services.

4.5 Maximum Reimbursement. Unless previously agreed, the maximum reimbursement for Direct Labor and Direct Materials used to Correct a defective Boeing Product will not exceed 65% of Boeing's then-current sales price for a new replacement Boeing Product or such other percentage as may be mutually established in an AOG situation.

## 5. Discovery and Notice.

5.1 For a claim to be valid:

- (i) the defect must be discovered during the warranty period; and
- (ii) Boeing Product Assurance Contracts must receive written notice of the discovery no later than 90 days after expiration of the warranty period. The notice must include sufficient information to substantiate the claim.

5.2 Receipt of Customer's or its Authorized Agent's notice of the discovery of a defect secures Customer's rights to remedies under this Exhibit C, even though a Correction is performed after the expiration of the warranty period.

5.3 Once Customer has given valid notice of the discovery of a defect, a claim should be submitted as soon as practicable after performance of the Correction.

5.4 Boeing may release service bulletins or service letters advising Customer of the availability of certain warranty remedies. When such advice is provided, Customer will be deemed to have fulfilled the requirements for discovery of the defect and submittal of notice under this Exhibit C as of the date specified in the service bulletin or service letter.

## 6. Filing a Claim.

6.1 Authority to File. Claims may be filed by Customer or its Authorized Agent. Appointment of an Authorized Agent will only be effective upon Boeing's receipt of the Authorized Agent's express written agreement, in a form satisfactory to Boeing, to be bound by and to comply with all applicable terms and conditions of this Aircraft General Terms Agreement.

6.2 Claim Information.

6.2.1 Claimant is responsible for providing sufficient information to substantiate Customer's rights to remedies under this Exhibit C. Boeing may reject a claim for lack of sufficient information. At a minimum, such information must include:

- (i) identity of claimant;
- (ii) serial or block number of the aircraft on which the defective Boeing Product was delivered;
- (iii) part number and nomenclature of defective Boeing Product;
- (iv) purchase order number and date of delivery of the defective spare part
- (v) description and substantiation of the defect;
- (vi) date the defect was discovered; and,
- (vii) date the Correction was completed.

6.2.2 Additional information may be required based on the nature of the defect and the remedies requested.

### 6.3 Boeing Claim Processing.

6.3.1 Any claim for a Boeing Product returned by Customer or its Authorized Agent to Boeing for Correction must accompany the Boeing Product. Any claim not associated with the return of a Boeing Product must be signed and submitted in writing directly by Customer or its Authorized Agent to Boeing Product Assurance Contracts.

6.3.2 Boeing will promptly review the claim and will give notification of claim approval or rejection. If the claim is rejected, Boeing will provide a written explanation and reasonable substantiation of such rejection.

## 7. Limited Warranty for Certain Materials.

7.1 Boeing warrants that, at the time of delivery, all Materials created by Boeing will be free from errors and defects in media.

7.2 Warranty Periods and Claims. The warranty period with respect to an error or a defect in any Materials created by Boeing begins at delivery of the Materials in which the error or defect is discovered and ends 48 months after delivery of the Materials.

The claimed error or defect must become apparent to Customer within the applicable warranty period, and Boeing Product Assurance Contracts must receive written notice of such error or defect at the earliest practicable time after the error or defect is discovered by Customer, but in no event, later than 90 days after expiration of the applicable warranty period.

7.3 Remedy. Customer's remedy for an error or a defect in media is replacement of the erroneous or defective Materials created by Boeing with Materials free from such error or defect.

## 8. Corrections Performed by Customer or Its Authorized Agent.

8.1 Facilities Requirements. Customer or its Authorized Agent may, at its option, Correct defective Boeing Products at its facilities, or may subcontract Corrections to a third party contractor certified by Customer's Civil Aviation Authority or the Federal Aviation Authority.

8.2 Technical Requirements. All Corrections done by Customer, its Authorized Agent or a third party contractor must be performed in accordance with Boeing's applicable service manuals, bulletins or other written instructions, using parts and materials furnished or approved by Boeing.

### 8.3 Reimbursement.

8.3.1 Boeing will reimburse for reasonable costs of Direct Materials and Direct Labor (excluding time expended for overhaul) at Customer's Warranty Labor Rate to Correct a defective Boeing Product. Claims for reimbursement must contain sufficient information to substantiate Direct Labor hours expended and Direct Materials consumed. Customer or its Authorized Agent may be required to produce invoices for materials.

8.3.2 Reimbursement for Direct Labor hours to perform Corrections stated in a service bulletin will be based on the labor estimates in the service bulletin. Boeing will review the reimbursement amount if Customer's actual Direct Labor hours exceed the service bulletin estimates by 25%.

8.3.3 Boeing will reimburse Customer's freight charges associated with a Correction of a defect on a Boeing Product performed by its Authorized Agent or a third party contractor.

#### 8.4 Disposition of Defective Boeing Products Beyond Economical Repair.

8.4.1 A defective Boeing Product with a value of U.S. \$2000 or less may be scrapped without notification to Boeing. If such Product has a value greater than U.S. \$2000, Customer must obtain confirmation of unrepairability by Boeing's on-site Customer Services Representative prior to scrapping. Confirmation may be in the form of the Representative's signature on Customer's claim or through direct communication between the Representative and Boeing Product Assurance Contracts.

8.4.2 A defective Boeing Product with a value greater than \$2000 found to be beyond economical repair will be retained for a period of 60 days from the date Boeing receives Customer's claim unless previously approved to be scrapped as provided in paragraph 8.4.1. Customer may scrape such defective Boeing Product after 60 days. Boeing may request return of such defective Boeing Product during the 60 day period for inspection and confirmation of a defect.

#### 9. Corrections Performed by Boeing.

9.1 Freight Charges. Customer or its Authorized Agent will pay shipping charges to return a Boeing Product to Boeing. Boeing will reimburse Customer or its Authorized Agent for the charge for any item determined to be defective under this AGTA. Boeing will pay shipping charges to return the Corrected Boeing Product.

9.2 Customer Instructions. The documentation shipped with the returned defective Boeing Product may include specific technical instructions for work to be performed on the Boeing Product. The absence of such instructions will evidence Customer's authorization for Boeing to perform all necessary Corrections and work required to return the Boeing Product to a serviceable condition.

#### 9.3 Correction Time Objectives.

9.3.1 Boeing's objective for making Corrections is 10 working days for avionics and electronic Boeing Products, 30 working days for Corrections of other Boeing Products performed at Boeing's facilities, and 40 working days for Corrections of other Boeing Products performed at a Boeing subcontractor's facilities. The objectives are measured from the date Boeing receives the defective Boeing Product and a valid claim to the date Boeing ships the Correction.

9.3.2 If Customer has a critical parts shortage because Boeing has exceeded a Correction time objective and Customer has procured spare Boeing Products for the defective Boeing Product in quantities shown in Boeing's Recommended Spare Parts List (RSPL) as agreed to by Customer, then Boeing will either expedite the Correction or provide a similar Boeing Product on a no charge loan or lease basis until a Corrected Boeing Product is returned.

#### 9.4 Title Transfer and Risk of Loss.

9.4.1 Title to and risk of loss of any Boeing

Product returned to Boeing will at all times remain with Customer or any other title holder of such Boeing Product. While Boeing has possession of the returned Boeing Product, Boeing will have only such liabilities as a bailee for mutual benefit would have, but will not be liable for loss of use.

9.4.2 If a Correction requires shipment of a new Boeing Product, then at the time Boeing ships the new Boeing Product, title to and risk of loss for the returned Boeing Product will pass to Boeing, and title to and risk of loss for the new Boeing Product will pass to Customer.

## 10. Returning an Aircraft.

10.1 Conditions. An aircraft may be returned to Boeing's facilities for Correction only if:

- (i) Boeing and Customer agree a defect exists;
- (ii) Customer lacks access to adequate facilities, equipment or qualified personnel to perform the Correction; and
- (iii) it is not practical, in Boeing's estimation, to dispatch Boeing personnel to perform the Correction at a remote site.

10.2 Correction Costs. Boeing will perform the Correction at no charge to Customer. Subject to the conditions of Article 10.1, Boeing will reimburse Customer for the costs of fuel, oil and landing fees incurred in ferrying the aircraft to Boeing and back to Customer's facilities. Customer will minimize the length of both flights.

10.3 Separate Agreement. Boeing and Customer will enter into a separate agreement covering return of the aircraft and performance of the Correction. Authorization by Customer for Boeing to perform additional work that is not part of the Correction must be received within 24 hours of Boeing's request. If such authorization is not received within 24 hours, Customer will be invoiced for work performed by Boeing that is not part of the Correction at Boeing's standard rates.

## 11. Insurance.

The provisions of Article 8.2 "Insurance", of this AGTA, will apply to any work performed by Boeing in accordance with Customer's specific technical instructions, to the extent any legal liability of Boeing is based upon the content of such instructions.

## 12. Disclaimer and Release; Exclusion of Liabilities.

12.1 DISCLAIMER AND RELEASE. THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF BOEING AND THE REMEDIES OF CUSTOMER IN THIS EXHIBIT C ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND CUSTOMER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF BOEING AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF CUSTOMER AGAINST BOEING, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NONCONFORMANCE OR DEFECT IN ANY AIRCRAFT, MATERIALS, TRAINING, SERVICES OR OTHER THING PROVIDED UNDER THIS AGTA AND THE APPLICABLE PURCHASE AGREEMENT, INCLUDING, BUT NOT LIMITED TO:

- (A) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (B) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (C) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF BOEING; AND
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT.

12.2 EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES. BOEING WILL HAVE NO OBLIGATION OR LIABILITY, WHETHER ARISING IN CONTRACT (INCLUDING WARRANTY), TORT, WHETHER OR NOT ARISING FROM

THE NEGLIGENCE OF BOEING, OR OTHERWISE, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NONCONFORMANCE OR DEFECT IN ANY AIRCRAFT, MATERIALS, TRAINING, SERVICES OR OTHER THING PROVIDED UNDER THIS AGTA AND THE APPLICABLE PURCHASE AGREEMENT.

12.3 Definitions. For the purpose of this Article, "BOEING" or "Boeing" is defined as The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each, and their respective directors, officers, employees and agents.

PRODUCT ASSURANCE DOCUMENT

PART 3: BOEING SERVICE LIFE POLICY

1. Definitions.

SLP Component - any of the primary structural elements (excluding industry standard parts) of the landing gear, wing, fuselage, vertical or horizontal stabilizer listed in the applicable purchase agreement for a specific model of aircraft that is installed in the aircraft at time of delivery or is purchased from Boeing by Customer as a spare part. The detailed SLP Component listing will be in Supplemental Exhibit SLP1 to each Purchase Agreement.

2. Service Life Policy.

2.1 SLP Commitment. If a failure or defect is discovered in a SLP Component within the time periods specified in Article 2.2 below, Boeing will, at a price calculated pursuant to Article 3 below, Correct the SLP Component.

2.2 SLP Policy Periods.

2.2.1 The policy period for SLP Components initially installed on an aircraft is 12 years after the date of delivery of the aircraft.

2.2.2 The policy period for SLP Components purchased from Boeing by Customer as spare parts is 12 years from delivery of such SLP Component, or 12 years from delivery of a replacement SLP Component, or 12 years from the date of delivery of the last aircraft produced by Boeing of a specific model, whichever first expires.

3. Price.

The price that Customer will pay for the Correction of a defective or failed SLP Component will be calculated pursuant to the following formula:

$$P = \frac{CT}{144}$$

where:

P = price to Customer

C = SLP Component sales price at time of Correction

T = total age in months of the defective or failed SLP Component from the date of delivery to Customer to the date of discovery of such condition.

4. Conditions.

Boeing's obligations under this Policy are conditioned upon the following:

4.1 Customer must notify Boeing in writing of the defect or failure within three months after it becomes apparent.

4.2 Customer must provide reasonable evidence that the claimed defect or failure is covered by this Policy and if requested by Boeing, that such defect or failure was not the result of (i) a defect or failure in a component not covered by this Policy, (ii) an extrinsic force, (iii) an act or omission of Customer, or (iv) operation or maintenance contrary to applicable governmental regulations or Boeing's instructions.

4.3 If return of a defective or failed SLP Component is practicable and requested by Boeing, Customer will return such SLP Component to Boeing at Boeing's expense.

4.4 Customer's rights and remedies under this Policy are limited to the receipt of a Correction at prices calculated

pursuant to Article 3 above.

5. Disclaimer and Release; Exclusion of Liabilities.

This Part 3 and the rights and remedies of Customer and the obligations of Boeing are subject to the DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions of Article 12 of Part 2 of this Exhibit C.

PRODUCT ASSURANCE DOCUMENT

PART 4: SUPPLIER WARRANTY COMMITMENT

1. Supplier Warranties and Supplier Patent and Copyright Indemnities.

Boeing will use diligent efforts to obtain adequate warranties and indemnities against patent and copyright infringement enforceable by Customer from Suppliers of Supplier Products (except for engines) installed on the aircraft at the time of delivery that were selected and purchased by Boeing, but not manufactured to Boeing's detailed design. Boeing will furnish copies of the warranties and patent and copyright indemnities to Customer in Boeing Document D6-56115, Product Support and Product Assurance Supplier Defined Equipment Information, prior to the scheduled delivery month of the first aircraft under the initial purchase agreement to the AGTA.

2. Boeing Assistance in Administration of Supplier Warranties.

Customer will be responsible for submitting warranty claims directly to Suppliers; however, if Customer experiences problems enforcing any Supplier warranty obtained by Boeing for Customer, Boeing will conduct an investigation of the problem and assist Customer in the resolution of those claims.

3. Boeing Support in Event of Supplier Default.

3.1 If the Supplier defaults in the performance of a material obligation under its warranty, and Customer provides evidence to Boeing that a default has occurred, then Boeing will furnish the equivalent warranty terms as provided by this AGTA.

3.2 At Boeing's request, Customer will assign to Boeing, and Boeing will be subrogated to, Customer's rights against the Supplier provided by the Supplier warranty.

PRODUCT ASSURANCE DOCUMENT

PART 5: BOEING INTERFACE COMMITMENT

1. Interface Problems.

An Interface Problem is defined as a technical problem in the operation of an aircraft or its systems experienced by Customer, the cause of which is not readily identifiable by Customer but which Customer believes to be attributable to the design characteristics of the aircraft or its systems. In the event Customer experiences an Interface Problem, Boeing will, without additional charge to Customer, promptly conduct an investigation and analysis to determine the cause or causes of the Interface Problem. Boeing will promptly advise Customer at the conclusion of its investigation of Boeing's opinion as to the causes of the Interface Problem and Boeing's recommendation as to corrective action.

2. Boeing Responsibility.

If Boeing determines that the Interface Problem is primarily attributable to the design of any Boeing Product, Boeing will correct the design to the extent of any then-existing obligations of Boeing under the provisions of the applicable Boeing Warranty or Boeing Service Life Policy.

3. Supplier Responsibility.

If Boeing determines that the Interface Problem is primarily attributable to the design of a Supplier Product, Boeing will assist Customer in processing a warranty claim against the Supplier.

4. Joint Responsibility.

If Boeing determines that the Interface Problem is partially attributable to the design of a Boeing Product and partially to the design of a Supplier Product, Boeing will seek a solution to the Interface Problem through the cooperative efforts of Boeing and the Supplier and will promptly advise Customer of the resulting corrective actions and recommendations.

5. General.

Customer will, if requested by Boeing, assign to Boeing any of Customer's rights against any Supplier as Boeing may require to fulfill its obligations hereunder.

6. Disclaimer and Release; Exclusion of Liabilities.

This Part 5 and the rights and remedies of Customer and the obligations of Boeing herein are subject to the DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions of Article 12 of Part 2 of this Exhibit C.

PRODUCT ASSURANCE DOCUMENT

PART 6: BOEING INDEMNITIES AGAINST PATENT  
AND COPYRIGHT INFRINGEMENT

1. Indemnity Against Patent Infringement.

Boeing will defend, indemnify and hold harmless Customer with respect to all claims, suits, costs and liabilities arising out of any actual or alleged patent infringement through Customer's use, lease or resale of any aircraft or any Boeing Product installed on an aircraft at delivery.

2. Indemnity Against Copyright Infringement.

Boeing will defend, indemnify and hold harmless Customer with respect to all claims, suits, costs and liabilities arising out of any actual or alleged copyright infringement through Customer's use, lease or resale of any Boeing created Materials and Aircraft Software installed on an aircraft at delivery.

3. Exceptions, Limitations and Conditions.

3.1 Boeing's obligation to indemnify Customer for patent infringement will extend only to infringements in countries which, at the time of the infringement, were party to and fully bound by either (a) Article 27 of the Chicago Convention on International Civil Aviation of December 7, 1944, or (b) the International Convention for the Protection of Industrial Property (Paris Convention).

3.2 Boeing's obligation to indemnify Customer for copyright infringement is limited to infringements in countries which, at the time of the infringement, are members of The Berne Union and recognize computer software as a "work" under The Berne Convention.

3.3 The indemnities provided under this Part 6 will not apply to any (i) BFE, (ii) engines, (iii) Supplier Product (iv) Boeing Product used other than for its intended purpose, or (v) Aircraft Software not created by Boeing.

3.4 Customer must deliver written notice to Boeing (i) within 10 days after Customer first receives notice of any suit or other formal action against Customer and (ii) within 20 days after Customer first receives any other written allegation or written claim of infringement covered by this Part 6.

3.5 At any time, Boeing will have the right at its option and expense to: (i) negotiate with any party claiming infringement, (ii) assume or control the defense of any infringement allegation, claim, suit or formal action, (iii) intervene in any infringement suit or formal action, and/or (iv) attempt to resolve any claim of infringement by replacing an allegedly infringing Boeing Product, Materials or Aircraft Software with a noninfringing equivalent.

3.6 Customer will promptly furnish to Boeing all information, records and assistance within Customer's possession or control which Boeing considers relevant or material to any alleged infringement covered by this Part 6.

3.7 Except as required by a final judgment entered against Customer by a court of competent jurisdiction from which no appeals can be or have been filed, Customer will obtain Boeing's written approval prior to paying, committing to pay, assuming any obligation or making any material concession relative to any infringement covered by these indemnities.

3.8 BOEING WILL HAVE NO OBLIGATION OR LIABILITY UNDER THIS PART 6 FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGES OF CUSTOMER. THE OBLIGATIONS OF BOEING AND REMEDIES OF CUSTOMER IN THIS PART 6 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND CUSTOMER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER INDEMNITIES, OBLIGATIONS AND LIABILITIES OF BOEING AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF CUSTOMER AGAINST BOEING, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY ACTUAL OR ALLEGED PATENT, COPYRIGHT OR OTHER INTELLECTUAL PROPERTY INFRINGEMENT OR THE LIKE BY ANY AIRCRAFT, AIRCRAFT SOFTWARE, MATERIALS, TRAINING, SERVICES OR OTHER THING PROVIDED UNDER THIS AGTA AND THE APPLICABLE PURCHASE AGREEMENT.

3.9 For the purposes of this Part 6, "BOEING or Boeing" is defined as The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each and their respective directors, officers, employees and agents.

3.10 For the purposes of this Part 6, "Customer" is defined as Continental Airlines, Inc, its divisions, subsidiaries, affiliates, the assignees of each and their respective directors, officers, employees and agents.

EXHIBIT D

to

AIRCRAFT GENERAL TERMS AGREEMENT

AGTA-CAL

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

ESCALATION ADJUSTMENT

AIRFRAME AND OPTIONAL FEATURES

(For Model 737-600, 737-700 and 737-800, Airframe  
Price Includes the Engine Price)

EXHIBIT D

ESCALATION ADJUSTMENT

1. Formula.

Airframe and Optional Features price adjustments (Airframe Price Adjustment); are used to allow prices to be stated in current year dollars at the signing of the applicable purchase agreement and to adjust the amount to be paid by Customer at delivery for the effects of economic fluctuation. The Airframe Price Adjustment will be determined at the time of aircraft delivery in accordance with the following formula:

$$Pa = (P)(L + M - 1)$$

Where:

Pa = Airframe Price Adjustment. (For Model 737-600, 737-700 and 737-800, the Airframe Price includes the Engine Price.)

L =  $.65 \times \frac{ECI}{ECIb}$  where ECIB is the base year index (as set forth in Table 1 of the applicable purchase agreement)

M =  $.35 \times \frac{ICI}{ICIb}$  where ICIB is the base year index (as set forth in Table 1 of the applicable purchase agreement)

P = Airframe Price plus Optional Features Price (as set forth in the applicable purchase agreement).

ECI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics "Employment Cost Index for workers in aerospace manufacturing" (ECI code 3721), calculated by establishing a three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) using the values for the fifth, sixth and seventh months prior to the month of scheduled delivery of the applicable aircraft. As the Employment Cost Index values are only released on a quarterly basis, the value released for the month of March will be used for the months of January and February; the value for June used for April and May; the value for September used for July and August; and the value for December used for October and November.

ICI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics "Producer Prices and Price Index - Industrial Commodities Index", calculated as a 3-month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 5th, 6th and 7th months prior to the month of scheduled delivery of the applicable aircraft.

As an example, for an aircraft scheduled to be delivered in the month of January, the months June, July and August of the preceding year will be utilized in determining the value of ECI and ICI.

- Note:
- i. In determining the values of L and M, all calculations and resulting values will be expressed as a decimal rounded to the nearest ten-thousandth.
  - ii. .65 is the numeric ratio attributed to labor in the Airframe Price Adjustment formula.
  - iii. .35 is the numeric ratio attributed to materials in the Airframe Price Adjustment formula.
  - iv. The denominators (base year indices) are the actual average values reported by the U.S. Department of Labor, Bureau of Labor Statistics (base year June 1989 = 100).

The applicable base year and corresponding denominator will be provided by Boeing in the applicable purchase agreement.

2. Values to be Utilized in the Event of Unavailability.

2.1 If the Bureau of Labor Statistics substantially revises the methodology used for the determination of the values to be used to determine the ECI and ICI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Airframe Price Adjustment, the parties will, prior to the delivery of any such aircraft, select a substitute from other Bureau of Labor Statistics data or similar data reported by non-governmental organizations. Such substitute will result in the same adjustment, insofar as possible, as would have been calculated utilizing the original values adjusted for fluctuation during the applicable time period. However, if within 24 months after delivery of the aircraft, the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Airframe Price Adjustment, such values will be used to determine any increase or decrease in the Airframe Price Adjustment for the aircraft from that determined at the time of delivery of the aircraft.

2.2 Notwithstanding Article 2.1 above, if prior to the scheduled delivery month of an aircraft the Bureau of Labor Statistics changes the base year for determination of the ECI and ICI values as defined above, such re-based values will be incorporated in the Airframe Price Adjustment calculation.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Purchase Price of any affected aircraft to reflect an allowance for increases or decreases in labor compensation and material costs occurring since February, 1995, which is consistent with the applicable provisions of paragraph 1 of this Exhibit D.

Note: i. The values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to the scheduled delivery month of an aircraft will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment for the aircraft invoice at the time of delivery. The values will be considered final and no Aircraft Price Adjustments will be made after Aircraft delivery for any subsequent changes in published Index values.

ii. The maximum number of digits utilized in any part of the Airframe Price Adjustment equation will be 4, where rounding of the fourth digit will be increased to the next highest digit when the 5th digit is equal to 5 or greater.



AIRCRAFT INSURED: All Boeing manufactured aircraft owned or operated by the Named Insured which are the subject of the following purchase agreement(s), entered into between The Boeing Company and \_\_\_\_\_ (hereinafter "Aircraft"):

Purchase Agreement No. \_\_\_\_ dated \_\_\_\_\_  
Purchase Agreement No. \_\_\_\_ dated \_\_\_\_\_

COVERAGES:

1. Aircraft "all risks" Hull (Ground and Flight)
2. Aircraft Hull War and Allied Perils (as per LSW 555, or its successor wording)
3. Airline Liability

Including, but not limited to, Bodily Injury, Property Damage, Aircraft Liability, Liability War Risks, Passenger Legal Liability, Premises/Operations Liability, Completed Operations/Products Liability, Baggage Legal Liability (checked and unchecked), Cargo Legal Liability, Contractual Liability and Personal Injury.

The above-referenced Airline Liability insurance coverage is subject to War and Other Perils Exclusion Clause (AV48B) but all sections, other than section (b) are reinstated as per AV52C, or their successor endorsements.

LIMITS OF LIABILITY:

To the fullest extent of the Policy limits that the Named Insured carries from the time of delivery of the first Aircraft under the first Purchase Agreement listed under "Aircraft Insured" and thereafter at the inception of each policy period, but in any event no less than the following:

Combined Single Limit Bodily Injury and Property Damage: U.S.\$ any one occurrence each Aircraft (with aggregates as applicable).

(737-500/600)	US\$350,000,000
(737-300/700)	US\$400,000,000
(737-400)	US\$450,000,000
(737-800)	US\$500,000,000
(757-200)	US\$450,000,000
(757-300)	US\$550,000,000
(767-200)	US\$550,000,000
(767-300)	US\$700,000,000
(767-400ER)	US\$750,000,000
(777-200/300)	US\$800,000,000
(777-200X)	US\$750,000,000
(777-300X)	US\$900,000,000
(747-400)	US\$900,000,000

(In regard to all other models and/or derivatives, to be specified by Boeing).

(In regard to Personal Injury coverage, limits are US\$25,000,000 any one offense/aggregate.)

DEDUCTIBLES / SELF-INSURANCE

Any deductible and/or self-insurance amount (other than standard market deductibles) are to be disclosed and agreed by Boeing.

SPECIAL PROVISIONS APPLICABLE TO BOEING:

It is certified that Insurers are aware of the terms and conditions of AGTA-CAL and the following purchase agreements:

PA \_\_\_\_\_ dated \_\_\_\_\_  
PA \_\_\_\_\_ dated \_\_\_\_\_  
PA \_\_\_\_\_ dated \_\_\_\_\_

Each Aircraft manufactured by Boeing which is delivered to the Insured pursuant to the applicable purchase agreement during the period of effectivity of the policies represented by this Certificate will be covered to the extent specified herein.

Insurers have agreed to the following:

A. In regard to Aircraft "all risks" Hull Insurance and Aircraft Hull War and Allied Perils Insurance, Insurers agree to waive all rights of subrogation or recourse against Boeing in accordance with AGTA-CAL which was incorporated by reference into the applicable purchase agreement.

B. In regard to Airline Liability Insurance, Insurers agree:

(1) To include Boeing as an additional insured in accordance with Customer's undertaking in Article 8.2.1 of AGTA-CAL which was incorporated by reference into the applicable purchase agreement.

(2) To provide that such insurance will be primary and not contributory nor excess with respect to any other insurance available for the protection of Boeing;

(3) To provide that with respect to the interests of Boeing, such insurance shall not be invalidated or minimized by any action or inaction, omission or misrepresentation by the Insured or any other person or party (other than Boeing) regardless of any breach or violation of any warranty, declaration or condition contained in such policies;

(4) To provide that all provisions of the insurance coverages referenced above, except the limits of liability, will operate to give each Insured or additional insured the same protection as if there were a separate Policy issued to each.

C. In regard to all of the above referenced policies:

(1) Boeing will not be responsible for payment, set-off, or assessment of any kind or any premiums in connection with the policies, endorsements or coverages described herein;

(2) If a policy is canceled for any reason whatsoever, or any substantial change is made in the coverage which affects the interests of Boeing or if a policy is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Boeing for thirty (30) days (in the case of war risk and allied perils coverage seven (7) days after sending, or such other period as may from time to time be customarily obtainable in the industry) after receipt by Boeing of written notice from the Insurers or the authorized representatives or Broker of such cancellation, change or lapse; and

(3) For the purposes of the Certificate, "Boeing" is defined as The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each and their respective directors, officers, employees and agents.

Subject to the terms, conditions, limitations and exclusions of the relative policies.

Boeing Commercial Airplane Group  
P.O. Box 3707  
Seattle, Washington 98124-2207

Attention: Vice President - Contracts  
Mail Stop 75-38

Ladies and Gentlemen:

In connection with the sale by Continental Airlines, Inc. (Seller) to \_\_\_\_\_ (Purchaser) of the aircraft identified below, reference is made to Purchase Agreement No. \_\_\_\_\_ dated as of \_\_\_\_\_, 19\_\_\_\_, between The Boeing Company (Boeing) and Seller (the Purchase Agreement) under which Seller purchased certain Boeing Model \_\_\_\_\_ aircraft, including the aircraft bearing Manufacturer's Serial No.(s) \_\_\_\_\_ (the Aircraft). The Purchase Agreement incorporated by reference Aircraft General Terms Agreement AGTA-CAL (AGTA).

Capitalized terms used herein without definition will have the same meaning as in the Purchase Agreement.

Seller has sold the Aircraft, including in that sale the transfer to Purchaser of all remaining rights related to the Aircraft under the Purchase Agreement. To accomplish this transfer of rights, as authorized by the provisions of the Purchase Agreement:

- (1) Purchaser acknowledges it has reviewed the Purchase Agreement and agrees to be bound by and comply with all applicable terms and conditions of the Purchase Agreement, including, without limitation, the DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES in Article 12 of Part 2 of Exhibit C to the AGTA and the insurance provisions in Article 8.2 of the AGTA. Purchaser further agrees upon the written request of Boeing, to promptly execute and deliver such further assurances and documents and take such further action as Boeing may reasonably request in order to obtain the full benefits of Purchaser's agreements in this paragraph; and
- (2) Seller will remain responsible for any payments due Boeing as a result of obligations relating to the Aircraft incurred by Seller to Boeing prior to the effective date of this letter.

We request that Boeing acknowledge receipt of this letter and confirm the transfer of rights set forth above by signing the acknowledgment and forwarding one copy of this letter to each of the undersigned.

Very truly yours,

Continental Airlines, Inc.                      Purchaser

By \_\_\_\_\_

Its \_\_\_\_\_                      Its \_\_\_\_\_

Dated \_\_\_\_\_                      Dated \_\_\_\_\_

Receipt of the above letter is acknowledged and transfer of rights under the Purchase Agreement with respect to the Aircraft is confirmed, effective as of this date.

THE BOEING COMPANY

By \_\_\_\_\_

Its Attorney-in-Fact

Dated \_\_\_\_\_

Aircraft Manufacturer's Serial Number \_\_\_\_\_

Boeing Commercial Airplane Group  
P.O. Box 3707  
Seattle, Washington 98124-2207

Attention: Vice President - Contracts  
Mail Stop 75-38

Ladies and Gentlemen:

In connection with the lease by # (Lessor) to \_\_\_\_\_ (Lessee) of the aircraft identified below, reference is made to Purchase Agreement No. \_\_\_\_\_ dated as of \_\_\_\_\_, 19\_\_\_\_, between The Boeing Company (Boeing) and Lessor (the Purchase Agreement) under which Lessor purchased certain Boeing Model \_\_\_\_\_ aircraft, including the aircraft bearing Manufacturer's Serial No.(s) \_\_\_\_\_ (the Aircraft). The Purchase Agreement incorporated by reference Aircraft General Terms Agreement AGTA-CAL (AGTA).

Capitalized terms used herein without definition will have the same meaning as in the Purchase Agreement.

Lessor has leased the Aircraft, including in that lease the transfer to Lessee of all remaining rights related to the Aircraft under the Purchase Agreement. To accomplish this transfer of rights, as authorized by the provisions of the Purchase Agreement:

(1) Lessor authorizes Lessee to exercise, to the exclusion of Lessor, all rights and powers of Lessor with respect to the remaining rights related to the Aircraft under the Purchase Agreement. This authorization will continue until Boeing receives written notice from Lessor to the contrary, addressed to Vice President - Contracts, Mail Stop 75-38, Boeing Commercial Airplane Group, P.O. Box 3707, Seattle, Washington 98124-2207. Until Boeing receives such notice, Boeing is entitled to deal exclusively with Lessee with respect to the Aircraft under the Purchase Agreement. With respect to the rights and obligations of Lessor under the Purchase Agreement, all actions taken or agreements entered into by Lessee during the period prior to Boeing's receipt of this notice are final and binding on Lessor. Further, any payments made by Boeing as a result of claims made by Lessee will be made to the credit of Lessee.

(2) Lessee accepts the authorization above, acknowledges it has reviewed the Purchase Agreement and agrees to be bound by and comply with all applicable terms and conditions of the Purchase Agreement including, without limitation, the DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES in Article 12 of Part 2 of Exhibit C AGTA and the insurance provisions in Article 8.2 of the AGTA. Lessee further agrees, upon the written request of Boeing, to promptly execute and deliver such further assurances and documents and take such further action as Boeing may reasonably request in order to obtain the full benefits of Lessee's agreements in this paragraph.

(3) Lessor will remain responsible for any payments due Boeing as a result of obligations relating to the Aircraft incurred by Lessor to Boeing prior to the effective date of this Notice.

We request that Boeing acknowledges receipt of this letter and confirm the transfer of rights set forth above by signing the acknowledgment and forwarding one copy of this letter to each of the undersigned.

Very truly yours,

# \_\_\_\_\_ Lessee

By \_\_\_\_\_ By \_\_\_\_\_

Its \_\_\_\_\_ Its \_\_\_\_\_

Dated \_\_\_\_\_ Dated \_\_\_\_\_

Receipt of the above letter is acknowledged and transfer of

rights under the Purchase Agreement with respect to the Aircraft  
is confirmed, effective as of this date.

THE BOEING COMPANY

By \_\_\_\_\_

Its \_\_\_\_\_

Dated \_\_\_\_\_

Aircraft Manufacturer's Serial Number \_\_\_\_\_

Boeing Commercial Airplane Group  
P.O. Box 3707  
Seattle, Washington 98124-2207

Attention: Vice President - Contracts  
Mail Stop 75-38

Ladies and Gentlemen:

1. Reference is made to Purchase Agreement No. \_\_\_\_ dated as of \_\_\_\_\_, 19\_\_, between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) (the Purchase Agreement), under which Customer purchased certain Boeing Model \_\_\_\_\_ aircraft including the aircraft bearing Manufacturer's Serial No.(s) \_\_\_\_\_ (the Aircraft). The Purchase Agreement incorporated by reference Aircraft General Terms Agreement AGTA-CAL (AGTA).

Capitalized terms used herein without definition will have the same meaning as in the Purchase Agreement.

To accomplish the appointment of an agent, Customer confirms:

A. Customer has appointed \_\_\_\_\_ as agent (Agent) to act directly with Boeing with respect to the remaining warranties under the Purchase Agreement with respect to the Aircraft and requests Boeing to treat Agent as Customer for the administration of claims with respect to such warranties; provided however, Customer remains liable to Boeing to perform the obligations of Customer under the Purchase Agreement.

B. Boeing may continue to deal exclusively with Agent concerning the matters described herein unless and until Boeing receives written notice from Customer to the contrary, addressed to Vice President - Contracts, Mail Stop 75-38, Boeing Commercial Airplane Group, P.O. Box 3707, Seattle, Washington 98124-2207, U.S.A. With respect to the rights and obligations of Customer under the Purchase Agreement, all actions taken by Agent or agreements entered into by Agent relating to the administration of such warranty claims during the period prior to Boeing's receipt of such notice are final and binding on Customer. Further, any payments made by Boeing as a result of claims made by Agent will be made to the credit of Agent unless otherwise specified when each claim is submitted.

C. Customer will remain responsible for any payments due Boeing as a result of obligations relating to the Aircraft incurred by Customer to Boeing prior to the effective date of this Notice.

We request that Boeing acknowledge receipt of this letter and confirm the appointment of Agent as stated above by signing the acknowledgment and forwarding one copy of this letter to each of the undersigned.

Very truly yours,

Continental Airlines, Inc.

By \_\_\_\_\_

AGENT'S AGREEMENT

Agent accepts the appointment as stated above, acknowledges it has reviewed the Purchase Agreement and agrees that, in exercising any rights or making any claims thereunder, Agent will be bound by and comply with all applicable terms and conditions of the Purchase Agreement including, without limitation, the DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES in Article 12 of Part 2 of Exhibit C to the AGTA. Agent further agrees, upon the written request of Boeing, to promptly execute and deliver such further assurances and documents and take such further action as Boeing may reasonably request in order to obtain the full benefits of the warranties under the Purchase Agreement.

Very truly yours,

Agent

By \_\_\_\_\_

Its \_\_\_\_\_

Dated \_\_\_\_\_

Receipt of the above letter is acknowledged and the appointment of Agent with respect to the above-described rights under the Purchase Agreement is confirmed, effective as of this date.

THE BOEING COMPANY

By \_\_\_\_\_

Its \_\_\_\_\_

Dated \_\_\_\_\_

Aircraft Manufacturer's Serial Number \_\_\_\_\_

Boeing Commercial Airplane Group  
P.O. Box 3707  
Seattle, Washington 98124-2207

Attention: Vice President - Contracts  
Mail Stop 75-38

Ladies and Gentlemen:

This Agreement is entered into between \_\_\_\_\_  
(Contractor) and Continental Airlines, Inc. (Customer) and will  
be effective as of the date stated below.

In connection with Customer's provision to Contractor of certain  
Materials, Proprietary Materials and Proprietary Information,  
reference is made to Purchase Agreement No. \_\_\_\_\_ dated as of  
\_\_\_\_\_, 19\_\_ between The Boeing Company (Boeing) and Customer.

Capitalized terms used herein without definition will have the  
same meaning as in the Purchase Agreement.

Boeing has agreed to permit Customer to make certain Materials,  
Proprietary Materials and Proprietary Information relating to  
Customer's Boeing Model \_\_\_\_\_ aircraft, Manufacturer's Serial  
Number \_\_\_\_\_, Registration No. \_\_\_\_\_ (the Aircraft) available  
to Contractor in connection with Customer's contract with  
Contractor (the Contract) to maintain/repair/modify the Aircraft.  
As a condition of receiving the Proprietary Materials and  
Proprietary Information, Contractor agrees as follows:

1. For purposes of this Agreement:

"Aircraft Software" means software that is installed and  
used in the operation of an Aircraft.

"Materials" are defined as any and all items that are  
created by Boeing or a third party, which are provided directly  
or indirectly from Boeing and serve primarily to contain, convey  
or embody information. Materials may include either tangible  
embodiments (for example, documents or drawings), or intangible  
embodiments (for example, software and other electronic forms) of  
information but excludes Aircraft Software.

"Proprietary Information" means any and all proprietary,  
confidential and/or trade secret information owned by Boeing or a  
Third Party which is contained, conveyed or embodied in  
Proprietary Materials.

"Proprietary Materials" means Materials that contain,  
convey, or embody Proprietary Information.

"Third Party" means anyone other than Boeing, Customer and  
Contractor.

2. Boeing has authorized Customer to grant to Contractor a  
worldwide, non-exclusive, personal and nontransferable license to  
use Proprietary Materials and Proprietary Information, owned by  
Boeing, internally in connection with performance of the Contract  
or as may otherwise be authorized by Boeing in writing.  
Contractor will keep confidential and protect from disclosure to  
any person, entity or government agency, including any person or  
entity affiliated with Contractor, all Proprietary Materials and  
Proprietary Information, except to the extent such disclosure is  
required by law. Individual copies of all Materials are provided  
to Contractor subject to copyrights therein, and all such  
copyrights are retained by Boeing or, in some cases, by Third  
Parties. Contractor is authorized to make copies of Materials  
(except for Materials bearing the copyright legend of a Third  
Party) provided, however, Contractor preserves the restrictive  
legends and proprietary notices on all copies. All copies of  
Proprietary Materials will belong to Boeing and be treated as  
Proprietary Materials under this Agreement.

3. Contractor specifically agrees not to use Proprietary  
Materials or Proprietary Information in connection with the  
manufacture or sale of any part or design, excluding ground  
support equipment and related tools that Boeing has specifically  
designed for Customer use. Unless otherwise agreed with Boeing  
in writing, Proprietary Materials and Proprietary Information may

be used by Contractor only for work on the Aircraft for which such Proprietary Materials have been specified by Boeing. Customer and Contractor recognize and agree that they are responsible for ascertaining and ensuring that all Materials are appropriate for the use to which they are put.

4. Contractor will not attempt to gain access to information by reverse engineering, decompiling, or disassembling any portion of any software provided to Contractor pursuant to this Agreement.

5. Upon Boeing's request at any time, Contractor will promptly return to Boeing (or, at Boeing's option, destroy) all Proprietary Materials, together with all copies thereof and will certify to Boeing that all such Proprietary Materials and copies have been so returned or destroyed.

6. To the extent required by a government regulatory agency having jurisdiction over Contractor, Customer or the Aircraft, Contractor is authorized to provide Proprietary Materials and disclose Proprietary Information to the agency for the agency's use in connection with Contractor's, authorized use of such Proprietary Materials and/or Proprietary Information in connection with Contractor's maintenance, repair, or modification of the Aircraft. Contractor agrees to take reasonable steps to prevent such agency from making any distribution or disclosure, or additional use of the Proprietary Materials and Proprietary Information so provided or disclosed. Contractor further agrees to promptly notify Boeing upon learning of any (i) distribution, disclosure, or additional use by such agency, (ii) request to such agency for distribution, disclosure, or additional use, or (iii) intention on the part of such agency to distribute, disclose, or make additional use of the Proprietary Materials or Proprietary Information.

7. Boeing is a third-party beneficiary under this Agreement, and Boeing may enforce any and all of the provisions of the Agreement directly against Contractor. Contractor hereby submits to the jurisdiction of the Washington state courts and the United States District Court for the Western District of Washington with regard to any claims Boeing may make under this Agreement. It is agreed that Washington law (excluding Washington's conflict-of-law principles) governs this Agreement.

8. No disclosure or physical transfer by Boeing or Customer to Contractor, of any Proprietary Materials or Proprietary Information covered by this Agreement will be construed as granting a license, other than as expressly set forth in this Agreement or any ownership right in any patent, patent application, copyright or proprietary information.

9. The provisions of this Agreement will apply notwithstanding any markings or legends, or the absence thereof, on any Proprietary Materials.

10. This Agreement is the entire agreement of the parties regarding the ownership and treatment of Proprietary Materials and Proprietary Information, and no modification of this Agreement will be effective as against Boeing unless in writing signed by authorized representatives of Contractor, Customer and Boeing.

11. Failure by either party to enforce any of the provisions of this Agreement will not be construed as a waiver of such provisions. If any of the provision of this Agreement is held unlawful or otherwise ineffective by a court of competent jurisdiction, the remainder of the Agreement will remain in full force.

ACCEPTED AND AGREED TO this

Date: \_\_\_\_\_, 19\_\_

Continental Airlines, Inc.

Contractor

By \_\_\_\_\_

\_\_\_\_\_

Its \_\_\_\_\_

\_\_\_\_\_



October 10, 1997  
6-1162-GOC-117

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

Subject: Special Aircraft General Terms Agreement Provisions

Reference: Aircraft General Terms Agreement (the AGTA) between  
The Boeing Company (Boeing) and Continental  
Airlines, Inc. (Customer)

Ladies and Gentlemen:

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

Boeing and Customer agree that the following provisions shall apply in lieu of the provisions currently contained in the referenced AGTA.

1. Article 2 - Price, Taxes and Payment

Remove and replace, in their entirety, Articles 2.2.1 and 2.2.2, with the following:

"In addition to the Purchase Price, Customer shall pay to Boeing upon demand, which shall be accompanied by appropriate documentation and invoice, (a) the amount of any sales, use, value added or other similar transfer taxes, together with any penalties, fines or interest thereon (other than any such penalties, fines or interest resulting from the failure of Boeing seasonably to pay any such tax which it has reason to believe is applicable, unless such nonpayment is directed by Customer) imposed by any federal, state or local taxing authority within the United States and the amount of all taxes imposed by any taxing authority outside the United States, required to be paid by Boeing as a result of any sale, use, delivery, storage or transfer of any Aircraft, accessory, equipment, part, Buyer Furnished Equipment (as defined in paragraph 1.2 to the AGTA), services, instructions or data furnished or delivered under any Purchase Agreement incorporating this AGTA, and (b) if any such Purchase Agreement has been assigned as to any Aircraft, pursuant to Article 9.2 of this AGTA, the amount of any other fees, taxes and related penalties, fines or interest thereon (other than any such penalties, fines or interest resulting from the failure of Boeing seasonably to pay any such fee or tax which it has reason to believe is applicable, unless such nonpayment is directed by Customer) imposed by any federal, state or local taxing authority within the United States required to be paid by Boeing as a result of the sale or delivery of any such Aircraft, accessory, equipment, part, Buyer Furnished Equipment, services, instructions or data furnished or delivered under any Purchase Agreement incorporating this AGTA to the assignee. If Boeing has reason to believe that any such tax is applicable, Boeing shall separately state the amount of such tax in its invoice. If claim is made against Boeing for any such tax, Boeing shall promptly notify Customer. If seasonably requested by Customer in writing, Boeing shall, at Customer's expense, take such action as Customer may reasonably direct with respect to such claim, and any payment by Boeing of such tax shall be made under protest, if protest is necessary and proper. If payment is made, Boeing shall, at Customer's expense, take such action as Customer may reasonably direct to recover such payment and shall, if requested, permit Customer in Boeing's name to file a claim or prosecute an action to recover such payment."

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

3. Article 5 - Representatives, Inspection, Demonstration Flights, Test Data and Performance Guarantee Compliance

Revise Article 5.5 - Special Aircraft Test Requirements, to read as follows:

"Boeing and Customer shall mutually agree on the number of aircraft that Boeing may use for flight and ground tests prior to delivery if such tests are deemed necessary by Boeing

(a) to obtain the certificates required under Article 3.1, and

(i) other aircraft of the type purchased under the applicable Purchase Agreement incorporating this AGTA are not available for such tests, or

(ii) special features incorporated in the aircraft (but not incorporated in other aircraft of the type purchased under the applicable Purchase Agreement incorporating this AGTA) necessitate such tests, or

(iii) the Engines (as defined in Exhibit A to the applicable Purchase Agreement) to be installed on the aircraft are of different manufacture or type from those installed on other aircraft of the type purchased under the applicable Purchase Agreement incorporating this AGTA; or

(b) with Customer's prior written consent, to evaluate actual or contemplated changes for the improvement of aircraft of the type purchased under the applicable Purchase Agreement incorporating this AGTA which may be offered for incorporation, in production or by retrofit, in any aircraft.

Customer shall accept delivery of any aircraft used for such flight and ground tests without any reduction in price for depreciation or wear and tear resulting therefrom."

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

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

6. Article 9 - Exculpatory Clause in Post-Delivery Sale or Lease

Revise Article 9.5, Exculpatory Clause in Post-Delivery Sale or Lease, to read as follows:

"If Customer, at any time up to three (3) years following delivery of any Aircraft, sells or leases such Aircraft and obtains from the transferee any exculpatory or indemnity clause protecting Customer, Customer shall include in such clause equal protection for Boeing (as Boeing is defined in Article 12.3 of Part 2 to Exhibit C to the AGTA)."

7. Article 12 - Miscellaneous

Add a new Article 12.6, Amendments, that reads as follows:

"This AGTA may be changed only in writing signed by authorized representatives of Boeing and Customer."

Add a new Article 12.7, Sample Certificates and Forms, that reads as follows:

"The Certificates and Forms attached to this AGTA as Appendix II through Appendix V are samples which illustrate a form that is acceptable to Boeing. The actual form of any required Certificate or Form is subject to future negotiation to establish terms and conditions and Boeing agrees to accept reasonable changes requested by Customer."

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

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

9.3 Warranty Claim Processing. Notwithstanding the provisions of paragraph 6.3.2 of Part 2 of Exhibit C to the AGTA, Boeing agrees to give written disposition of warranty claims to Customer, and acknowledging Customer's request that such written disposition occur within twenty (20) days of receipt of a warranty claim from Customer, Boeing hereby agrees to give best reasonable efforts to provide such disposition within 30 calendar days or 20 business days.

9.4 Correction Time Objective. Revise the last sentence of paragraph 9.3.1 of Part 2 of Exhibit C to the AGTA to read "The objectives are measured from the date Boeing receives the defective Boeing Product and a valid claim or repair order describing the work to the date Boeing ships the correction."

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

#### 11. Confidential Treatment

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
6-1162-GOC-136

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

Subject: Certain Long Term Contractual Matters

Reference: Aircraft General Terms Agreement (the AGTA) and all Purchase Agreements in effect as of the date hereof (the Purchase Agreements) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer)

Ladies and Gentlemen:

This Letter Agreement documents the agreement between Boeing and Customer with respect to certain long term contractual matters. All terms used but not defined in this Letter Agreement shall have the same meaning as in the AGTA.

1. Requirement Aircraft.

In consideration of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], and other benefits received by Customer under this Letter Agreement, the AGTA and Purchase Agreements in effect between Customer and Boeing, and subject to the terms and conditions of this Letter Agreement, Customer and Boeing agree that Customer shall purchase all of Customer's requirements for new passenger aircraft with seating capacities (in Customer's configuration) ranging between 100 and 400 seats and scheduled for delivery before January 1, 2018 from Boeing. Boeing agrees to sell to Customer all of Customer's requirements for such aircraft. All such aircraft so purchased from Boeing shall hereinafter be referred to as Requirement Aircraft.

2. Availability of Aircraft.

If Boeing for any reason is unable to deliver a new passenger aircraft that has a seating capacity between 100 and 400 seats in the time period required by Customer, Customer may purchase or lease Boeing manufactured aircraft from another source (e.g. leasing companies) to support that requirement. If, after reasonable inquiry, no such Boeing aircraft are available to Customer on terms and conditions deemed reasonable by Customer for delivery in such time period, Customer may elect to purchase or lease non-Boeing aircraft solely for delivery during that time period, but this obligation to purchase and sell will otherwise be unaffected.

3. Enforceability of Paragraphs 1 and 2.

Boeing has agreed with the European Commission (EC) as part of their approval of Boeing's merger with McDonnell Douglas, that Boeing will not enforce the provisions of this Letter Agreement with Customer which require that all of Customer's requirements for aircraft of designated sizes be purchased from Boeing. Boeing will notify Customer promptly in the event of any change in the agreement with the EC.

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

5. Addition of New Aircraft Models and Types.

In the event Customer elects to purchase aircraft models and types that are not yet included in the Purchase Agreements, Boeing agrees to negotiate with Customer in good faith to establish the terms and conditions (to the extent not provided herein) under which Boeing will sell and Customer will purchase such additional aircraft models and types.

6. Corporate Ownership Change, Mergers and Acquisitions.

6.1 If Customer acquires a majority of the outstanding capital stock of another air carrier, the terms of this Letter Agreement shall apply to such entity, however, such air carrier may honor its preexisting firm aircraft orders. If Customer acquires less than a majority of the outstanding capital stock of another air carrier, the terms of this Letter Agreement shall not apply to the other air carrier.

6.2 If another air carrier acquires an interest in Customer, the terms of this Letter Agreement shall not apply to such other air carrier unless consented to in writing by such other air carrier and Boeing.

6.3 In the event of a merger of Customer and another air carrier, if Customer is the surviving entity, then the terms of this Letter Agreement shall apply to such combined entity; provided that such combined entity may honor the pre-existing firm aircraft orders of the other air carrier.

6.4 In the event of a merger of Customer and another air carrier, if Customer is not the surviving entity, then the surviving entity shall be bound by the terms of this Letter Agreement with respect to future aircraft purchases for the combined fleet, but only on a proportional basis calculated by dividing the number of seats in Customer's fleet on aircraft of 100 seats or more immediately prior to the effective date of the merger by the number of seats in the combined fleet on aircraft of 100 seats or more immediately after the effective date of the merger (the Required Percentage). The surviving entity shall be deemed to have met its obligations hereunder if, on the third anniversary of the effective date of the merger, and on every third anniversary thereafter until January 1, 2018, the sum of the total number of seats on Requirement Aircraft purchased by the surviving entity during the three year period immediately preceding the applicable anniversary, divided by the sum of the total number of seats on all new aircraft that have a seating capacity between 100 and 400 seats purchased by the surviving entity during such three year time period, is equal to or greater than the Required Percentage. Excluded from this calculation shall be all undelivered aircraft that were on firm order by both entities prior to the effective date of the merger and aircraft acquired pursuant to paragraphs 2 and 7 hereof.

This paragraph will not negate the obligation by the surviving entity to honor contractual commitments made by Customer or the other air carrier prior to the merger.

#### 7. Used Aircraft.

Nothing under this Letter Agreement will prevent Customer from (i) renewing existing leases for Boeing or non-Boeing aircraft or (ii) acquiring or leasing used aircraft whether or not manufactured by Boeing provided that such aircraft have been in airline service at least one year.

#### 8. Model Substitution.

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

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

#### 9. Advance Payments.

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

#### 10. Option Deposits.

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

#### 14. Pricing of Requirement Aircraft.

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE

15. Credit Memoranda for Requirement Aircraft.

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

16. Aircraft Performance Guarantees.

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

17. Customer Support Provisions for Future Requirement  
Aircraft.

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

18. Warranty Provisions for Requirement Aircraft.

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

19. Assignment.

The commitments contained in this Letter Agreement may not  
be assigned by either party without the prior written consent of  
the other party, except either party may assign its interest to a  
corporation that (i) results from any merger or reorganization of  
such party or (ii) acquires substantially all the assets of such  
party.

20. Confidential Treatment.

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

21. Miscellaneous.

21.1 GOVERNING LAW. THIS LETTER AGREEMENT WILL BE  
INTERPRETED UNDER AND GOVERNED BY THE LAW OF THE STATE OF  
WASHINGTON, U.S.A., EXCEPT THAT WASHINGTON'S CHOICE OF LAW RULES  
SHALL NOT BE INVOKED FOR THE PURPOSE OF APPLYING THE LAW OF  
ANOTHER JURISDICTION.

21.2 Amendments. This Letter Agreement may not be  
amended or modified except in writing signed by both parties.

21.2 Headings. Headings used in this Letter Agreement  
are for convenient reference only and are not intended to affect  
the interpretation of this Letter Agreement.

21.3 Waiver/Severability. Failure by either party to  
enforce any provision of this Letter Agreement will not be  
construed as a waiver. If any provision of this Letter Agreement  
is held unlawful or otherwise ineffective by a court of  
competent jurisdiction, the remainder of the Letter Agreement  
will remain in effect.

21.4 Entire Agreement.

This Letter Agreement contains the entire agreement of the  
parties and supersedes all previous proposals, understandings,  
commitments or representations whatsoever, oral or written, with  
respect to the subject matter hereof.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem  
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis  
Its Vice President

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

PURCHASE AGREEMENT NUMBER 2060

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Relating to Boeing Model 767-400ER Aircraft

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

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6-1162-GOC-086	Special Matters

Purchase Agreement No. 2060

between

The Boeing Company

and

Continental Airlines, Inc.

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This Purchase Agreement No. 2060 is dated as of October 10, 1997, between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to the purchase and sale of Model 767-400ER aircraft. The terms and conditions of the Aircraft General Terms Agreement dated as of October 10, 1997, between the parties, identified as AGTA-CAL (AGTA), are hereby incorporated by reference into this Purchase Agreement.

Article 1. Quantity, Model and Description.

The aircraft to be delivered to Customer will be designated as Model 767-400ER aircraft (the Aircraft). Boeing will manufacture and sell to Customer Aircraft conforming to the configuration described in Exhibit A, which is part of this Purchase Agreement, in the quantities listed in Table 1 to the Purchase Agreement.

Article 2. Delivery Schedule.

The Aircraft will be delivered to Customer in accordance with the scheduled months of delivery listed in the attached Table 1, which is part of this Purchase Agreement. Exhibit B, which is part of this Purchase Agreement, describes certain responsibilities for both Customer and Boeing in order to accomplish the delivery of the Aircraft.

Article 3. Price.

3.1 Aircraft Basic Price. The Aircraft Basic Price is listed in Table 1 and is subject to mutually agreed upon price adjustments and the Escalation Adjustment.

3.2 Advance Payment Base Prices. The Advance Payment Base Prices for the Aircraft are listed in Table 1 and were calculated utilizing the latest escalation factors available to Boeing on the date of this Purchase Agreement projected to the month of scheduled delivery.

3.3 Boeing has not yet established the Aircraft Basic Price for Aircraft scheduled to be delivered after December 31, 2002. The prices listed in Table 1 for such Aircraft are only to provide Customer with an estimate of the applicable Advance Payment Base Prices. Accordingly, the Aircraft Basic Price for such Aircraft will be the sum of the Airframe Price, Optional Features Prices and the Engine Price first published by Boeing for the same model of aircraft and engines to be delivered after December 31, 2002.

Article 4. Payment.

4.1 Boeing acknowledges receipt of a deposit in the amount shown in Table 1 for each Aircraft (Deposit).

4.2 The amounts and payment dates for advance payments to be made by Customer are set forth in the attached Table 1. Advance payments for each aircraft are due on the first business day of the months listed in the attached Table 1.

4.3 For any Aircraft whose scheduled month of delivery is less than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] from the date of this Purchase Agreement, the total amount of advance payments due for payment upon signing of this Purchase Agreement will include all advance payments which are past due in accordance with the standard advance payment schedule set forth in Table 1.

4.4 The Aircraft Price is the total amount Customer will pay to Boeing at the time of delivery of each Aircraft. Such Aircraft Price will be calculated at time of delivery using then available escalation factors to calculate the Escalation Adjustment. The invoice amount for an Aircraft will show the Aircraft Price appropriately adjusted to account for previously received applicable advance payments.

Article 5. Miscellaneous.

5.1 Buyer Furnished Equipment Variables. Supplemental Exhibit BFE1, which is part of this Purchase Agreement, contains vendor selection dates, on dock dates and other variables applicable to the Aircraft.

5.2 Customer Support Variables. Supplemental Exhibit CS1, which is part of this Purchase Agreement, contains the variable information applicable to information, training services and other things furnished by Boeing in support of the Aircraft.

5.3 Engine Escalation Variables. Supplemental Exhibit EE1 contains the applicable engine escalation formula, the engine warranty and the engine patent indemnity for the Aircraft.

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

5.6 Negotiated Agreement; Entire Agreement. This Purchase Agreement, including the provisions of Article 8.2 of the AGTA relating to insurance, and Article 11 of Part 2 of Exhibit C of the AGTA relating to DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES, has been the subject of discussion and negotiation and is understood by the parties; the Aircraft Price and other agreements of the parties stated in this Purchase Agreement were arrived at in consideration of such provisions. This Purchase Agreement, including the AGTA, contains the entire agreement between the parties and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written, with respect to the subject matter hereof, and may be changed only in writing signed by authorized representatives of the parties.

CONTINENTAL AIRLINES, INC.

THE BOEING COMPANY

By /s/ Brian Davis

By /s/ Gunar O. Clem

Its Vice President

Its Attorney in Fact

Table 1 to

Purchase Agreement No. 2060

Aircraft Delivery, Description, Price and Advance Payments

Airframe Model/MTGW: 767-400ER 440,000 Detail Specification: D019T003-A (3/13/97)

Engine Model/  
Thrust Level: CF6-80C2B7F 62,100 Price Base Year: Jul-95

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

Sub-Total of Airframe and Features:

Engine Price (Per Aircraft):

Aircraft Basic Price (Excluding BFE/SPE):

Buyer Furnished Equipment (BFE) Estimate:

Seller Purchased Equipment (SPE) Estimate:

Refundable Deposit per Aircraft at Proposal Acceptance:

Airframe Escalation Data:

Base Year Index (ECI):

Base Year Index (ICI):

Engine Escalation Data:

Base Year Index (CPI):

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

AIRCRAFT CONFIGURATION  
between  
THE BOEING COMPANY  
and  
CONTINENTAL AIRLINES, INC.

Exhibit A to Purchase Agreement Number 2060

AIRCRAFT CONFIGURATION

Dated October 10, 1997  
relating to

BOEING MODEL 767-400ER AIRCRAFT

The Detail Specification is Boeing Detail Specification D019T001-CAL-64E1 dated as of even date herewith. Such Detail Specification will be comprised of Boeing Configuration Specification D019T003, revision A, dated March 13, 1997 as amended to incorporate the Options listed below, including the effects on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Options are set forth in Boeing Document D019TCR1-CAL-64E1. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect such Options. The Aircraft Basic Price reflects and includes all effects of such Options, except such Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment or Seller Purchased Equipment.

The configuration for Customer's 767-400ER will be developed during the first half of 1998. For purposes of calculating the Advance Payment Base Prices listed in Table 1, an estimated amount of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] has been assumed for Optional Features. The [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] includes [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit B to Purchase Agreement Number 2060

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

relating to

BOEING MODEL 767-400ER AIRCRAFT

Both Boeing and Customer have certain documentation and approval responsibilities at various times during the construction cycle of Customer's Aircraft that are critical to making the delivery of each Aircraft a positive experience for both parties. This Exhibit B documents those responsibilities and indicates recommended completion deadlines for the actions to be accomplished. Failure to obtain such completion deadlines shall not be deemed a breach of this Purchase Agreement or reduce or amend the parties' obligations hereunder.

## 1. GOVERNMENT DOCUMENTATION REQUIREMENTS.

Certain actions are required to be taken by Customer in advance of the scheduled delivery month of each Aircraft with respect to obtaining certain government issued documentation.

### 1.1 Airworthiness and Registration Documents.

Not later than 6 months prior to delivery of each Aircraft, Customer will notify Boeing of the registration number to be painted on the side of the Aircraft. In addition, and not later than 3 months prior to delivery of each Aircraft, Customer will, by letter to the regulatory authority having jurisdiction, authorize the temporary use of such registration numbers by Boeing during the pre-delivery testing of the Aircraft.

Customer is responsible for furnishing any temporary or permanent registration certificates required by any governmental authority having jurisdiction to be displayed aboard the Aircraft after delivery.

### 1.2 Certificate of Sanitary Construction.

1.2.1 U.S. Registered Aircraft. Boeing will obtain from the United States Public Health Service, a United States Certificate of Sanitary Construction to be displayed aboard each Aircraft after delivery to Customer.

1.2.2 Non-U.S. Registered Aircraft. If Customer requires a United States Certificate of Sanitary Construction at the time of delivery of the Aircraft, Customer will give written notice thereof to Boeing at least 3 months prior to delivery. Boeing will then use its reasonable best efforts to obtain the Certificate from the United States Public Health Service and present it to Customer at the time of Aircraft delivery.

### 1.3 Customs Documentation.

1.3.1 Import Documentation. If the Aircraft is intended to be exported from the United States, Customer must notify Boeing not later than 3 months prior to delivery of each Aircraft of any documentation required by the customs authorities or by any other agency of the country of import.

1.3.2 General Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Customs Form 7507, General Declaration, for execution by U.S. Customs immediately prior to the ferry flight of the Aircraft. For this purpose, Customer will furnish to Boeing not later than 20 days prior to delivery a complete crew and passenger list and a complete ferry flight itinerary, including point of exit from the United States for the Aircraft.

If Customer intends, during the ferry flight of an Aircraft, to land at a U.S. airport after clearing Customs at delivery, Customer must notify Boeing not later than 20 days prior to delivery of such intention. If Boeing receives such notification, Boeing will provide to Customer the documents constituting a Customs permit to proceed, allowing such Aircraft to depart after any such landing. Sufficient copies of completed Form 7507, along with passenger manifest, will be furnished Customer to cover U.S. stops scheduled for the ferry flight.

1.3.3 Export Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Form 7525V and, immediately prior to the ferry flight, will submit such Form to U.S. Customs in Seattle in order to obtain clearance for the departure of the Aircraft, including any cargo, from the United States. U.S. Customs will deliver the Export Declaration to the U.S. Department of Commerce after export.

## 2. INSURANCE CERTIFICATES.

Unless provided earlier, Customer will provide to Boeing not later than 30 days prior to delivery of the first

Aircraft, a copy of the requisite annual insurance certificate in accordance with the requirements of Article 8 of the AGTA.

### 3 NOTICE OF FLYAWAY CONFIGURATION.

Not later than 20 days prior to delivery of the Aircraft, Customer will provide to Boeing a configuration letter stating the requested "flyaway configuration" of the Aircraft for its ferry flight. This configuration letter should include:

- (i) the name of the company which is to furnish fuel for the ferry flight and any scheduled post-delivery flight training, the method of payment for such fuel, and fuel load for the ferry flight;
- (ii) the cargo to be loaded and where it is to be stowed on board the Aircraft and address where cargo is to be shipped after flyaway;
- (iii) any BFE equipment to be removed prior to flyaway and returned to Boeing BFE stores for installation on Customer's subsequent Aircraft;
- (iv) a complete list of names and citizenship of each crew member and non-revenue passenger who will be aboard the ferry flight; and
- (v) a complete ferry flight itinerary.

### 4. DELIVERY ACTIONS BY BOEING.

4.1 Schedule of Inspections. All FAA, Boeing, Customer and, if required, U.S. Customs Bureau inspections will be scheduled by Boeing for completion prior to delivery or departure of the Aircraft. Customer will be informed of such schedules.

4.2 Schedule of Demonstration Flights. All FAA and Customer demonstration flights will be scheduled by Boeing for completion prior to delivery of the Aircraft.

4.3 Schedule for Customer's Flight Crew. Boeing will inform Customer of the date that a flight crew is required for acceptance routines associated with delivery of the Aircraft.

4.4 Fuel Provided by Boeing. Boeing will provide to Customer, without charge, the amount of fuel shown in U.S. gallons in the table below for the model of Aircraft being delivered and full capacity of engine oil at the time of delivery or prior to the ferry flight of the Aircraft.

Aircraft Model	Fuel Provided
767	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.5 Flight Crew and Passenger Consumables. Boeing will provide food, coat hangers, towels, toilet tissue, drinking cups and soap for the first segment of the ferry flight for the Aircraft.

4.6 Delivery Papers, Documents and Data. Boeing will have available at the time of delivery of the Aircraft certain delivery papers, documents and data for execution and delivery. Boeing will pre-position in Oklahoma City, Oklahoma, for filing with the FAA at the time of delivery of the Aircraft an executed original Form 8050-2, Aircraft Bill of Sale, indicating transfer of title to the Aircraft from Boeing or Boeing's sales subsidiary, to Customer.

4.7 Delegation of Authority. If specifically requested in advance by Customer, Boeing will present a certified copy of a Resolution of Boeing's Board of Directors, designating and authorizing certain persons to act on its behalf in connection with delivery of the Aircraft.

### 5. DELIVERY ACTIONS BY CUSTOMER.

5.1 Aircraft Radio Station License. At delivery Customer will provide its Aircraft Radio Station License to be placed on board the Aircraft following delivery.

5.2. Aircraft Flight Log. At delivery Customer will provide the Aircraft Flight Log for the Aircraft.

5.3 Delegation of Authority. If necessary, Customer will present to Boeing at delivery of the Aircraft an original or certified copy of Customer's Delegation of Authority designating and authorizing certain persons to act on its behalf in connection with delivery of the specified Aircraft.

BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit BFE1 to Purchase Agreement Number 2060

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 767-400ER AIRCRAFT

This Supplemental Exhibit BFE1 contains vendor selection dates, on-dock dates and other variables applicable to the Aircraft.

1. Supplier Selection.

Customer will select and notify Boeing of the suppliers of the galley system and the passenger seats by a date to be mutually agreed to by the parties during the 767-400 configuration discussions to be held in the first half of 1998.

2. On-dock Dates

On or before a date to be mutually agreed to by the parties Boeing will provide to Customer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in-sequence installation of BFE.

CUSTOMER SUPPORT VARIABLES

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit CS1 to Purchase Agreement Number 2060

CUSTOMER SUPPORT VARIABLES

relating to

BOEING MODEL 767-400 AIRCRAFT

Customer and Boeing will conduct planning conferences approximately 12 months before delivery of the first Aircraft, or as otherwise agreed, to develop and schedule a customized Customer Support Program to be furnished by Boeing in support of the Aircraft.

The customized Customer Services Program will be based upon and equivalent to the entitlements summarized below.

Part 1: Maintenance and Flight Training Programs; Operations Engineering Support

1. Maintenance Training.

- 1.1 Airplane General Familiarization Course; 1 class of 24 students;
- 1.2 Mechanical/Power Plant Systems Course; 2 classes of 15 students;
- 1.3 Electrical Systems Course; 2 classes of 15 students;
- 1.4 Avionics Systems Course; 2 classes of 15 students;
- 1.5 Corrosion Prevention & Control Course; 1 class of 10 students;
- 1.6 Aircraft Rigging Course; 1 class of 6 students;
- 1.7 Composite Repair for Technicians - Basic; 1 class of 8 students;
- 1.8 Training materials will be provided to each student. In addition, one set of training materials used in Boeing's training program, including visual aids, Computer Based Training Courseware, color instrument panel wall charts, text/graphics, video programs, etc. will be provided for use in Customer's own training program.

2. Flight Training.

- 2.1 Transition training for 8 flight crews (16 pilots) in 2 classes; The training will consist of ground school (utilizing computer based training), fixed base simulator, full flight simulator and actual aircraft training on Customer's Aircraft.
- 2.2 Flight Dispatcher training; 2 classes of 6 students;
- 2.3 Flight Attendant training; 2 classes of 12 students;
- 2.4 Performance Engineer training in Boeing's regularly scheduled courses; schedules are published twice yearly.
- 2.5 Training materials will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including visual aids, Computer Based Training Courseware, color instrument panel wall charts, text/graphics, video programs, etc. will be provided for use in Customer's own training program.
- 2.6 Additional Flight Operations Services:
  - a. Boeing flight crew personnel to assist in ferrying the first aircraft to Customer's main base;
  - b. Instructor pilots for 90 calendar days for revenue service training assistance;

- c. An instructor pilot to visit Customer 6 months after revenue service training to review Customer's flight crew operations for a 2 week period.

### 3. Planning Assistance.

#### 3.1 Maintenance and Ground Operations.

Upon request, Boeing will visit Customer's main base to evaluate aircraft maintenance facilities, develop recommendations and assist in maintenance planning.

#### 3.2 Spares.

- a) Recommended Spares Parts List (RSPL)  
customized RSPL, data and documents will be provided to identify spare parts required for Customer's support program.
- b) Illustrated Parts Catalog (IPC)  
A customized IPC in accordance with ATA 100 will be provided.
- c) Provisioning Training  
Provisioning training will be provided for Customer's personnel at Boeing's facilities, where documentation and technical expertise are available. Training is focused on the initial provisioning process and calculations reflected in the Boeing RSPL.
- d) Spares Provisioning Conference  
A provisioning conference will be conducted, normally at Boeing's facilities where technical data and personnel are available.

### 4. Technical Data and Documents

The following list contains the documents Customer will receive to support the introduction and operation of the Aircraft. Customer and Boeing will conduct a planning conference approximately 12 months before the first delivery of the Aircraft to mutually determine the proper format (e.g. digital or hard copy) and quantity of Materials to be furnished to Customer.

#### 4.1. Flight Operations.

Airplane Flight Manual  
Operations Manual  
Quick Reference Handbook  
Weight and Balance Manual  
Dispatch Deviation Procedures Guide  
Flight Crew Training Manual  
Baggage/Cargo Loading Manual  
Performance Engineer's Manual  
Jet Transport Performance Methods  
FMC Supplemental Data Document  
Operational Performance Software

#### 4.2. Maintenance.

Aircraft Maintenance Manual  
Wiring Diagram Manual  
Systems Schematics Manual  
Connector Part Number Options Document  
Structural Repair Manual  
Overhaul/Component Maintenance Manual  
Standard Overhaul Practices Manual  
Standard Wiring Practices Manual  
Non-Destructive Test Manual  
Service Bulletins and Index  
Corrosion Prevention Manual  
Fault Isolation Manual  
Fuel Measuring Stick Calibration Document  
Power Plant Buildup Manual  
Built-In Test Equipment (BITE) Manual  
Central Maintenance Computer System Reporting Table  
In Service Activity Report  
All Operator Letters  
Service Letters

Structural Item Interim Advisory  
Maintenance Tips  
Combined Index

- 4.3. Maintenance Planning.
  - Maintenance Planning Data Document
  - Maintenance Planning Data Tasks Masterfile
  - Maintenance Task Cards and Index
  - Maintenance Inspection Intervals Report
- 4.4. Spares.
  - Illustrated Parts Catalog
  - Standards Books
- 4.5. Facilities and Equipment Planning.
  - Facilities and Equipment Planning Document
  - Special Tool and Ground Handling Equipment Drawings and Index
  - Supplementary Tooling Documentation
  - System Test Equipment Document
  - Illustrated Tool and Equipment List/Manual
  - Aircraft Recovery Document
  - Airplane Characteristics for Airport Planning Document
  - Airplane Rescue and Fire Fighting Document
  - Engine Handling Document
- 4.6. Computer Software Index.
- 4.7. Supplier Technical Data.
  - Service Bulletins
  - Ground Support Equipment Data
  - Provisioning Information
  - Component Maintenance/Overhaul Manuals and Index
  - Publications Index
  - Product Support Supplier Directory

5. Additional Customer Support.

In response to a Customer request, Boeing agrees to provide the following additional training and support to Customer at no charge.

5.1 General Familiarization Courses.

Boeing will provide a total of 6 General Familiarization Courses (5 in addition to the 1 General Familiarization Courses described in paragraph 1.1 above).

5.2 Maintenance and Flight Training Materials.

Boeing will provide (i) a total of 2 sets of all training materials (1 in addition to the 1 set described in paragraphs 1.8 and 2.5 above), (ii) the flight training material in digital format and (iii) the source code for the flight training Computer Based Training (CBT).

5.3 Maintenance Instructor in Houston.

On a mutually agreeable date 6 to 8 months prior to delivery of the first Aircraft, Boeing will send a maintenance instructor to Houston, Texas, for sixty days. Such instructor will be qualified to assist Customer with developing and teaching Customer's own maintenance training courses and answer Customer's questions related to the maintenance of the Aircraft. Customer will provide the round trip airfare.

5.4 Additional Flight Training Course.

On a mutually agreeable schedule, Boeing will provide transition training for a total of 24 pilots (8 pilots in addition to the 16 pilots previously committed in paragraph 2.1 above).

5.5 767 Engine Run-up Course.

On a mutually agreeable schedule provide one 767 engine run-up course.

## 5.6 Extra Simulator Sessions

Provide one extra simulator session for 5 students for two Avionics Systems Courses, for two Electrical Systems Courses and for two Mechanical/Powerplant Systems Courses, for a total of 6 extra simulator sessions.

ENGINE ESCALATION,  
ENGINE WARRANTY AND PATENT INDEMNITY

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit EE1 to Purchase Agreement Number 2060

ENGINE ESCALATION,  
ENGINE WARRANTY AND PATENT INDEMNITY

relating to

BOEING MODEL 767-400ER AIRCRAFT

1. ENGINE ESCALATION.

(a) The Aircraft Basic Price of each Aircraft set forth in Table 1 of the Purchase Agreement includes an aggregate price for CF6-80C2 engines and all accessories, equipment and parts provided by the engine manufacturer. The adjustment in Engine price applicable to each Aircraft (Engine Price Adjustment) will be determined at the time of Aircraft delivery in accordance with the following formula:

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

(b) The following definitions will apply herein:

Pe = Engine Price Adjustment

Pb = Engine Base Price (per Aircraft), as set forth in Table 1 of the Purchase Agreement.

CPI is the Composite Price Index, a value determined using the Bureau of Labor Statistics, U.S. Department of Labor actual data in accordance with the formula below. The Index values utilized in the formula will be the numbers shown in the actual data for the ninth month prior to the month of scheduled Aircraft delivery or the ninth month prior to the Base Year Dollars month set forth in Table 1.

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

L = The Labor Index will be equal to the quotient of the value associated with the Aircraft Delivery Month divided by the value associated with the Base Year Dollar month in "Hourly Earnings of Aircraft Engines and Engine Parts Production Workers" SIC 3724, multiplied by 100 and then by 30%.

C = The Industrial Commodities Index will be equal to 30% of the Producer Price Index for "all commodities other than Farm and Foods," Code 3-15 associated with the scheduled Aircraft delivery month.

M = The Metals and Metal Products Index will be equal to 30% of the Producer Price Index for "Metals and Metal Products," Code 10 associated with the scheduled Aircraft delivery month.

E = The Fuel Index will be equal to 10% of the Producer Price Index for "Fuel and Related Products and Power," Code 5 associated with the scheduled Aircraft delivery month.

The Engine Price Adjustment will not be made if it would result in a decrease in the Engine Base Price.

(c) The values of the Average Hourly Earnings and Producer Price Indices used will be those published as of a date 30 days prior to the scheduled Aircraft delivery to Customer. Such values will be considered final and no Engine Price Adjustment will be made after Aircraft delivery for any subsequent changes in published Index values.

(d) In the event the Engine price escalation provisions are made non-enforceable or otherwise rendered null and void by any agency of the United States Government, or if the U.S. Department of Labor, Bureau of Labor Statistics (i) substantially revises the

methodology (in contrast to benchmark adjustments or other corrections of previously published data) or (ii) discontinues publication of any of the data referred to above, General Electric Company (GE) agrees to meet jointly with Boeing and Customer, (to the extent such parties may lawfully do so,) to jointly select a substitute for the revised or discontinued data; such substitute data to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original data as it may have fluctuated had it not been revised or discontinued. If such Engine price escalation provisions, methodology or data publication are subsequently reinstated, Boeing will make adjustments consistent with the agreements defined in this Supplemental Exhibit EE1.

NOTE: The factor (CPI divided by the base year index) by which the Engine Base Price is to be multiplied will be expressed as a decimal and rounded to the nearest thousandth. Any rounding of a number, as required under this Supplemental Exhibit EE1 with respect to escalation of the Engine price, will be accomplished as follows: if the first digit of the portion to be dropped from the number to be rounded is five or greater, the preceding digit will be raised to the next higher number.

## 2. ENGINE WARRANTY AND PRODUCT SUPPORT PLAN.

Boeing has obtained from GE the right to extend to Customer the provisions of GE's Warranty and Product Support Plan; subject, however, to Customer's acceptance of the conditions set forth herein. Accordingly, Boeing hereby extends to Customer and Customer hereby accepts the provisions of GE's Warranty and Product Support Plan hereinafter set forth, and such Warranty and Product Support Plan shall apply to all CF6 turbofan engines including all Modules and Parts thereof (Engines) installed in the Aircraft at the time of delivery or purchased from Boeing by Customer for support of the Aircraft except that, if Customer and GE have executed a General Terms Agreement covering the Engines, then the terms of that Agreement shall be substituted for and supersede the below-stated provisions and such provisions shall be of no force or effect and neither Boeing nor GE shall have any obligation arising therefrom. In consideration for Boeing's extension of the GE Warranty and Product Support Plan to Customer, Customer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CF6 turbofan engines and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities except for the provisions in paragraphs 2.1 (i) and 2.1 (iv) of Part 2 to Exhibit C to the AGTA.

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

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

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit [CONFIDENTIAL MATERIAL OMITTED AND FILED  
SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO  
A REQUEST FOR CONFIDENTIAL TREATMENT] to Purchase Agreement Number  
2060

relating to

BOEING MODEL 767 AIRCRAFT

This is the listing of Covered Components for the Aircraft which relate to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Product Assurance Document to the AGTA and is a part of Purchase Agreement No. 2060.

1. Wing.

- (a) Upper and lower wing skins and stiffeners between the forward and rear wing spars.
- (b) Wing spar webs, chords and stiffeners.
- (c) Inspar wing ribs.
- (d) Inspar splice plates and fittings.
- (e) Main landing gear support structure.
- (f) Wing center section lower beams, spanwise beams and floor beams, but not the seat tracks attached to the beams.
- (g) Wing-to-body structural attachments.
- (h) Engine strut support fittings attached directly to wing primary structure.
- (i) Support structure in the wing for spoilers and spoiler actuators; for aileron hinges and reaction links; and for leading edge devices and trailing edge flaps.
- (j) Leading edge device and trailing edge flap support system.
- (k) Aileron, leading edge device and trailing edge flap internal, fixed attachment and actuator support structure.

2. Body.

- (a) External surface skins and doublers, longitudinal stiffeners, longerons and circumferential rings and frames between the forward pressure bulkhead and the vertical stabilizer rear spar bulkhead, and structural support and enclosure for the APU but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (b) Window and windshield structure but excluding the windows and windshields.
- (c) Fixed attachment structure of the passenger doors, cargo doors and emergency exits excluding door mechanisms and movable hinge components. Sills and frames around the body openings for the passenger doors, cargo doors and emergency exits, excluding scuff plates and pressure seals.
- (d) Nose wheel well structure, including the wheel well walls, pressure deck, forward and aft bulkheads, and the gear support structure.
- (e) Main gear wheel well structure including pressure deck, bulkheads and landing gear beam support structure.
- (f) Floor beams and support posts in the control cab and passenger cabin area, but excluding seat tracks.

- (g) Forward and aft pressure bulkheads.
- (h) Keel structure between the wing front spar bulkhead and the main gear wheel well aft bulkhead, including splices.
- (i) Wing front and rear spar support bulkheads, and vertical and horizontal stabilizer front and rear spar support bulkheads including terminal fittings but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (j) Support structure in the body for the stabilizer pivot and stabilizer screw.

### 3. Vertical Stabilizer.

- (a) External skins between front and rear spars including splices.
- (b) Front, rear and auxiliary spar chords, webs and stiffeners, and attachment fittings between vertical stabilizer and body.
- (c) Inspar ribs.
- (d) Support structure in the vertical stabilizer for rudder hinges, reaction links and actuators.
- (e) Rudder internal, fixed attachment and actuator support structure.
- (f) Rudder hinges and supporting ribs, excluding bearings.

### 4. Horizontal Stabilizer.

- (a) External skins between front and rear spars.
- (b) Front, rear and auxiliary spar chords, webs and stiffeners.
- (c) Inspar ribs.
- (d) Stabilizer center section and fittings splicing to outboard stabilizer including pivot and screw support structure.
- (e) Support structure in the horizontal stabilizer for the elevator hinges, reaction links and actuators.
- (f) Elevator internal, fixed attachment and actuator support structure.

### 5. Engine Strut.

- (a) Strut external surface skin and doublers and stiffeners.
- (b) Internal strut chords, frames and bulkheads.
- (c) Strut to wing fittings and diagonal brace.
- (d) Engine mount support fittings attached directly to strut structure.
- (e) For Aircraft equipped with General Electric or Pratt & Whitney engines only, the engine mounted support fittings.

### 6. Main Landing Gear.

- (a) Outer cylinder.
- (b) Inner cylinder.
- (c) Upper and lower side strut, including spindles and universals.
- (d) Upper and lower drag strut, including spindles and

universals.

- (e) Orifice support tube.
- (f) Downlock links, including spindles and universals
- (g) Torsion links.
- (h) Bogie beam.
- (i) Axles.
- (j) Retraction Links.

7. Nose Landing Gear.

- (a) Outer cylinder.
- (b) Inner cylinder, including axles.
- (c) Orifice support tube.
- (d) Upper and lower drag strut, including lock links.
- (e) Steering plates and steering collar.
- (f) Torsion links.
- (g) Actuator support beam and hanger.
- (h) Retraction Links.

NOTE: The [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Policy does not cover any bearings, bolts, bushings, clamps, brackets, actuating mechanisms or latching mechanisms used in or on the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

October 10, 1997  
2060-2

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

Subject: Demonstration Flights

Reference: Purchase Agreement No. 2060 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 767-400ER aircraft (the Aircraft)

Ladies and Gentlemen:

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

Definition of Terms:

Correction Costs: Customer's or a third party's direct labor costs and the cost of any material required to correct a Flight Discrepancy where direct labor costs are equal to the warranty labor rate in effect between the parties at the time such labor is expended.

Flight Discrepancy: A failure or malfunction of an Aircraft, or the accessories, equipment or parts installed on the Aircraft which results from a defect in the Aircraft, Boeing Product, engine or Supplier Product or a nonconformance to the Detail Specification for the Aircraft.

The AGTA provides that each aircraft will be test flown prior to delivery for the purpose of demonstrating the functioning of such Aircraft and its equipment to Customer; however, Customer may elect to waive this test flight. For each test flight waived, Boeing agrees to provide Customer an amount of jet fuel at delivery that, together with the standard fuel entitlement, totals [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] U.S. gallons.

Further, Boeing agrees to reimburse Customer for any Correction Costs incurred as a result of the discovery of a Flight Discrepancy during the first flight of the aircraft by Customer following delivery to the extent such Correction Costs are not covered under a warranty provided by Boeing, the engine manufacturer or any of Boeing's suppliers.

Should a Flight Discrepancy be detected by Customer which requires the return of the Aircraft to Boeing's facilities at Seattle, Washington, so that Boeing may correct such Flight Discrepancy, Boeing and Customer agree that title to and risk of loss of such Aircraft will remain with Customer. Any such correction by Boeing shall be at no cost to Customer. In addition, it is agreed that Boeing will have responsibility for the Aircraft while it is on the ground at Boeing's facilities in Seattle, Washington, as is chargeable by law to a bailee for mutual benefit, but Boeing shall not be chargeable for loss of use.

To be reimbursed for Correction Costs, Customer shall submit a written itemized statement describing any flight discrepancies and indicating the Correction Cost incurred by Customer for each discrepancy. This request must be submitted to Boeing's Contracts Regional Director at Renton, Washington, within ninety (90) days after the first flight by Customer.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
2060-3

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

Subject: Spares Initial Provisioning

Reference: Purchase Agreement No. 2060 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 767-400ER aircraft (the Aircraft)

Ladies and Gentlemen:

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

1. Applicability.

This Letter Agreement will apply to initial provisioning for the Model 767-400ER Aircraft purchased by Customer under the Purchase Agreement.

2. Initial Provisioning Meeting.

Boeing will conduct an initial provisioning meeting (Initial Provisioning Meeting) with Customer to establish mutually agreeable procedures to accomplish Customer's initial provisioning of spare parts for the Aircraft. The parties will agree, during the Initial Provisioning Meeting on the operational data to be provided by Customer for Boeing's use in preparing its quantity recommendations for initial provisioning of spare parts for the Aircraft, exclusive of special tools, ground support equipment, engines and engine parts (Provisioning Items). Such operational data to be provided by Customer will be the data described in Section E of Boeing Manual D6-49090, entitled "Initial Provisioning Implementation Manual, Boeing Model 757, 767, 777, 747-400 and 737-300, -400 and -500" (Boeing Initial Provisioning Implementation Manual) which will be furnished to Customer prior to the Initial Provisioning Meeting. The parties will also agree on the provisioning documentation data to be provided by Boeing. Such data will be essentially in accordance with the provisions of Chapter 1 of ATA International Specification 2000, Revision 1, dated April 20, 1989, as described in Boeing Initial Provisioning Implementation Manual D6-49090 (such data will be hereinafter referred to collectively as the "Provisioning Data"). Boeing will provide instruction in the use of the initial provisioning documentation. This instruction will be provided in conjunction with the Initial Provisioning Meeting. In addition, the parties will discuss spares ordering procedures and other matters related to the provisioning for the Aircraft. The time and location for such Initial Provisioning Meeting will be mutually agreed upon between the parties.

3. Initial Provisioning Documentation.

3.1 Provisioning Data. Boeing will furnish Provisioning Data to Customer on or about August 1, 1999. The Provisioning Data will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Customer for initial provisioning for the Aircraft. The Provisioning Data will set forth the prices for Provisioning Items which are Boeing Spare Parts and such prices will be firm and remain in effect until the date or dates set forth below in Paragraph 4.1, Boeing Spare Parts, by which orders must be placed with Boeing. Boeing will, from time to time, until a date approximately 90 days following delivery of the last Aircraft or until the delivery configuration of each of the Aircraft is reflected in the Provisioning Data,

whichever is later, furnish to Customer revisions to the Provisioning Data.

3.2 Provisioning IPC. Boeing will, on or about July 1, 1999, furnish to Customer a Boeing Illustrated Parts Catalog (IPC), hereinafter referred to as the "Provisioning IPC." The Provisioning IPC will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Customer for initial provisioning for the Aircraft. Boeing will, from time to time, until a date approximately 90 days following delivery of the last Aircraft, or until the delivery configuration of each of the Aircraft is reflected in the Provisioning IPC, whichever is later, furnish to Customer revisions to the Provisioning IPC.

### 3.3 Buyer Furnished Equipment (BFE) Provisioning Data.

3.3.1 Boeing's Responsibility. Boeing will include BFE end items in the Provisioning Data and Provisioning IPC for BFE installed on Customer's Aircraft provided such equipment has been installed on other Aircraft by Boeing and Boeing has data on the BFE.

3.3.2 Customer's Responsibility. Customer will be responsible for ensuring BFE data is provided to Boeing by the BFE supplier in a format reasonably acceptable to Boeing for BFE not covered by 3.3.1 above. If the data is not provided to Boeing in a timely manner and in a format reasonably acceptable to Boeing, such BFE equipment will not be included in Boeing's Provisioning Data or IPC.

3.4 Other Data. Boeing will submit to Customer listings of raw materials, standard parts and bulk materials to be used by Customer in the maintenance and repair of the Aircraft.

## 4. Purchase from Boeing of Spare Parts as Initial Provisioning for the Aircraft.

4.1 Boeing Spare Parts. Customer will place orders for Provisioning Items by October 1, 1999; provided, however, that in those instances where Boeing submits any revision to the Provisioning Data, Customer will place orders for Boeing Spare Parts covered by such revision within 90 days following the date of such submittal. At Customer's request, Boeing will process "controlled shipments" by shipping full or partial quantities of an order on a schedule specified by Customer, provided the final shipment is made no later than 24 months after receipt of the order.

4.2 Vendor Provisioning Items. Customer may place orders with Boeing for Provisioning Items which are manufactured by vendors or to their detailed design and are covered by the Provisioning Data as initial provisioning for the Aircraft. The price to Customer for any such vendor Provisioning Item will be [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the vendor's quoted price to Boeing therefor. If Customer elects to purchase such vendor Provisioning Items from Boeing, Customer will place its orders therefor in accordance with the provisions of Paragraph 4.1, Boeing Spare Parts.

4.3 Ground Support Equipment and Special Tools. Customer may place orders with Boeing for ground support equipment (GSE) and special tools manufactured by vendors which Customer determines it will initially require for maintenance, overhaul and servicing of the Aircraft and/or engines. The price to Customer for such GSE or special tools will be [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the vendor's quoted price to Boeing therefor. If Customer elects to purchase such GSE and special tools from Boeing, Customer will place its orders therefor by the date set forth in Paragraph 4.1, Boeing Spare Parts or such later date as the parties may mutually agree.

4.4 Spare Engines and Engine Spare Parts. Customer may place orders with Boeing for spare engines and/or engine spare parts which Customer determines it will initially require for support of the Aircraft or for maintenance and overhaul of the engines. The price to Customer for such spare engines or such engine spare parts, will be [CONFIDENTIAL MATERIAL OMITTED AND

FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the engine manufacturer's quoted price to Boeing for the engine, and [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the engine manufacturer's quoted price to Boeing for the engine spare parts. If Customer elects to purchase such spare engines or engine spare parts through Boeing, Customer will place its orders on a date to be mutually agreed upon during the Initial Provisioning Meeting.

4.5 QEC Kits. Boeing will, on or about July 1, 1999, furnish to Customer a listing of all components which could be included in the Quick Engine Change (QEC) kits which may be purchased by Customer from Boeing. Customer agrees to review such listing and indicate by marking on one copy of such listing those components that Customer desires included in its QEC kits. Customer will return such marked copy to Boeing within 30 days after Customer's receipt of such listing. Within 30 days after Boeing's receipt of such marked copy, Boeing will republish such listing to reflect only those components selected by Customer and will provide copies of such republished listing to Customer. Boeing will from time to time furnish revisions to such republished listing until a date approximately 90 days after delivery of the last QEC kit ordered by Customer for the Aircraft. Boeing will furnish to Customer as soon as practicable a statement setting forth a firm price for the QEC kit configuration selected by Customer. Customer agrees to place orders with Boeing for the QEC kits for the Aircraft by October 1, 1999.

4.6 Payment for Provisioning Items. The payment provisions of the Customer Services General Terms Agreement (CSGTA) between Boeing and Customer will be applicable to Provisioning Items ordered by Customer from Boeing for the Aircraft.

## 5. Delivery.

Boeing will, insofar as reasonably possible, deliver to Customer the Spare Parts ordered by Customer in accordance with the provisions of this letter on dates reasonably calculated to conform to Customer's anticipated needs in view of the scheduled deliveries of the Aircraft. Customer and Boeing will agree upon the date to begin delivery of the Provisioning Spare Parts ordered in accordance with this letter. Where appropriate, Boeing will arrange for shipment of such Spare Parts, which are manufactured by vendors, directly to Customer from the applicable vendor's facility. The routing and method of shipment for initial deliveries and all subsequent deliveries of such Spare Parts will be as mutually agreed between Boeing and Customer.

## 6. Substitution for Obsolete Spare Parts.

6.1 Obligation to Substitute. In the event that, prior to delivery of the first Aircraft pursuant to the Purchase Agreement, any Spare Part purchased by Customer from Boeing in accordance with this letter is rendered obsolete or unusable due to the redesign of the Aircraft or of any accessory, equipment or part thereof (other than a redesign at Customer's request), Boeing will deliver to Customer new and usable Spare Parts in substitution for such obsolete or unusable Spare Parts and Customer will return the obsolete or unusable Spare Parts to Boeing. Boeing will credit Customer's account with Boeing with the price paid by Customer for any such obsolete or unusable Spare Part and will invoice Customer for the purchase price of any such substitute Spare Part delivered to Customer.

6.2 Delivery of Obsolete Spare Parts and Substitutes Therefor. Obsolete or unusable Spare Parts returned by Customer pursuant to this Item will be delivered to Boeing at its Seattle Distribution Center, or such other destination as Boeing may reasonably designate. Spare Parts substituted for such returned obsolete or unusable Spare Parts will be delivered to Customer at Boeing's Seattle Distribution Center, or such other Boeing shipping point as Boeing may reasonably designate. Boeing will pay the freight charges for the shipment from Customer to Boeing of any such obsolete or unusable Spare Part and for the shipment from Boeing to Customer of any such substitute Spare Part.

## 7. Repurchase of Provisioning Items.

7.1 Obligation to Repurchase. During a period commencing 1 year after delivery of the first Aircraft under the Purchase Agreement, and ending 5 years after such delivery, Boeing will, upon receipt of Customer's written request and subject to the exceptions in Paragraph 7.2, Exceptions, repurchase unused and undamaged Provisioning Items which (i) were recommended by Boeing in the Provisioning Data as initial provisioning for the Aircraft, (ii) were purchased by Customer from Boeing, and (iii) are surplus to Customer's needs.

7.2 Exceptions. Boeing will not be obligated under Paragraph 7.1, Obligation to Repurchase, to repurchase any of the following: (i) quantities of Provisioning Items in excess of those quantities recommended by Boeing in the Provisioning Data for the Aircraft, (ii) QEC Kits, bulk material bits, raw material kits, service bulletin kits, standards kits and components thereof (except those components listed separately in the Provisioning Data), (iii) Provisioning Items for which an Order was received by Boeing more than 8 months after delivery of the last Aircraft, (iv) Provisioning Items which have become obsolete or have been replaced by other Provisioning Items as a result of (a) Customer's modification of the Aircraft or (b) design improvements by Boeing or the vendor (other than Provisioning Items which have become obsolete because of a defect in design if such defect has not been remedied by an offer by Boeing or the vendor to provide no charge retrofit kits or replacement parts which correct such defect), and (v) Provisioning Items which become excess as a result of a change in Customer's operating parameters, provided to Boeing pursuant to the Initial Provisioning meeting in Paragraph 2, which were the basis of Boeing's initial provisioning recommendations for the Aircraft.

7.3 Notification and Format. Customer will notify Boeing, in writing, when Customer desires to return Provisioning Items which Customer's review indicates are eligible for repurchase by Boeing under the provisions of this Repurchase of Provisioning Items paragraph. Customer's notification will include a detailed summary, in part number sequence, of the Provisioning Items Customer desires to return. Such summary will be in the form of listings, tapes, diskettes or other media as may be mutually agreed between Boeing and Customer, and will include part number, nomenclature, purchase order number, purchase order date and quantity to be returned. Within 5 business days after receipt of Customer's notification, Boeing will advise Customer, in writing, when Boeing's review of such summary will be completed, but in no case will the Boeing review be completed more than 30 days after receipt of Customer's notification.

7.4 Review and Acceptance by Boeing. Upon completion of Boeing's review of any detailed summary submitted by Customer pursuant to Paragraph 7.3, Boeing will issue to Customer a Material Return Authorization (MRA) for those Provisioning Items Boeing agrees are eligible for repurchase in accordance with this Repurchase of Provisioning Items paragraph. Boeing will advise Customer of the reason that any spare part included in Customer's detailed summary is not eligible for return. Boeing's MRA will state the date by which Provisioning Items listed in the MRA must be redelivered to Boeing and Customer will arrange for shipment of such Provisioning Items accordingly.

7.5 Price and Payment. The price of each Provisioning Item repurchased by Boeing pursuant to this Repurchase of Provisioning Items paragraph will be an amount equal to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the original invoice price thereof. In the case of Provisioning Items manufactured by a vendor which were purchased pursuant to Paragraph 4, Purchase from Boeing of Spare Parts as Initial Provisioning for the Aircraft, hereof the repurchase price will not include Boeing's [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] handling charge. Boeing will pay the repurchase price by issuing a credit memorandum in favor of Customer which may be applied against amounts due Boeing for the purchase of aircraft, Spare Parts, services or data.

7.6 Delivery of Provisioning Items. Provisioning Items repurchased by Boeing pursuant to this Repurchase of Provisioning Items paragraph will be delivered to Boeing at its Seattle

Distribution Center, or such other destination as Boeing may reasonably designate. Boeing will pay the freight charges for the shipment from Customer to Boeing of any such Provisioning Items.

8. Obsolete Spare Parts and Surplus Provisioning Items - Title and Risk of Loss.

Title to and risk of loss of any obsolete or unusable Spare Parts returned to Boeing pursuant to Paragraph 6, Substitution for Obsolete Spare Parts, will pass to Boeing upon delivery thereof to Boeing. Title to and risk of loss of any Spare Part substituted for an obsolete or unusable Spare Part pursuant to Paragraph 6, Substitution for Obsolete Spare Parts, will pass to Customer upon delivery thereof to Customer. Title to and risk of loss of any Provisioning Item repurchased by Boeing pursuant to Paragraph 7, Repurchase of Provisioning Items, will pass to Boeing upon delivery thereof to Boeing. With respect to the obsolete or unusable Spare Parts which may be returned to Boeing and the Spare Parts substituted therefor, pursuant to Paragraph 6, and the Provisioning Items which may be repurchased by Boeing, pursuant to Paragraph 7, the party which has risk of loss of any such Spare Part or Provisioning Item will have the responsibility of providing any insurance coverage for it desired by such party.

9. Supplier Support.

Boeing has entered, or anticipates entering, into product support agreements with suppliers (Boeing Suppliers) of major system components manufactured by such Suppliers to be installed on the Aircraft (Supplier Components). Such product support agreements commit, or are expected to commit, the Boeing Suppliers to provide to Boeing's customers and/or such customer's designees support services with respect to the Supplier Components which can be reasonably expected to be required during the course of normal operation. This support includes but is not limited to shelf-stock of certain spare parts, emergency spare parts, timely delivery of spare parts, and technical data related to the Supplier Components. Copies of such product support agreements will be provided to Customer on or about October 1, 1999, in Boeing Document D6-56115, Volumes 1 and 2. In the event Customer has used due diligence in attempting to resolve any difficulty arising in normal business transactions between Customer and a Boeing Supplier with respect to product support for a Supplier Component manufactured by such Supplier and if such difficulty remains unresolved, Boeing will, if requested by Customer, assist Customer in resolving such difficulty. Assistance will be provided by the Spares Supplier Support and Data Management Organization within the Boeing Buyer Services Division.

10. Termination for Excusable Delay.

In the event of termination of the Purchase Agreement with respect to any Aircraft pursuant to Article 7 of the AGTA, such termination will, if Customer so requests by written notice received by Boeing within 15 days after such termination, also discharge and terminate all obligations and liabilities of the parties as to any Spare Parts which Customer had ordered pursuant to the provisions of this letter as initial provisioning for such Aircraft and which are undelivered on the date Boeing receives such written notice.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
2060-4

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

Subject: Flight Crew Training Spare Parts Support

Reference: Purchase Agreement No. 2060 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 767-400ER aircraft (the Aircraft)

Ladies and Gentlemen:

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

Definition of Terms:

Flight Crew Training: Flight training occurring immediately following delivery using Boeing facilities.

Removed Parts: Parts removed from an Aircraft during Flight Crew Training.

Replacement Parts: Parts taken from Boeing inventory and installed in an Aircraft because no Standby Parts are available.

Standby Parts: Parts which are owned by Customer and located at Customer's designated storage area at Boeing to support Flight Crew Training. The Standby Parts list, including part numbers, exact quantities and on-dock dates, will be established during the spares provisioning meeting.

Training Aircraft: The Aircraft delivered to Customer used for Flight Crew Training.

#### 1. Provisioning of Spare Parts

To support Flight Crew Training, Boeing agrees to provide normal line maintenance and expendable spare parts at no charge on the Training Aircraft; and, Customer agrees to provide Standby Parts for the Training Aircraft.

If parts other than those discussed above fail, Boeing will attempt to provide Replacement Parts for those failed parts in order to prevent extended down time on the Training Aircraft. If Boeing is unable to provide Replacement Parts, Customer will be responsible for providing those parts.

#### 2. Disposition of Removed Parts

Boeing may with Customer consent either:

(i) repair such Removed Parts, at no charge to Customer, and either retain such parts as Standby Parts or return the Removed Parts to Customer, at Customer expense; or

(ii) return the Removed Parts to Customer at Customer's expense; or

(iii) return the Removed Parts to the manufacturer for repair or replacement under such manufacturer's warranty. Upon Boeing's receipt of the repaired Removed Parts or their replacements, Boeing may retain such Removed Parts or their replacements as Standby Parts or return such Removed Parts or their replacements to Customer, at Customer's expense. Any Removed Parts returned to

Customer, or replacements, will be accomplished in accordance with any written instructions from Customer received by Boeing prior to such return.

3. Payment for of Replacement Parts

Boeing will invoice Customer for Replacement Parts at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4. Redelivery of Standby Parts

Standby Parts not installed in the Training Aircraft will be redelivered to Customer on board the last aircraft used for Flight Crew Training.

5. Non-performance by Customer

If Customer's non-performance of obligations in this Letter Agreement causes a delay in the Flight Crew Training, Customer will be deemed to have agreed to any such delay in Flight Crew Training. In addition, Boeing will have the right to:

(i) purchase Standby Parts and invoice Customer for the price of such Parts and for any necessary adjustment and calibration of such Parts;

(ii) cancel or reschedule the Flight Crew Training;  
or

(iii) invoice Customer for any out-of-pocket expenses, including but not limited to ground handling expenses, maintenance costs and storage costs, that are directly attributable to the delay in the Flight Crew Training.

6. Customer Warranty

Customer warrants that the Standby Parts will meet the requirements of the Detail Specification and be in a condition to pass Boeing's receipt inspection and functional test, and if not in a new condition, will have an attached FAA Serviceable Parts Tag.

7. Title and Risk of Loss

Title to and risk of loss of any Standby Parts or Removed Parts will remain with Customer. Boeing will have only such liability for Standby Parts and Removed Parts as a bailee for mutual benefit would have, but will not be liable for loss of use. For Replacement Parts, title will transfer to Customer at the time such part is installed on the Training Aircraft.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
2060-5

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

Subject: Escalation Sharing

Reference: Purchase Agreement No. 2060 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 767-400ER aircraft (the Aircraft)

Ladies and Gentlemen:

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

1. Commitment.

Boeing agrees to share one-half of the escalation, up to a maximum of 3 percent per year, in each of the years 1997 and 1998 according to the terms in paragraph 2 below for any of Customer's aircraft which are scheduled to deliver after December 31, 1996. For the purpose of this Letter Agreement such aircraft are referred to as "Eligible Aircraft."

All escalation calculations under this Letter Agreement will be made in accordance with Exhibit D to the AGTA between Boeing and Customer, using actual escalation indices published for the applicable period.

2. Escalation Credit Memo.

2.1 Calculation - Eligible Aircraft Delivering in 1997.

At the time of delivery of each Eligible Aircraft delivering in 1997, Boeing will issue to Customer a credit memorandum (the 1997 Credit Memorandum) which will be applied to the Aircraft Price of such Eligible Aircraft. The 1997 Credit Memorandum is calculated as follows:

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

2.2 Calculation - Eligible Aircraft Delivering in 1998.

At the time of delivery of each Eligible Aircraft delivering in 1998, Boeing will issue to Customer a credit memorandum (the 1998 Credit Memorandum) which shall be applied to the Aircraft Price of such Eligible Aircraft. The 1998 Credit Memorandum shall be calculated as follows:

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

2.3 Eligible Aircraft Delivering after 1998.

For Eligible Aircraft delivering after the calendar year 1998, the amount of the Credit Memorandum will be the amount calculated pursuant to paragraph 2.2 above through December 1998. This credit memorandum amount will be escalated from December 1998 to the month of delivery in accordance with Exhibit D to the AGTA.

3. Advance Payment Base Price.

It is agreed that the Advance Payment Base Prices for the Eligible Aircraft set forth in the Purchase Agreement include an estimate for the escalation sharing Credit Memorandum pursuant to this Letter Agreement.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
6-1162-GOC-084

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

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

Reference: Purchase Agreement No. 2060 (the Purchase Agreement)  
between The Boeing Company (Boeing) and Continental  
Airlines, Inc. (Customer) relating to Model 767-  
400ER aircraft (the Aircraft)

Ladies and Gentlemen:

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

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

October 10, 1997  
6-1162-GOC-085

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

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

Reference: Purchase Agreement No. 2060 (the Purchase Agreement)  
between The Boeing Company (Boeing) and Continental  
Airlines, Inc. (Customer) relating to Model 767-  
400ER aircraft (the Aircraft)

Ladies and Gentlemen:

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
6-1162-GOC-086

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

Subject: Special Matters

Reference: Purchase Agreement No. 2060 (the Purchase Agreement)  
between The Boeing Company (Boeing) and Continental  
Airlines, Inc. (Customer) relating to Model 767-  
400ER aircraft (the Aircraft)

Ladies and Gentlemen:

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

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

3. Payment of Interest on Deferred Advance Payments.

3.1 Interest Rate for Firm Aircraft. Customer agrees to pay interest on all amounts which are deferred pursuant to Paragraph 2.1 of this Letter Agreement at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Such interest shall accrue from and include the date on which such payments would have been due but for the execution of this Letter Agreement to but excluding the date on which such amounts are paid in full. Interest shall be due and payable on the first business day of each calendar quarter and on the delivery date of any Aircraft that had a deferred advance payment schedule. (Note: the interest rate as determined above will be use for the entire calendar quarter; e.g., the interest rate determined based on [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].)

3.2 Delivery Delay Impact on Interest Calculations. If the delivery of any Aircraft is delayed due to either an excusable or a non-excusable delay, then interest on the deferred advance payments in respect of such Aircraft will not accrue during the time period from the last working day of the scheduled delivery month to the day of delivery of the Aircraft. Payment of any interest that has accrued prior to the start of the delay but remains unpaid will be paid on the normal quarterly interest payment schedule set forth in Paragraph 3.1 of this Letter Agreement or on the delivery date of the Aircraft, whichever comes first.

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

4. Model Substitution.

After delivery of the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft, Customer may elect to substitute Model 777-200IGW aircraft for any undelivered Aircraft, subject to (i) Boeing having an available position in the desired delivery month, (ii) the configuration of the substitute aircraft having been established, (iii) Boeing

production constraints, and (iv) receipt of written concurrence from the engine manufacturer acceptable to both Customer and Boeing.

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

6. CF6-80C2B8F Engines.

Boeing and General Electric have entered into a Memorandum of Understanding with respect to the offerability of the CF6-80C2B8F (B8F) engine on model 767-400 aircraft. The definitive agreement between Boeing and General Electric is scheduled to be executed by the end of October, 1997. In the event Customer selects the B8F engine for the Aircraft after Boeing and General Electric have entered into a definitive agreement to offer the B8F engine, Boeing will make the necessary revisions to the Purchase Agreement to reflect the installation of such B8F engines. Boeing commits that the price Boeing charges Customer for the B8F engines will be the same price that General Electric charges Boeing for such B8F engines.

7. Aircraft Invoices.

Upon Customer request, at time of Aircraft delivery Boeing agrees to provide a separate invoice addressed to the owner/trustee of such Aircraft specifying the dollar amount to be received at time of delivery. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

8. Assignment of Credits.

Customer may not assign the credit memoranda described in this Letter Agreement without Boeing's prior written consent other than in circumstances where Boeing provides or arranges lease equity financing to Customer in respect of an Aircraft.

9. Confidential Treatment.

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

Very truly yours,

THE BOEING COMPANY

By\_\_\_/s/ Gunar O. Clem\_\_\_\_\_

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By\_\_\_/s/ Brian Davis\_\_\_\_\_

Its Vice President\_\_\_\_\_

Supplemental Agreement No. 1

to

Purchase Agreement No. 2060

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 767 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of December 18, 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 (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2060 dated October 10, 1997, (the Purchase Agreement) relating to Boeing Model 767-400ER aircraft, (Aircraft); and

WHEREAS, Customer has purchased [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] additional Model 777-200IGW aircraft and as a result Customer wishes to delete from the Purchase Agreement the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft that deliver in [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]; and

WHEREAS, Boeing and Customer have mutually agreed to amend the Purchase 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 Purchase 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. 1.

2. Table 1:

Remove and replace, in its entirety, "Table 1, Aircraft Delivery, Description, Price and Advance Payments" with the revised "Table 1, Aircraft Delivery, Description, Price and Advance Payments", pages 1 and 2, attached hereto, to reflect the revised delivery schedule for the Aircraft.

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: /s/ Gunar P. Clem

By: /s/ Brian Davis

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ARTICLES

Revised By:

1. Quantity, Model and Description
2. Delivery Schedule
3. Price
4. Payment
5. Miscellaneous

TABLE

1. Aircraft Information Table SA No. 1

EXHIBIT

- A. Aircraft Configuration
- B. Aircraft Delivery Requirements and Responsibilities

SUPPLEMENTAL EXHIBITS

- BFE1. BFE Variables
- CS1. Customer Support Variables
- EE1. Engine Escalation/Engine Warranty  
and Patent Indemnity

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

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LETTER AGREEMENTS

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2060-2	Demonstration Flights
2060-3	Spares Initial Provisioning
2060-4	Flight Crew Training Spares
2060-5	Escalation Sharing

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Revised By:

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

6-1162-GOC-086 Special Matters

SUPPLEMENTAL AGREEMENTS

Dated as of:

Supplemental Agreement No. 1

December 18, 1997

Table 1 to  
Supplemental Agreement No. 1 to Purchase Agreement No. 2060  
Aircraft Delivery, Description, Price and Advance Payments

Airframe Model/MTGW: 767-400ER      440,000      Detail Specification: D019T003-A (3/13/97)

Engine Model/  
Thrust Level:      CF6-80C2B7F      62,100      Price Base Year: Jul-95

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

Optional Features:

Sub-Total of Airframe and Features:

Engine Price (Per Aircraft):

Aircraft Basic Price (Excluding BFE/SPE):

Buyer Furnished Equipment (BFE) Estimate:

Seller Purchased Equipment (SPE) Estimate:

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

PURCHASE AGREEMENT NO. 2061\*

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Relating to Boeing Model 777-200IGW Aircraft

\* Purchase Agreement No. 2061 was formerly known as Purchase Agreement No. 1785.

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ARTICLES	SA NUMBER
1. Quantity, Model and Description	
2. Delivery Schedule	
3. Price	
4. Payment	
5. Miscellaneous	

  

1. Aircraft Information Table	
-------------------------------	--

  

A. Aircraft Configuration	
B. Aircraft Delivery Requirements and Responsibilities	

SUPPLEMENTAL EXHIBITS

- BFE1. BFE Variables
- CS1. Customer Support Variables
- EE1. Engine Escalation/Engine Warranty and Patent Indemnity

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE



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LETTER AGREEMENTS	SA NUMBER
2061-1	Option Aircraft
2061-2	Demonstration Flights
2061-3	Installation of Cabin Systems Equipment
2061-4	Spares Initial Provisioning
2061-5	Flight Crew Training Spares

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

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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	
6-1162-G0C-089 Special Matters	

Purchase Agreement No. 2061

between

The Boeing Company

and

Continental Airlines, Inc.

---

This amended and restated Purchase Agreement No. 2061 (formerly known as Purchase Agreement No. 1785) is dated as of October 10, 1997, between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to the purchase and sale of Model 777-200IGW aircraft. The terms and conditions of the Aircraft General Terms Agreement dated as of October 10, 1997, between the parties, identified as AGTA-CAL (AGTA), are hereby incorporated by reference into this Purchase Agreement.

RECITALS

A. Boeing and Customer previously entered into Purchase Agreement No. 1785 dated March 18, 1993, as amended and supplemented.

B. Boeing and Customer now desire to further amend and restate the terms and conditions of their agreement and to reflect their entire agreement in this amended and restated Purchase Agreement No. 2061 (Purchase Agreement).

C. For the avoidance of doubt, this Purchase Agreement contains the entire agreement between the parties and replaces and supersedes Purchase Agreement No. 1785.

Now therefore, the parties agree as follows:

Article 1. Quantity, Model and Description.

The aircraft to be delivered to Customer will be designated as Model 777-200IGW aircraft (the Aircraft). Boeing will manufacture and sell to Customer Aircraft conforming to the configuration described in Exhibit A, which is part of this Purchase Agreement, in the quantities listed in Table 1 to the Purchase Agreement.

Article 2. Delivery Schedule.

The Aircraft will be delivered to Customer in accordance with the scheduled months of delivery listed in the attached Table 1, which is part of this Purchase Agreement. Exhibit B, which is part of this Purchase Agreement, describes certain responsibilities for both Customer and Boeing in order to accomplish the delivery of the Aircraft.

Article 3. Price.

3.1 Aircraft Basic Price. The Aircraft Basic Price is listed in Table 1 and is subject to mutually agreed upon price adjustments and the Escalation Adjustment.

3.2 Advance Payment Base Prices. The Advance Payment Base Prices for the Aircraft are listed in Table 1 and were calculated utilizing the latest escalation factors available to Boeing on the date of this Purchase Agreement projected to the month of scheduled delivery.

3.3 Boeing has not yet established the Aircraft Basic Price for Aircraft scheduled to be delivered after December 31, 2002. The prices listed in Table 1 for such Aircraft are only to provide Customer with an estimate of the applicable Advance Payment Base Prices. Accordingly, the Aircraft Basic Price for such Aircraft will be the sum of the Airframe Price, Optional Features Prices and the Engine Price first published by Boeing for the same model of aircraft and engines to be delivered after December 31, 2002.

Article 4. Payment.

4.1 Boeing acknowledges receipt of a deposit in the amount shown in Table 1 for each Aircraft (Deposit).

4.2 The amounts and payment dates for advance payments to be made by Customer are set forth in the attached Table 1. Advance payments for each aircraft are due on the first business day of the months listed in the attached Table 1.

4.3 For any Aircraft whose scheduled month of delivery is less than [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] from the date of this Purchase Agreement, the total amount of advance payments due for payment upon signing of this Purchase Agreement will include all advance payments which are past due in accordance with the standard advance payment schedule set forth in Table 1.

4.4 The Aircraft Price is the total amount Customer will pay to Boeing at the time of delivery of each Aircraft. Such Aircraft Price will be calculated at time of delivery using then available escalation factors to calculate the Escalation Adjustment. The invoice amount for an Aircraft will show the Aircraft Price appropriately adjusted to account for previously received advance payments.

Article 5. Miscellaneous.

5.1 Buyer Furnished Equipment Variables. Supplemental Exhibit BFE1, which is part of this Purchase Agreement, contains vendor selection dates, on dock dates and other variables applicable to the Aircraft.

5.2 Customer Support Variables. Supplemental Exhibit CS1, which is part of this Purchase Agreement, contains the variable information applicable to information, training services and other things furnished by Boeing in support of the Aircraft.

5.3 Engine Escalation Variables. Supplemental Exhibit EE1 contains the applicable engine escalation formula, the engine warranty and the engine patent indemnity for the Aircraft.

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

5.6 Negotiated Agreement; Entire Agreement. This Purchase Agreement, including the provisions of Article 8.2 of the AGTA relating to insurance, and Article 11 of Part 2 of Exhibit C of the AGTA relating to DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES, has been the subject of discussion and negotiation and is understood by the parties; the Aircraft Price and other agreements of the parties stated in this Purchase Agreement were arrived at in consideration of such provisions. This Purchase Agreement, including the AGTA, contains the entire agreement between the parties and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written, with respect to the subject matter hereof, and may be changed only in writing signed by authorized representatives of the parties.

CONTINENTAL AIRLINES, INC.

THE BOEING COMPANY

By /s/ Brian Davis

By /s/ Gunar O. Clem

Its Vice President

Its Attorney in Fact

Table 1 to

Purchase Agreement No. 2061

Aircraft Delivery, Description, Price and Advance Payments

Airframe Model/MTGW: 777-2001GW 580,000 Detail Specification: D019W004-A (2/29/96)

Engine Model/  
Thrust Level: GE90-85B Price Base Year: Jul-95

Airframe Base Price: [CONFIDENTIAL MATERIAL OMITTED AND FILED  
SEPARATELY WITH THE SECURITIES AND EXCHANGE  
COMMISSION PURSUANT TO A REQUEST FOR  
OPTIONAL FEATURES: CONFIDENTIAL TREATMENT]

Sub-Total of Airframe and Features:

Engine Price (Per Aircraft):

Aircraft Basic Price (Excluding BFE/SPE):

Buyer Furnished Equipment (BFE) Estimate:

In-Flight Entertainment Equipment (IFE) Estimate:

Refundable Deposit per Aircraft at Proposal Acceptance:

Airframe Escalation Data:

Base Year Index (ECI):

Base Year Index (ICI):

Engine Escalation Data:

Base Year Index (CPI):

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

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit A to Purchase Agreement Number 2061

AIRCRAFT CONFIGURATION

Dated October 10, 1997

relating to

BOEING MODEL 777-200IGW AIRCRAFT

The Detail Specification is Boeing Detail Specification D019W001-CAL-2B dated as of even date herewith. Such Detail Specification will be comprised of Boeing Configuration Specification/ D019W004, revision a dated February 29, 1996, as amended to incorporate the Options listed below, including the effects on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Options are set forth in Boeing Document D019WCR1-CAL-2B. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect such Options. The Aircraft Basic Price reflects and includes all effects of such Options, except such Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment or Seller Purchased Equipment.

0130CH7471 [CONFIDENTIAL  
INTERIOR ARRANGEMENT COLLECTOR - TWO CLASS MATERIAL OMITTED  
- - 285 PASSENGERS (50 B/C, 235 E/C) AND FILED SEPARATELY  
WITH THE SECURITIES  
AND EXCHANGE  
COMMISSION PURSUANT  
TO A REQUEST FOR  
CONFIDENTIAL  
TREATMENT]

0220CG7003  
CERTIFICATION OF TAKEOFF AND LANDING WITH  
15-KNOT TAILWIND

0221CG7002  
ALTERNATE DISPATCH CAPABILITY LANDING GEAR  
EXTENDED DURING REVENUE FLIGHT -  
CERTIFICATION

0252CG7002  
AIRPLANE FLIGHT AND OPERATIONS MANUALS -  
TEMPERATURE IN DEGREES CELSIUS

0254CG7001  
USPHS CERTIFICATE OF SANITARY CONSTRUCTION

0310CG7053  
HIGH GROSS WEIGHT AIRPLANE MAXIMUM  
STRUCTURAL DESIGN TAKEOFF WEIGHT - INCREASE  
FROM 632,000 TO 648,000 POUNDS

0350CG7002  
TAKEOFF PERFORMANCE IMPROVEMENT - ALTERNATE  
FORWARD CENTER OF GRAVITY LIMITS

1110CG7018  
ADD EXTERIOR DECORATIVE PAINT ON THE LOWER  
LOBE FUSELAGE

1135CH7058  
INTERIOR PLACARDS - REVISION - UNIQUE  
SYMBOLOLOGY INSTEAD OF STANDARD ALPHANUMERIC

2127CH7015  
IN FLIGHT ENTERTAINMENT ELECTRICAL  
EQUIPMENT COOLING SYSTEM FOR PWS AT 1F-1C -  
PROVISIONS

2165CG7001  
ENVIRONMENTAL CONTROL SYSTEM (ECS)  
TEMPERATURE INDICATIONS IN DEGREES  
FAHRENHEIT

2210CG7003  
3-DIGIT MACH NUMBER DISPLAY

2210CG7025  
BANK ANGLE HOLD AT AUTOPILOT/FLIGHT  
DIRECTOR ENGAGE - OPERATIONAL PROGRAM  
CONFIGURATION (OPC) ACTIVATED OPTION

2210CG7051  
INHIBIT GLIDE SLOPE CAPTURE BEFORE  
LOCALIZER CAPTURE - FLIGHT CONTROL SYSTEM

2300CH7114  
IN FLIGHT ENTERTAINMENT SYSTEM - PROVISIONS  
- - TBD SUPPLIERS

2300CH7324  
ENTERTAINMENT AND COMMUNICATIONS SYSTEM  
COLLECTOR - DUAL CLASS, 285 PASSENGERS -  
CSE - MATSUSHITA 2000E INTERACTIVE IN-SEAT  
VIDEO

2311CH7021  
HF ANTENNA COUPLER - REPLACEMENT - BFE -  
ROCKWELL

2311CH7027  
HF COMMUNICATION SYSTEM - PARTIAL  
PROVISIONS - HF DATA RADIO - DUAL SYSTEM

2311CH7039  
DUAL HF COMMUNICATION SYSTEM - REPLACEMENT  
- - HF VOICE DATA RADIO - BFE - ROCKWELL  
INTERNATIONAL CORP.

2312CH7036  
VHF COMMUNICATIONS - 8.33 KHZ FREQUENCY  
SPACING - ACTIVATION

2312CH7037\$12,400  
TRIPLE VHF COMMUNICATIONS - ARINC 750/716 -  
TRANCEIVER INSTALLATION - BFE - ROCKWELL  
INTERNATIONAL CORP

2315CG7078  
SATCOM SYSTEM WITH HIGH-GAIN TOP-MOUNT  
ANTENNA SYSTEM AND A LOW-GAIN TOP-MOUNT  
ANTENNA SYSTEM - INSTALLATION - ROCKWELL

2318CG7091  
PASSENGER TELEPHONE SYSTEM - INSTALLATION -  
E12 EQUIPMENT RACK

2318CH7176  
PASSENGER TELEPHONE SYSTEM - INSTALLATION  
OF AN ARINC 746 GTE AIRPHONE CABIN  
TELECOMMUNICATIONS UNIT (CTU)

2318CH7286  
PASSENGER TELEPHONE SYSTEM - INSTALLATION -  
GTE DUAL NORTH AMERICAN TELECOMMUNICATIONS  
SYSTEM - CSE

2321CG7002  
SELECTIVE CALLING EQUIPMENT (SELCAL)  
DECODER - INSTALLATION - COLTECH - BFE

2331CH7066  
PRE-RECORDED ANNOUNCEMENT MACHINE AND  
BOARDING MUSIC MACHINE - INSTALLATION - MAS

2332CH7401  
VIDEO ENTERTAINMENT PLAYER(S) -  
INSTALLATION

2332CH7403  
VIDEO ENTERTAINMENT - INSTALLATION OF  
LIQUID CRYSTAL DISPLAY (LCD) COLOR VIDEO  
MONITORS ON VERTICAL SURFACES

2332CH7405  
VIDEO ENTERTAINMENT - INSTALLATION OF VIDEO  
SYSTEM DISTRIBUTION PROVISIONS

2332CH7406  
VIDEO ENTERTAINMENT - INSTALLATION OF VIDEO  
DISTRIBUTION UNITS

2332CH7407  
VIDEO ENTERTAINMENT - INSTALLATION OF  
LIQUID CRYSTAL DISPLAY (LCD) COLOR VIDEO  
MONITORS IN THE OVERDOOR AREAS

2332CH7427  
RANDOM ACCESS DEVICE (RAD) - INSTALLATION

2332CH7467  
VIDEO ENTERTAINMENT SYSTEM - POWER CONTROL  
SWITCH

2332CH7572  
IN-FLIGHT ENTERTAINMENT - HEAD END  
EQUIPMENT FOR IN-SEAT PASSENGER SERVICES  
SYSTEM AND AUDIO - MATSUSHITA 2000E SYSTEM

2332CH7573  
IN-FLIGHT ENTERTAINMENT - HEAD END  
EQUIPMENT FOR OVERHEAD VIDEO AND/OR IN-SEAT  
BROADCAST VIDEO - MATSUSHITA 2000E SYSTEM

2332CH7574  
IN-FLIGHT ENTERTAINMENT - HEAD END  
EQUIPMENT FOR IN-SEAT INTERACTIVE VIDEO -  
MATSUSHITA 2000E SYSTEM

2332CH7612  
ENTERTAINMENT AND COMMUNICATION SYSTEM -  
INSTALLATION - WIRING PROVISIONS FOR AVOD-  
MAS 2000E

2332CH7625  
IN-FLIGHT ENTERTAINMENT - HEAD END  
EQUIPMENT FOR IN-SEAT INTEGRATED TELEPHONES  
- - MATSUSHITA 2000E SYSTEM

2332CH7712  
IN-FLIGHT ENTERTAINMENT - IN-SEAT VIDEO  
INSTALLATION - MATSUSHITA 2000E SYSTEM

2332CH7730  
DIGITAL INTERFACE UNIT (DIU) - AIRSHOW 420

2332CH7738  
VIDEO ENTERTAINMENT - INSTALLATION OF FIXED  
OVER AISLE LCD VIDEO MONITORS - 13.8"

2334CH7083  
AUDIO ENTERTAINMENT PLAYER(S) -  
INSTALLATION

2339CH7024  
CABIN PRINTER - INSTALLATION - PASSENGER  
COMPARTMENT - THERMAL

2351CH7033  
SELF MUTING - PIN SELECT - AUDIO MANAGEMENT  
UNIT IN E/E BAY

2351CH7034  
HEADPHONE AND HAND HELD MICROPHONE -  
REVISION - FIRST/SECOND OBSERVER - BFE

2351CH7035  
BOOM MICROPHONE/HEADSET - REVISION - BFE  
PLANTONICS INSTEAD OF BFE TELEX -  
CAPT/FIRST OFFICER

2451CG7010  
GALLEY POWER FEEDER - SUPPLY ADDITIONAL  
POWER FOR GALLEYS AFT OF DOOR 4

2454CH7003  
ELECTRICAL POWER OUTLET FOR PERSONAL  
COMPUTER - INSTALLATION - BUSINESS CLASS  
AND THE FIRST (7) ROWS OF ECONOMY CLASS  
PASSENGER

2501CG7017  
DOOR 1 LEFT CABIN MODULE WITH TWO  
LAVATORIES

2501CG7022  
DOOR 1 RIGHT CABIN MODULE WITH GALLEYS F-1,  
F-2, F-3 (9.5 CARTS) AND LAVATORY 1F-1C

2504CG7001  
CABIN MODULE WITH GALLEYS A-1, A-2, AND A-3  
(16 CARTS) - INSTALLATION

2520CH7103  
INTERIOR COLOR/MATERIAL - REVISION -  
PASSENGER CABIN

2520CH7104  
TAPIS "ULTRA LEATHER HP" DECORATIVE MURALS  
- - INSTALLATION - BFE

2522CG7001  
WIRING FOR POWERED SEATS - INSTALLATION -  
DOOR 1 TO DOOR 2

2522CG7009  
WIRING FOR POWERED SEATS - INSTALLATION -  
DOOR 2 TO MID-CABIN

2524CH7367  
CLOSETS WITH FOOTWELL, 21 INCH FULL-HEIGHT  
OUTBOARD - INSTALLATION

2524CH7368  
INNOVINT BASSINET FITTINGS - INSTALLATION -  
PASSENGER CABIN

2524CH7375  
SFE CLASS DIVIDERS WITH FOOTWELLS, FOLD  
DOWN PANELS, AND VIEW WINDOW - INSTALLATION

2525CG7004  
INSTALLATION OF AN ADDITIONAL SELLER  
FURNISHED (SFE) WALL-MOUNTED SINGLE  
ATTENDANT SEAT

2525CH7154  
ATTENDANT SEAT HARNESS - REVISION - FOUR  
POINT HARNESS WITH ROTARY BUCKLE

2526CH7112  
PURSER WORK STATION - 38-INCH STAND-UP WORK  
STATION AT LOCATION 1F-1C - NON-AVOD WITH  
PROVISIONS FOR MATSUSHITA 2000E AVOD

2527CH7006  
GALLEY AND ENTRY MAT - REPLACEMENT - SFE  
LONCOIN

2527CH7072  
CARPET - INSTALLATION - BFE INSTEAD OF SFE

2528CG7049  
CENTER OVERHEAD STOWAGE BINS - INSTALLATION  
DUAL-MODE LINKAGE FOR 2-4-3 OR 3-3-3  
ECONOMY CLASS SEATING

2528CH7144  
OVERDOOR STOWAGE COMPARTMENT DOORS,  
LOCKABLE - REVISIONS - DOORS 1 AND 4 LEFT  
AND RIGHT

2528CH7146  
SFE WALL-MOUNTED MAGAZINE RACK BUSTLES -  
INSTALLATION - FORWARD FACE OF A4 GALLEY,  
3F-LC LAV & 3F-RC LAV

2529CG7033  
FLIGHT CREW REST PARTIAL PROVISIONS -  
INSTALLATION - DOOR 1 LEFT

2531CG7003  
RETRACTABLE TIE-DOWN FITTINGS FOR GALLEY  
CARTS - INSTALLATION - DOOR 2

2531CG7004  
RETRACTABLE TIE-DOWN FITTINGS FOR GALLEY  
CARTS - INSTALLATION - DOOR 3

2531CG7005  
RETRACTABLE TIE-DOWN FITTINGS FOR GALLEY  
CARTS - INSTALLATION - DOOR 4

2533CG7001  
GALLEY CHILLER (BFE) INSTALLATION - DOOR 2  
FLEXIBLE GALLEY LOCATION

2540CG7010  
LAVATORY BI-FOLD DOOR - INSTALLATION  
INSTEAD OF PANEL DOOR

2541CH7019  
FIRST CLASS LAVATORY - INSTALLATION - AFT  
OF DOOR 2 RIGHT

2542CG7001

DIAPER CHANGING TABLES - INSTALLATION IN  
LAVATORIES

2542CG7012  
DOT LAVATORY - INSTALLATION OF SIDEWALL  
LAVATORY FOR DISABLED PERSON

2542CG7022  
TOILETRY BOTTLE RACKS - INSTALLATION IN  
LAVATORIES

2542CH7112  
D.O.T. LAVATORY UPGRADE - REVISION -  
SIDEWALL LAV AFT OF DOOR 2 LEFT

2542CH7113  
LAVATORY AMENITIES - PROVISIONS - LIQUID  
SOAP DISPENSER

2542CH7114  
COMPOSITE SINK DECK - INSTALLATION -  
LAVATORY

2553CG7001  
CARGO COMPARTMENT FLOOR - INSTALLATION -  
FORWARD LOWER HOLD CARGO COMPARTMENT

2553CG7005  
CAPABILITY TO CARRY LD-4 AND LD-8  
CONTAINERS - INSTALLATION - FORWARD LOWER  
HOLD CARGO COMPARTMENT

2553CG7041  
CAPABILITY TO CARRY LD-4 AND LD-8  
CONTAINERS - INSTALLATION - AFT LOWER HOLD  
CARGO COMPARTMENT WITH LARGE CARGO DOOR

2553CG7042  
CARGO COMPARTMENT FLOOR FOR THE LARGE CARGO  
DOOR- INSTALLATION - AFT LOWER HOLD CARGO  
COMPARTMENT

2620CG7005  
FIRE BOTTLE COMMONALITY - ENGINES AND APU

3141CG7002  
BFE SOFTWARE AND/OR TABLES INSTALLATION -  
AIMS

3161CG7010  
GRID HEADING DISPLAY

3161CG7013  
ADDITION OF HEIGHT ABOVE TOUCH DOWN ZONE  
COLOR BAR TO THE PRIMARY FLIGHT DISPLAY

3161CG7030  
PASSENGER DOOR SLIDE/RAFT ARMING HANDLE  
POSITION INDICATION - DOOR SYNOPTIC AND  
EICAS MESSAGE

3161CG7110  
FLIGHT DECK COMMUNICATIONS FUNCTION (FDCF)  
AUTOMATIC RESET - ACTIVATION - AIMS

3310CH7003  
STERILE COCKPIT LIGHT INDICATION -  
INSTALLATION

3321CH7008  
COOL WHITE LIGHTS - INSTALLATION -  
PASSENGER COMPARTMENT

3324CH7023  
"NO SMOKING" SIGN - REVISION - ALWAYS ON

3430CH7054  
MULTI-MODE RECEIVER (MMR) - REPLACEMENT OF  
PROVISIONS FOR GLOBAL POSITIONING SYSTEM  
INSTALLATION IN MMR

3430CH7060  
MULTI-MODE RECEIVER (MMR) - INSTALLATION OF  
ILS/GPS - BFE - ROCKWELL INTERNATIONAL CORP

3431CH7012  
INSTRUMENT LANDING SYSTEM (ILS) - DELETION  
OF EXISTING RECEIVERS

3433CG7004  
RADIO ALTIMETER (RA) - INSTALLATION -  
ROCKWELL INTERNATIONAL - BFE

3443CH7045  
DUAL WEATHER RADAR SYSTEM - INSTALLATION -  
ARINC 708A PREDICTIVE WINDSHEAR/WEATHER  
RADAR SYSTEM AND ARINC 708A PARTIAL WIRING

3445CG7003  
TRAFFIC ALERT AND COLLISION AVOIDANCE  
SYSTEM (TCAS II) - INSTALLATION - ROCKWELL  
INTERNATIONAL - BFE

3446CH7039  
ALTITUDE VOICE CALLOUT ACTIVATION -  
REVISION - GROUND PROXIMITY WARNING  
COMPUTER

3446CH7085  
ENHANCED GROUND PROXIMITY WARNING SYSTEM  
(EGPWS) - PARTIAL PROVISIONS - PHASE II  
(BOEING INTEGRATED DESIGN)

3451CG7003  
VOR MARKER BEACON (M/B) - INSTALLATION -  
ROCKWELL INTERNATIONAL - BFE

3453CG7005  
AIR TRAFFIC CONTROL (ATC), ROCKWELL  
INTERNATIONAL MODE "S" TRANSPONDERS AND  
GABLES ENGINEERING CONTROL PANEL -  
INSTALLATION -

3457CG7003  
AUTOMATIC DIRECTION FINDER (ADF) -  
INSTALLATION - ROCKWELL INTERNATIONAL - BFE  
- - WITH CAPTIVE MOUNTING FASTENERS IN  
ANTENNA

3458CH7015  
GLOBAL POSITIONING SYSTEM (GPS) - DELETION  
OF EXISTING GPS SENSOR UNIT

3461CG7004  
BUYER FURNISHED NAVIGATION DATA BASE

3510CG7012  
TWO 115 CU FT FLIGHT CREW OXYGEN CYLINDERS  
- - INSTALLATION -

3510CG7028  
FLIGHT CREW OXYGEN MASKS AND SMOKE GOGGLES  
- - INSTALLATION - EROS - BFE

3520CG7001  
EXTRA OXYGEN MASK FOR EACH OUTBOARD SEAT  
PSU

3521CG7004  
CHEMICAL OXYGEN SYSTEM - INSTALLATION OF  
22-MINUTE GENERATORS

4630CG7002  
DUAL DISK DRIVE - INSTALLATION -  
MAINTENANCE ACCESS TERMINAL

4900CG7003  
AUXILIARY POWER UNIT - INSTALL MUFFLER IN  
EXHAUST SYSTEM

5235CG7001  
LARGE DOOR AND CONTAINER/PALLET HANDLING

EQUIPMENT - INSTALLATION - AFT LOWER HOLD  
CARGO COMPARTMENT

5301CG7007

ADDITIONAL SEAT TRACK - INSTALLATION - BL  
0.0, AFT DOOR - TRANSVERSE GALLEYS

7200CG7012

GE AIRCRAFT ENGINES (GEAE) - GE90-85B  
ENGINES

7900CG7012

LUBRICATING OIL TYPE - SPECIFIED - MOBIL  
254

CR'S 116

TOTAL

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit B to Purchase Agreement Number 2061

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

relating to

BOEING MODEL 777-200IGW AIRCRAFT

Both Boeing and Customer have certain documentation and approval responsibilities at various times during the construction cycle of Customer's Aircraft that are critical to making the delivery of each Aircraft a positive experience for both parties. This Exhibit B documents those responsibilities and indicates recommended completion deadlines for the actions to be accomplished. Failure to obtain such completion deadlines shall not be deemed a breach of this Purchase Agreement or reduce or amend the parties' obligations hereunder.

## 1. GOVERNMENT DOCUMENTATION REQUIREMENTS.

Certain actions are required to be taken by Customer in advance of the scheduled delivery month of each Aircraft with respect to obtaining certain government issued documentation.

### 1.1 Airworthiness and Registration Documents.

Not later than 6 months prior to delivery of each Aircraft, Customer will notify Boeing of the registration number to be painted on the side of the Aircraft. In addition, and not later than 3 months prior to delivery of each Aircraft, Customer will, by letter to the regulatory authority having jurisdiction, authorize the temporary use of such registration numbers by Boeing during the pre-delivery testing of the Aircraft.

Customer is responsible for furnishing any temporary or permanent registration certificates required by any governmental authority having jurisdiction to be displayed aboard the Aircraft after delivery.

### 1.2 Certificate of Sanitary Construction.

1.2.1 U.S. Registered Aircraft. Boeing will obtain from the United States Public Health Service, a United States Certificate of Sanitary Construction to be displayed aboard each Aircraft after delivery to Customer.

1.2.2 Non-U.S. Registered Aircraft. If Customer requires a United States Certificate of Sanitary Construction at the time of delivery of the Aircraft, Customer will give written notice thereof to Boeing at least 3 months prior to delivery. Boeing will then use its reasonable best efforts to obtain the Certificate from the United States Public Health Service and present it to Customer at the time of Aircraft delivery.

### 1.3 Customs Documentation.

1.3.1 Import Documentation. If the Aircraft is intended to be exported from the United States, Customer must notify Boeing not later than 3 months prior to delivery of each Aircraft of any documentation required by the customs authorities or by any other agency of the country of import.

1.3.2 General Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Customs Form 7507, General Declaration, for execution by U.S. Customs immediately prior to the ferry flight of the Aircraft. For this purpose, Customer will furnish to Boeing not later than 20 days prior to delivery a complete crew and passenger list and a complete ferry flight itinerary, including point of exit from the United States for the Aircraft.

If Customer intends, during the ferry flight of an Aircraft, to land at a U.S. airport after clearing Customs at delivery, Customer must notify Boeing not later than 20 days prior to delivery of such intention. If Boeing receives such notification, Boeing will provide to Customer the documents constituting a Customs permit to proceed, allowing such Aircraft to depart after any such landing. Sufficient copies of completed Form 7507, along with passenger manifest, will be furnished Customer to cover U.S. stops scheduled for the ferry flight.

1.3.3 Export Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Form 7525V and, immediately prior to the ferry flight, will submit such Form to U.S. Customs in Seattle in order to obtain clearance for the departure of the Aircraft, including any cargo, from the United States. U.S. Customs will deliver the Export Declaration to the U.S. Department of Commerce after export.

## 2. INSURANCE CERTIFICATES.

Unless provided earlier, Customer will provide to Boeing not later than 30 days prior to delivery of the first Aircraft, a copy of the requisite annual insurance certificate in accordance with the requirements of Article 8 of the AGTA.

3 NOTICE OF FLYAWAY CONFIGURATION.

Not later than 20 days prior to delivery of the Aircraft, Customer will provide to Boeing a configuration letter stating the requested "flyaway configuration" of the Aircraft for its ferry flight. This configuration letter should include:

(i) the name of the company which is to furnish fuel for the ferry flight and any scheduled post-delivery flight training, the method of payment for such fuel, and fuel load for the ferry flight;

(ii) the cargo to be loaded and where it is to be stowed on board the Aircraft and address where cargo is to be shipped after flyaway;

(iii) any BFE equipment to be removed prior to flyaway and returned to Boeing BFE stores for installation on Customer's subsequent Aircraft;

(iv) a complete list of names and citizenship of each crew member and non-revenue passenger who will be aboard the ferry flight; and

(v) a complete ferry flight itinerary.

4. DELIVERY ACTIONS BY BOEING.

4.1 Schedule of Inspections. All FAA, Boeing, Customer and, if required, U.S. Customs Bureau inspections will be scheduled by Boeing for completion prior to delivery or departure of the Aircraft. Customer will be informed of such schedules.

4.2 Schedule of Demonstration Flights. All FAA and Customer demonstration flights will be scheduled by Boeing for completion prior to delivery of the Aircraft.

4.3 Schedule for Customer's Flight Crew. Boeing will inform Customer of the date that a flight crew is required for acceptance routines associated with delivery of the Aircraft.

4.4 Fuel Provided by Boeing. Boeing will provide to Customer, without charge, the amount of fuel shown in U.S. gallons in the table below for the model of Aircraft being delivered and full capacity of engine oil at the time of delivery or prior to the ferry flight of the Aircraft.

Aircraft Model	Fuel Provided
777	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.5 Flight Crew and Passenger Consumables. Boeing will provide food, coat hangers, towels, toilet tissue, drinking cups and soap for the first segment of the ferry flight for the Aircraft.

4.6 Delivery Papers, Documents and Data. Boeing will have available at the time of delivery of the Aircraft certain delivery papers, documents and data for execution and delivery. Boeing will pre-position in Oklahoma City, Oklahoma, for filing with the FAA at the time of delivery of the Aircraft an executed original Form 8050-2, Aircraft Bill of Sale, indicating transfer of title to the Aircraft from Boeing, or Boeing's sales subsidiary, to Customer.

4.7 Delegation of Authority. If specifically requested in advance by Customer, Boeing will present a certified copy of a Resolution of Boeing's Board of Directors, designating and authorizing certain persons to act on its behalf in connection with delivery of the Aircraft.

5. DELIVERY ACTIONS BY CUSTOMER.

5.1 Aircraft Radio Station License. At delivery Customer will provide its Aircraft Radio Station License to be placed on board the Aircraft following delivery.

5.2. Aircraft Flight Log. At delivery Customer will provide the Aircraft Flight Log for the Aircraft.

5.3 Delegation of Authority. If necessary, Customer will present to Boeing at delivery of the Aircraft an original or certified copy of Customer's Delegation of Authority designating and authorizing certain persons to act on its behalf in connection with delivery of the specified Aircraft.

BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit BFE1 to Purchase Agreement Number 2061

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 777-200IGW AIRCRAFT

This Supplemental Exhibit BFE1 contains vendor selection dates, on-dock dates and other variables applicable to the Aircraft.

1. Supplier Selection.

1.1 Customer has selected and notified Boeing of the suppliers of the following BFE items:

Galley System

Seats (passenger)

Video/ Cabin Mgt. System

2. On-dock Dates

On or before December 1997, Boeing will provide to Customer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in-sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth below:

Item	Preliminary On-Dock Dates
Seats	[CONFIDENTIAL MATERIAL OMITTED AND FILED
Galleys	SEPARATELY WITH THE SECURITIES AND
Electronics *	EXCHANGE COMMISSION PURSUANT TO A
Furnishings	REQUEST FOR CONFIDENTIAL TREATMENT]

\*Early date reflects mounting equipment and transceiver requirements.

CUSTOMER SUPPORT VARIABLES

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit CS1 to Purchase Agreement Number 2061

CUSTOMER SUPPORT VARIABLES

relating to

BOEING MODEL 777-200IGW AIRCRAFT

Customer and Boeing will conduct planning conferences approximately 12 months prior to delivery of the first Aircraft, or as mutually agreed, in order to develop and schedule a customized Customer Support Program to be furnished by Boeing in support of the Aircraft.

The customized Customer Services Program will be based upon and equivalent to the entitlements summarized below.

1. Maintenance Training.

- 1.1 Airplane General Familiarization Course; 2 classes of 24 students;
- 1.2 Mechanical/Electrical Systems Course (Instructor); 1 class of 15 students;
- 1.3 Avionics Systems Course (Instructor); 1 class of 15 students;
- 1.4 Mechanical/Electrical Systems Course (Line and Base); 2 classes of 15 students;
- 1.5 Avionics Systems Course (Line and Base); 1 class of 15 students;
- 1.6 Engine Run-Up Course; 2 classes of 3 students;
- 1.7 Corrosion Prevention & Control Course; 1 class of 10 students;
- 1.8 Aircraft Rigging Course; 1 class of 6 students;
- 1.9 Advanced Composite Repair Course; 1 class of 8 students;
- 1.10 Digital Data Familiarization Course; 1 class of 15 students;
- 1.11 Cabin Management System (CMS) Configuration Database Generator (CDG) Familiarization Course; 1 class of 6 students;
- 1.12 Training materials will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including visual aids, Computer Based Training Courseware, color instrument panel wall charts, text/graphics, video programs, etc. will be provided for use in Customer's own training program.

2. Flight Training.

- 2.1 Transition training for 8 flight crews (16 pilots) in 2 classes; The training will consist of ground school (utilizing computer based training), fixed base simulator, full flight simulator and actual aircraft training on Customer's Aircraft.
- 2.2 Flight Dispatcher training; 2 classes of 6 students;
- 2.3 Flight Attendant training; 2 classes of 12 students;
- 2.4 Performance Engineer training in Boeing's regularly scheduled courses; schedules are published twice yearly.
- 2.5 Training materials will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including visual aids, Computer Based Training Courseware, color instrument

panel wall charts, text/graphics, video programs, etc. will be provided for use in Customer's own training program.

## 2.6 Additional Flight Operations Services:

- a. Boeing flight crew personnel to assist in ferrying the first aircraft to Customer's main base;
- b. Instructor pilots for 90 calendar days for revenue service training assistance;
- c. An instructor pilot to visit Customer 6 months after revenue service training to review Customer's flight crew operations for a 2 week period.

## 3. Planning Assistance.

### 3.1 Maintenance and Ground Operations.

Upon request, Boeing will visit Customer's main base to evaluate aircraft maintenance facilities, develop recommendations and assist in maintenance planning.

### 3.2 Spares.

- a) Recommended Spares Parts List (RSPL)  
A customized RSPL, data and documents will be provided to identify spare parts required for Customer's support program.
- b) Illustrated Parts Catalog (IPC)  
A customized IPC in accordance with ATA 100 will be provided.
- c) Provisioning Training  
Provisioning training will be provided for Customer's personnel at Boeing's facilities, where documentation and technical expertise are available. Training is focused on the initial provisioning process and calculations reflected in the Boeing RSPL.
- d) Spares Provisioning Conference  
A provisioning conference will be conducted, normally at Boeing's facilities where technical data and personnel are available.

## 4. Technical Data and Documents.

The following list contains the documents Customer will receive to support the introduction and operation of the Aircraft. Customer and Boeing will conduct a planning conference approximately 12 months before the first delivery of the Aircraft to mutually determine the proper format (e.g. digital or hard copy) and quantity of Materials to be furnished to Customer.

### 4.1 Flight Operations.

Airplane Flight Manual  
Operations Manual and Checklist  
Planning and Performance Manual  
Weight and Balance Manual  
Dispatch Deviation Procedures Guide  
Flight Crew Training Manual  
Baggage/Cargo Loading Manual  
Fault Reporting Manual  
Performance Engineer's Manual  
Jet Transport Performance Methods  
FMC Supplemental Data Document  
Operational Performance Software

### 4.2 Maintenance.

Maintenance Manual  
Wiring Diagram Manual  
Systems Schematics Manual  
Structural Repair Manual  
Component Maintenance Manual  
Standard Overhaul Practices Manual  
Standard Wiring Practices Manual

Non-Destructive Test Manual  
Service Bulletins and Index  
Corrosion Prevention Manual  
Fault Isolation Manual  
Ramp Maintenance Manual  
Interior Reconfiguration Document  
Power Plant Buildup Manual (except Rolls Royce)  
In Service Activity Report  
Significant Service Item Summary  
All Operators Letters  
Service Letters  
Structural Item Interim Advisory  
Combined Index  
Maintenance Tips  
Configuration Data Base Generator User Guide

- 4.3 Maintenance Planning.  
Maintenance Planning Data Document  
Maintenance Task Cards and Index  
Maintenance Inspection Intervals Report
- 4.4 Spares.  
Illustrated Parts Catalog  
Standards Books
- 4.5 Facilities and Equipment Planning.  
Facilities and Equipment Planning Document  
Special Tool & Ground Handling Equipment Drawings & Index  
Supplementary Tooling Documentation  
System Test Equipment Document  
Illustrated Tool and Equipment List/Manual  
Aircraft Recovery Document  
Airplane Characteristics for Airport Planning Document  
Airplane Rescue and Fire Fighting Document  
Engine Handling Document
- 4.6 Computer Software Index.
- 4.7 Supplier Technical Data.  
Service Bulletins  
Component Maintenance Manuals and Index  
Publications Index  
Product Support Supplier Directory

5. Additional Customer Support.

In response to a Customer request, Boeing agrees to provide the following additional training and support to Customer at no charge.

5.1 General Familiarization Courses.

Boeing will provide a total of 6 General Familiarization Courses (4 in addition to the 2 General Familiarization Courses described in paragraph 1.1 above).

5.2 Maintenance and Flight Training Materials.

Boeing will provide (i) a total of 2 sets of all training materials (1 in addition to the 1 set described in paragraphs 1.12 and 2.5 above), (ii) the flight training material in digital format and (iii) the source code for the flight training Computer Based Training (CBT).

5.3 Maintenance Instructor in Houston.

On a mutually agreeable date in the first quarter of 1998, Boeing will send a maintenance instructor to Houston, Texas, for sixty days. Such instructor will be qualified to assist Customer with developing and teaching Customer's own maintenance training courses and answer Customer's questions related to the maintenance of the Aircraft. Customer will provide the round trip airfare.

5.4 Additional Flight Training Course.

On a mutually agreeable schedule, Boeing will provide transition training for a total of 24 pilots (8 pilots in addition to the 16 pilots previously committed in paragraph 2.1 above).

ENGINE ESCALATION,  
ENGINE WARRANTY AND PATENT INDEMNITY

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit EE1 to Purchase Agreement Number 2061

ENGINE ESCALATION,  
ENGINE WARRANTY AND PATENT INDEMNITY

relating to

BOEING MODEL 777-200IGW AIRCRAFT

1. ENGINE ESCALATION.

(a) The Aircraft Basic Price of each Aircraft set forth in Table 1 of the Purchase Agreement includes an aggregate price for GE90 engines and all accessories, equipment and parts provided by the engine manufacturer. The adjustment in Engine price applicable to each Aircraft (Engine Price Adjustment) will be determined at the time of Aircraft delivery in accordance with the following formula:

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

(b) The following definitions will apply herein:

Pe = Engine Price Adjustment

Pb = Engine Base Price (per Aircraft), as set forth in Table 1 of the Purchase Agreement.

CPI is the Composite Price Index, a value determined using the Bureau of Labor Statistics, U.S. Department of Labor actual data in accordance with the formula below. The Index values utilized in the formula will be the numbers shown in the actual data for the ninth month prior to the month of scheduled Aircraft delivery or the ninth month prior to the Base Year Dollars month set forth in Table 1.

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

L = The Labor Index will be equal to the quotient of the value associated with the Aircraft Delivery Month divided by the value associated with the Base Year Dollar month in "Hourly Earnings of Aircraft Engines and Engine Parts Production Workers" SIC 3724, multiplied by 100 and then by 55%.

C = The Industrial Commodities Index will be equal to 10% of the Producer Price Index for "all commodities other than Farm and Foods," Code 3-15 associated with the scheduled Aircraft delivery month.

M = The Metals and Metal Products Index will be equal to 25% of the Producer Price Index for "Metals and Metal Products," Code 10 associated with the scheduled Aircraft delivery month.

E = The Fuel Index will be equal to 10% of the Producer Price Index for "Fuel and Related Products and Power," Code 5 associated with the scheduled Aircraft delivery month.

The Engine Price Adjustment will not be made if it would result in a decrease in the Engine Base Price.

(c) The values of the Average Hourly Earnings and Producer Price Indices used will be those published as of a date 30 days prior to the scheduled Aircraft delivery to Customer. Such values will be considered final and no Engine Price Adjustment will be made after Aircraft delivery for any subsequent changes in published Index values.

(d) In the event the Engine price escalation provisions are made non-enforceable or otherwise rendered null and void by any agency of the United States Government, or if the U.S. Department of

Labor, Bureau of Labor Statistics (i) substantially revises the methodology (in contrast to benchmark adjustments or other corrections of previously published data) or (ii) discontinues publication of any of the data referred to above, General Electric Company (GE) agrees to meet jointly with Boeing and Customer, (to the extent such parties may lawfully do so,) to jointly select a substitute for the revised or discontinued data; such substitute data to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original data as it may have fluctuated had it not been revised or discontinued. If such Engine price escalation provisions, methodology or data publication are subsequently reinstated, Boeing will make adjustments consistent with the agreements defined in this Supplemental Exhibit EE1.

NOTE: The factor (CPI divided by the base year index) by which the Engine Base Price is to be multiplied will be expressed as a decimal and rounded to the nearest thousandth. Any rounding of a number, as required under this Supplemental Exhibit EE1 with respect to escalation of the Engine price, will be accomplished as follows: if the first digit of the portion to be dropped from the number to be rounded is five or greater, the preceding digit will be raised to the next higher number.

## 2. ENGINE WARRANTY AND PRODUCT SUPPORT PLAN.

Boeing has obtained from GE the right to extend to Customer the provisions of GE's warranty as set forth below (herein referred to as the "Warranty"); subject, however, to Customer's acceptance of the conditions set forth herein. Accordingly, Boeing hereby extends to Customer and Customer hereby accepts the provisions of the Warranty as hereinafter set forth, and such Warranty shall apply to all GE90 type Engines (including all Modules and Parts thereof) installed in the Aircraft at the time of delivery or purchased from Boeing by Customer for support of the Aircraft except that, if Customer and GE have executed, or hereafter execute, a General Terms Agreement covering the Engines, then the terms of that Agreement shall be substituted for and supersede the provisions of paragraphs 1 through 11 below and paragraphs 1 through 11 below shall be of no force or effect and neither Boeing nor GE shall have any obligation arising therefrom. In consideration for Boeing's extension of the Warranty to Customer, Customer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such GE90 type Engines and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities except for the provisions in paragraphs 2.1 (i) and 2.1 (iv) of Part 2 to Exhibit C to the AGTA. In addition, Customer hereby releases and discharges GE from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such GE90 type Engines except as otherwise expressly assumed by GE in the Warranty or General Terms Agreement between Customer and GE and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities.

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

GE90 Warranty Parts List\*

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

\*Warranty Parts List may change

GE90 Warranty Parts List\* (Cont.)

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

\*Warranty Parts List may change

GE90 Warranty Parts List\* (Cont.)

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

\* Warranty Parts List may change

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

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

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Purchase Agreement Number 2061

relating to

BOEING MODEL 777-200IGW AIRCRAFT

This is the listing of Covered Components for the Aircraft which relate to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Product Assurance Document to the AGTA and is a part of Purchase Agreement No. 2061.

1. Wing.

- (a) Upper and lower wing skins and stiffeners between the forward and rear wing spars.
- (b) Wing spar webs, chords and stiffeners.
- (c) Inspar wing ribs.
- (d) Inspar splice plates and fittings.
- (e) Upper wing fold hinge, end ribs and lower latch lugs.
- (f) Main landing gear support structure.
- (g) Wing center section lower beams, spanwise beams and floor beams, but not the seat tracks attached to the beams.
- (h) Wing-to-body structural attachments.
- (i) Engine strut support fittings attached directly to wing primary structure.
- (j) Support structure in the wing for spoilers and spoiler actuators; for aileron hinges and reaction links; and for leading edge devices and trailing edge flaps.
- (k) Leading edge device and trailing edge flap support system.
- (l) Aileron, leading edge device and trailing edge flap internal, fixed attachment and actuator support structure.

2. Body.

- (a) External surface skins and doublers, longitudinal stiffeners, longerons and circumferential rings and frames between the forward pressure bulkhead and the vertical stabilizer rear spar bulkhead, and structural support and enclosure for the APU but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (b) Window and windshield structure but excluding the windows and windshields.
- (c) Fixed attachment structure of the passenger doors, cargo doors and emergency exits, excluding door mechanisms and movable hinge components. Sills and frames around the body openings for the passenger doors, cargo doors and emergency exits, excluding scuff plates and pressure seals.
- (d) Nose wheel well structure, including the wheel well walls, pressure deck, forward and aft bulkheads, and the gear support structure.
- (e) Main gear wheel well structure including pressure deck, bulkheads and landing gear beam support structure.

- (f) Floor beams and support posts in the control cab and passenger cabin area, but excluding seat tracks.
- (g) Forward and aft pressure bulkheads.
- (h) Keel structure between the wing front spar bulkhead and the main gear wheel well aft bulkhead, including splices.
- (i) Wing front and rear spar support bulkheads, and vertical and horizontal stabilizer front and rear spar support bulkheads including terminal fittings but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (j) Support structure in the body for the stabilizer pivot and stabilizer screw.

3. Vertical Stabilizer.

- (a) External skins between front and rear spars.
- (b) Front and rear spars including stiffeners.
- (c) Attachment fittings between vertical stabilizer and body.
- (d) Inspar ribs.
- (e) Support structure in the vertical stabilizer for rudder hinges, reaction links and actuators.
- (f) Rudder internal, fixed attachment and actuator support structure.
- (g) Rudder hinges and supporting ribs, excluding bearings.

4. Horizontal Stabilizer.

- (a) External skins between front and rear spars.
- (b) Front and rear spars including splices and stiffeners.
- (c) Inspar ribs.
- (d) Stabilizer splice fittings and pivot and screw support structure.
- (e) Support structure in the horizontal stabilizer for the elevator hinges, reaction links and actuators.
- (f) Elevator internal, fixed attachment and actuator support structure.
- (g) Elevator hinges and supporting ribs, excluding bearings.

5. Engine Strut.

- (a) Strut external surface skin and doublers and stiffeners.
- (b) Internal strut chords, frames and bulkheads.
- (c) Strut to wing fittings and diagonal brace.
- (d) Engine mount support fittings attached directly to strut structure.
- (e) For Aircraft equipped with General Electric or Pratt & Whitney engines only, the engine mounted support fittings.

6. Main Landing Gear.

- (a) Outer cylinder.
- (b) Inner cylinder.

- (c) Upper and lower side strut, including spindles and universals.
- (d) Upper and lower drag strut, including spindles and universals.
- (e) Orifice support tube.
- (f) Downlock links including spindles and universals.
- (g) Torsion links.
- (h) Bogie beam.
- (i) Axles.
- (j) Steering crank arm.
- (k) Steering rod.
- (l) Retraction Links

7. Nose Landing Gear.

- (a) Outer cylinder.
- (b) Inner cylinder, including axles.
- (c) Orifice support tube.
- (d) Upper and lower drag strut, including lock links.
- (e) Steering plates and steering collar.
- (f) Torsion links.
- (g) Actuator support beam and hanger.
- (h) Retraction Links.

NOTE: The [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Policy does not cover any bearings, bolts, bushings, clamps, brackets, actuating mechanisms or latching mechanisms used in or on the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Components.

October 10, 1997  
2061-1

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

Subject: Option Aircraft

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

Ladies and Gentlemen:

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

Boeing agrees to manufacture and sell to Customer additional Model 777-200IGW aircraft as Option Aircraft. The delivery months, number of aircraft, Advance Payment Base Price per aircraft and advance payment schedule are listed in the Attachment to this Letter Agreement (the Attachment).

#### 1. Aircraft Description and Changes

1.1 Aircraft Description: The Option Aircraft are described by the Detail Specification listed in the Attachment.

1.2 Changes: The Detail Specification will be revised to include:

- (i) Changes applicable to the basic Model 777 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of the definitive agreement to purchase the Option Aircraft;
- (ii) Changes required to obtain required regulatory certificates; and
- (iii) Changes mutually agreed upon.

#### 2. Price

2.1 The pricing elements of the Option Aircraft are listed in the Attachment.

##### 2.2 Price Adjustments.

2.2.1 Optional Features. The Optional Features Prices for the Option Aircraft will be adjusted to Boeing's current prices as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. The Airframe Price and the Optional Features Prices for Option Aircraft delivering before January 2003, will be escalated on the same basis as the Aircraft.

The engine manufacturer's current escalation provisions, listed in Exhibit Supplement EE1 to the Purchase Agreement, have been estimated to the months of scheduled delivery using commercial forecasts to calculate the Advance Payment Base Price listed in the Attachment to this Letter Agreement. The engine escalation provisions will be revised if they are changed by the engine manufacturer prior to the signing of a definitive agreement for the Option Aircraft.

2.2.3 Base Price Adjustments. The Airframe Price and the Engine Price of the Option Aircraft delivering before January, 2003, will be adjusted to Boeing's and the engine manufacturer's then current prices as of the date of execution of

the definitive agreement for the Option Aircraft.

2.2.4 Prices for Long Lead Time Aircraft. Boeing and the engine manufacturer have not established prices and escalation provisions for Model 777-200IGW aircraft and engines for delivery in the year 2003 and after. When prices and the pricing bases are established for the Model 777-200IGW aircraft delivering in the year 2003 and after, the information listed in the Attachment will be appropriately amended.

3. Payment.

3.1 Customer will pay a deposit to Boeing in the amount shown in the Attachment for each Option Aircraft (Deposit), on the date of this Letter Agreement. If Customer exercises an option, the Deposit will be credited against the first advance payment due. If Customer does not exercise an option, Boeing will retain the Deposit for that Option Aircraft.

3.2 Following option exercise, advance payments in the amounts and at the times listed in the Attachment will be payable for the Option Aircraft. The remainder of the Aircraft Price for the Option Aircraft will be paid at the time of delivery.

4. Option Exercise.

Customer may exercise an option by giving written notice to Boeing on or before the date [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] prior to the first business day of the applicable delivery month listed in the Attachment (Option Exercise Date).

5. Contract Terms.

Boeing and Customer will use their best efforts to reach a definitive agreement for the purchase of an Option Aircraft, including the terms and conditions contained in this Letter Agreement, in the Purchase Agreement, and other terms and conditions as may be agreed upon to add the Option Aircraft to the Purchase Agreement as an Aircraft. In the event the parties have not entered into a definitive agreement within 30 days following option exercise, either party may terminate the purchase of such Option Aircraft by giving written notice to the other within 5 days. If Customer and Boeing fail to enter into such definitive agreement, Boeing will retain the Deposit for that Option Aircraft unless failure is attributable to Boeing's fault, in which case the Deposit shall be promptly returned to Customer without interest.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment

Attachment to  
Letter Agreement No. 2061-1  
Option Aircraft Delivery, Description, Price and Advance Payments

Airframe Model/MTGW: 777-2001GW      580,000      Detail Specification: D019W004-A (2/29/96)

Engine Model/  
Thrust Level:      GE90-85B      Price Base Year: Jul-95

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

Optional Features:

Sub-Total of Airframe and Features:

Engine Price (Per Aircraft):

Aircraft Basic Price (Excluding BFE/SPE):

Buyer Furnished Equipment (BFE) Estimate:

In-Flight Entertainment Equipment (IFE) Estimate:

Refundable Deposit per Aircraft at Proposal Acceptance:

Airframe Escalation Data:

Base Year Index (ECI):

Base Year Index (ICI):

Engine Escalation Data:

Base Year Index (CPI):

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

October 10, 1997  
2061-2

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

Subject: Demonstration Flights

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

Ladies and Gentlemen:

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

Definition of Terms:

Correction Costs: Customer's or a third party's direct labor costs and the cost of any material required to correct a Flight Discrepancy where direct labor costs are equal to the warranty labor rate in effect between the parties at the time such labor is expended.

Flight Discrepancy: A failure or malfunction of an Aircraft, or the accessories, equipment or parts installed on the Aircraft which results from a defect in the Aircraft, Boeing Product, engine or Supplier Product or a nonconformance to the Detail Specification for the Aircraft.

The AGTA provides that each aircraft will be test flown prior to delivery for the purpose of demonstrating the functioning of such Aircraft and its equipment to Customer; however, Customer may elect to waive this test flight. For each test flight waived, Boeing agrees to provide Customer an amount of jet fuel at delivery that, together with the standard fuel entitlement, totals [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] U.S. gallons.

Further, Boeing agrees to reimburse Customer for any Correction Costs incurred as a result of the discovery of a Flight Discrepancy during the first flight of the aircraft by Customer following delivery to the extent such Correction Costs are not covered under a warranty provided by Boeing, the engine manufacturer or any of Boeing's suppliers.

Should a Flight Discrepancy be detected by Customer which requires the return of the Aircraft to Boeing's facilities at Seattle, Washington, so that Boeing may correct such Flight Discrepancy, Boeing and Customer agree that title to and risk of loss of such Aircraft will remain with Customer. Any such correction by Boeing shall be at no cost to Customer. In addition, it is agreed that Boeing will have responsibility for the Aircraft while it is on the ground at Boeing's facilities in Seattle, Washington, as is chargeable by law to a bailee for mutual benefit, but Boeing shall not be chargeable for loss of use.

To be reimbursed for Correction Costs, Customer shall submit a written itemized statement describing any flight discrepancies and indicating the Correction Cost incurred by Customer for each discrepancy. This request must be submitted to Boeing's Contracts Regional Director at Renton, Washington, within ninety (90) days after the first flight by Customer.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
2061-3

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

Subject: Installation of Cabin Systems Equipment

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

Ladies and Gentlemen:

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

Customer has requested that Boeing install in the Aircraft the inflight entertainment and cabin communications systems (IFE/CCS) described in Attachment A to this Letter Agreement.

Because of the complexity of the IFE/CCS, special attention and additional resources will be required during the development, integration, certification, and manufacture of the Aircraft to achieve proper operation of the IFE/CCS at the time of delivery of the Aircraft. To assist Customer, Boeing will perform the functions of project manager (the Project Manager) as set forth in Attachment B.

1. Responsibilities.

1.1 Customer will:

1.1.1 Provide Customer's IFE/CCS system requirements to Boeing;

1.1.2 Select the IFE/CCS suppliers (Suppliers) from among those suppliers identified in the Change Request/s/ listed in Attachment A to this Letter Agreement;

1.1.3 Promptly after selecting Suppliers, participate with Boeing in meetings with Suppliers to ensure that Supplier's functional system specifications meet Customer's and Boeing's respective requirements;

1.1.4 Select Supplier part numbers;

1.1.5 Negotiate and obtain agreements on product assurance, product support following Aircraft delivery (including spares support), and any other special business arrangements directly with Suppliers;

1.1.6 Provide pricing information for part numbers selected above to Boeing by a mutually selected date;

1.1.7 Negotiate and obtain agreements with any required service providers; and

1.1.8 Include in Customer's contract with any seat supplier a condition obligating such seat supplier to enter into and comply with a Boeing approved bonded stores agreement. This bonded stores agreement will set forth the procedures concerning the use, handling and storage for the Boeing owned IFE/CCS equipment during the time such equipment is under the seat supplier's control.

1.2 Boeing will:

1.2.1 Perform the Project Manager functions stated in Attachment B;

1.2.2 Provide Aircraft interface requirements to Suppliers;

1.2.3 Assist Suppliers in the development of their IFE/CCS system specifications and approve such specifications;

1.2.4 Negotiate terms and conditions (except for price, product assurance, product support following Aircraft delivery and any other special business arrangements) and enter into contracts with Suppliers for the purchase of IFE/CCS and manage such contracts for the IFE/CCS;

1.2.5 Be responsible for ensuring that the Suppliers deliver to Boeing on-dock requirements for those Supplier part numbers which have been previously certified and remain unchanged throughout the Boeing purchase contract period of performance.

1.2.6 Coordinate the resolution of technical issues with Suppliers;

1.2.7 Ensure that at time of Aircraft delivery the IFE/CCS configuration and functionality meets the requirements of the Change Requests contained in Attachment A to this Letter Agreement as such Attachment A may be amended from time to time; and

1.2.8 Obtain FAA certification of the Aircraft with the IFE/CCS installed therein.

## 2. Software.

IFE/CCS systems may contain software of the following two types.

2.1 Systems Software. The software required to operate and certify the IFE/CCS systems on the Aircraft is the "Systems Software" and is part of the IFE/CCS.

2.2 Customer's Software. The software accessible to the Aircraft passengers which controls Customer's specified optional features is "Customer's Software" and is not part of the IFE/CCS.

2.2.1 Customer is solely responsible for specifying Customer's Software functional and performance requirements and ensuring that Customer's Software meets such requirements. Customer and Customer's Software supplier will have total responsibility for the writing, certification, modification, revision, or correction of any of Customer's Software. Boeing will not perform the functions and obligations described in paragraph 1.2 above, nor the Project Manager's functions described in Attachment B, for Customer's Software.

2.2.2 The omission of any Customer's Software or the lack of any functionality of Customer's Software will not be a valid condition for Customer's rejection of the Aircraft at the time of Aircraft delivery unless such omission or lack of functionality is due to a breach by Boeing of its obligations under this Purchase Agreement.

2.2.3 Boeing has no obligation to approve any documentation to support Customer's Software certification. Boeing will only review and operate Customer's Software if in Boeing's reasonable opinion such review and operation is necessary to certify the IFE/CCS system on the Aircraft.

2.2.4 Boeing will not be responsible for obtaining FAA certification for Customer's Software.

## 3. Changes.

3.1 After Boeing and Supplier have entered into a contract for the purchase of the IFE/CCS, changes to such contract may only be made by Boeing. Any Customer request for changes to the IFE/CCS specification after the Boeing/Supplier contract has been signed must be made in writing directly to Boeing. Boeing shall respond to such request by Customer in a timely manner. If such change is technically feasible and Boeing has the resources and time to incorporate such change, then Boeing shall negotiate with the Supplier to incorporate such change into the contract for the IFE/CCS. Any Supplier price increase resulting from such a change will be negotiated between Customer and Supplier.

3.2 Boeing and Customer recognize that the developmental

nature of the IFE/CCS may require changes to the IFE/CCS or the Aircraft in order to ensure (i) compatibility of the IFE/CCS with the Aircraft and all other Aircraft systems, and (ii) FAA certification of the Aircraft with the IFE/CCS installed therein. In such event Boeing will notify Customer and recommend to Customer the most practical means for incorporating any such change. If within 15 days after such notification Customer and Boeing through negotiations cannot mutually agree on the incorporation of any such change or alternate course of action, then the remedies available to Boeing in Paragraph 5 shall apply.

3.3 The incorporation into the Aircraft of any mutually agreed change to the IFE/CCS may result in Boeing adjusting the price of the Change Request contained in Attachment A to this Letter Agreement.

3.4 Boeing's obligation to obtain FAA certification of the Aircraft with the IFE/CCS installed is limited to the IFE/CCS as described in Attachment A, as Attachment A may be amended from time to time.

3.5 Boeing shall notify Customer in a timely manner in the event of a default by a Supplier under the Supplier's contract with Boeing. Within 15 days of Customer's receipt of such notification, Boeing and Customer shall agree through negotiations on an alternative Supplier or other course of action. If Boeing and Customer are unable to agree on an alternative Supplier or course of action within such time, the remedies available to Boeing in Paragraph 5 shall apply.

4. Exhibits B and C to the AGTA.

IFE/CCS is deemed to be BFE for the purposes of Exhibit B, Customer Support Document, and Exhibit C, the Product Assurance Document, of the AGTA.

5. Boeing's Remedies.

If Customer does not comply with any of its obligations set forth herein, Boeing may:

5.1 delay delivery of the Aircraft pursuant to the provisions of Article 7, Excusable Delay, of the AGTA; or

5.2 deliver the Aircraft without part or all of the IFE/CCS installed, or with part or all of the IFE/CCS inoperative.

Boeing may also increase the Aircraft Price by the amount of Boeing's additional out-of-pocket costs, including but not limited to extra engineering costs, factory disruption costs, and storage costs, attributable to such noncompliance.

6. Advance Payments.

6.1 Estimated Price for the IFE/CCS. An estimated price for the IFE/CCS purchased by Boeing will be included in the Aircraft Advance Payment Base Price to establish the advance payments for each Aircraft. The estimated price for the Boeing purchased IFE/CCS installed on each Aircraft by Change Request 2300CH7324 is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] U.S. dollars expressed in 1995 dollars.

6.2 Aircraft Price. The Aircraft Price will include the actual IFE/CCS prices and any associated transportation costs charged Boeing by Suppliers.

7. Customer's Indemnification of Boeing.

Customer 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 Customer 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 IFE/CCS, 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 handling or installation of the IFE/CCS.

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment A  
Cabin Systems Equipment

The following Change Request describes the items of equipment that under the terms and conditions of this Letter Agreement are considered to be IFE/CCS. Each such Change Request is fully described in Change Request Document D019WCR1-CAL-2B.

Change Request Number and Title

2300CH7324

ENTERTAINMENT AND COMMUNICATIONS SYSTEM COLLECTOR - DUAL CLASS,  
285 PASSENGERS - CSE - MATSUSHITA 2000E INTERACTIVE IN-SEAT VIDEO

Attachment B  
Project Manager

This Attachment B describes the functions that Boeing will perform as Project Manager to support (i) the development and integration of the IFE/CCS and (ii) the FAA certification of the IFE/CCS when installed on the Aircraft.

1. Project Management

Boeing will perform the following functions for the IFE/CCS. Boeing will have authority to make day-to-day management decisions, and decisions on technical details which in Boeing's reasonable opinion do not significantly affect form, fit, function, cost or aesthetics. Boeing will be responsible for:

- A. Managing the development of all program schedules;
- B. Evaluating and approving Supplier's program management and developmental plans;
- C. Defining program metrics and status requirements;
- D. Scheduling and conducting program status reviews on a weekly basis, or such other time period as may be mutually agreed;
- E. Scheduling and conducting design and schedule reviews with Customer and Suppliers;
- F. Monitoring compliance with schedules;
- G. Evaluating and approving any recovery plans or plan revisions which may be required of either Suppliers or Customer;
- H. Leading the development of a joint IFE/CCS project management plan (the Program Plan) and;
- I. Managing the joint development of the System Specification

2. System Integration

Boeing's performance as Project Manager will include the functions of systems integrator (Systems Integrator). As Systems Integrator Boeing will perform the following functions:

- A. As required, assist Suppliers in defining their system specifications for the IFE/CCS, approve such specifications and develop an overall system functional specification;
- B. Coordinate Boeing, Customer and Supplier teams to ensure sufficient Supplier and Supplier sub system testing and an overall cabin system acceptance test are included in the Program Plan; and
- C. Organize and conduct technical coordination meetings with Customer and Suppliers to review responsibilities, functionality, Aircraft installation requirements and overall program schedule, direction and progress.

3. Seat Integration

- A. Boeing will coordinate the interface requirements between seat suppliers and Suppliers. Interface requirements are defined in Boeing Document Nos. D6-36230, "Passenger Seat Design and Installation"; D6-36238, "Passenger Seat Structural Design and Interface Criteria"; D222W232, "Seat Wiring and Control Requirements"; and D222W013-4, "Seat Assembly Functional Test Plan".
- B. The Suppliers will be required to coordinate integration testing and provide seat assembly functional test procedures for seat electronic parts to

seat suppliers and Boeing, as determined by Boeing.

- C. The Suppliers will assist the seat suppliers in the preparation of seat assembly functional test plans.

October 10, 1997  
2061-4

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

Subject: Spares Initial Provisioning

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

Ladies and Gentlemen:

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

1. Applicability.

This letter will apply to initial provisioning for the Model 777-200IGW Aircraft purchased by Customer under the Purchase Agreement.

2. Initial Provisioning Meeting.

Boeing will conduct an initial provisioning meeting (Initial Provisioning Meeting) with Customer to establish mutually agreeable procedures to accomplish Customer's initial provisioning of spare parts for the Aircraft. The parties will agree, during the Initial Provisioning Meeting on the operational data to be provided by Customer for Boeing's use in preparing its quantity recommendations for initial provisioning of spare parts for the Aircraft, exclusive of special tools, ground support equipment, engines and engine parts (Provisioning Items). Such operational data to be provided by Customer will be the data described in Section E of Boeing Manual D6-49090, entitled "Initial Provisioning Implementation Manual, Boeing Model 757, 767, 777, 747-400 and 737-300, -400 and -500" (Boeing Initial Provisioning Implementation Manual) which will be furnished to Customer prior to the Initial Provisioning Meeting. The parties will also agree on the provisioning documentation data to be provided by Boeing. Such data will be essentially in accordance with the provisions of Chapter 1 of ATA International Specification 2000, Revision 1, dated April 20, 1989, as described in Boeing Initial Provisioning Implementation Manual D6-49090 (such data will be hereinafter referred to collectively as the "Provisioning Data"). Boeing will provide instruction in the use of the initial provisioning documentation. This instruction will be provided in conjunction with the Initial Provisioning Meeting. In addition, the parties will discuss spares ordering procedures and other matters related to the provisioning for the Aircraft. The time and location for such Initial Provisioning Meeting will be mutually agreed upon between the parties.

3. Initial Provisioning Documentation.

3.1 Provisioning Data. Boeing will furnish Provisioning Data to Customer on or about December 15, 1997. The Provisioning Data will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Customer for initial provisioning for the Aircraft. The Provisioning Data will set forth the prices for Provisioning Items which are Boeing Spare Parts and such prices will be firm and remain in effect until the date or dates set forth below in Paragraph 4.1, Boeing Spare Parts, by which orders must be placed with Boeing. Boeing will, from time to time, until a date approximately 90 days following delivery of the last Aircraft or until the delivery configuration of each of the Aircraft is reflected in the

Provisioning Data, whichever is later, furnish to Customer revisions to the Provisioning Data.

3.2 Provisioning IPC. Boeing will, on or about December 1, 1997, furnish to Customer a Boeing Illustrated Parts Catalog (IPC), hereinafter referred to as the "Provisioning IPC." The Provisioning IPC will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Customer for initial provisioning for the Aircraft. Boeing will, from time to time, until a date approximately 90 days following delivery of the last Aircraft, or until the delivery configuration of each of the Aircraft is reflected in the Provisioning IPC, whichever is later, furnish to Customer revisions to the Provisioning IPC.

### 3.3 Buyer Furnished Equipment (BFE) Provisioning Data.

3.3.1 Boeing's Responsibility. Boeing will include BFE end items in the Provisioning Data and Provisioning IPC for BFE installed on Customer's Aircraft provided such equipment has been installed on other Aircraft by Boeing and Boeing has data on the BFE.

3.3.2 Customer's Responsibility. Customer will be responsible for ensuring BFE data is provided to Boeing by the BFE supplier in a format reasonably acceptable to Boeing for BFE not covered by 3.3.1 above. If the data is not provided to Boeing in a timely manner and in a format reasonably acceptable to Boeing, such BFE equipment will not be included in Boeing's Provisioning Data or IPC.

3.4 Other Data. Boeing will submit to Customer listings of raw materials, standard parts and bulk materials to be used by Customer in the maintenance and repair of the Aircraft.

## 4. Purchase from Boeing of Spare Parts as Initial Provisioning for the Aircraft.

4.1 Boeing Spare Parts. Customer will place orders for Provisioning Items on or about January 15, 1998; provided, however, that in those instances where Boeing submits any revision to the Provisioning Data, Customer will place orders for Boeing Spare Parts covered by such revision within 90 days following the date of such submittal. At Customer's request, Boeing will process "controlled shipments" by shipping full or partial quantities of an order on a schedule specified by Customer, provided the final shipment is made no later than 24 months after receipt of the order.

4.2 Vendor Provisioning Items. Customer may place orders with Boeing for Provisioning Items which are manufactured by vendors or to their detailed design and are covered by the Provisioning Data as initial provisioning for the Aircraft. The price to Customer for any such vendor Provisioning Item will be [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the vendor's quoted price to Boeing therefor. If Customer elects to purchase such vendor Provisioning Items from Boeing, Customer will place its orders therefor in accordance with the provisions of Paragraph 4.1, Boeing Spare Parts.

4.3 Ground Support Equipment and Special Tools. Customer may place orders with Boeing for ground support equipment (GSE) and special tools manufactured by vendors which Customer determines it will initially require for maintenance, overhaul and servicing of the Aircraft and/or engines. The price to Customer for such GSE or special tools will be [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the vendor's quoted price to Boeing therefor. If Customer elects to purchase such GSE and special tools from Boeing, Customer will place its orders therefor by the date set forth in Paragraph 4.1, Boeing Spare Parts or such later date as the parties may mutually agree.

4.4 Spare Engines and Engine Spare Parts. Customer may place orders with Boeing for spare engines and/or engine spare parts which Customer determines it will initially require for support of the Aircraft or for maintenance and overhaul of the engines. The price to Customer for such spare engines or such engine spare parts, will be [CONFIDENTIAL MATERIAL OMITTED AND

FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the engine manufacturer's quoted price to Boeing for the engine, and [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the engine manufacturer's quoted price to Boeing for the engine spare parts. If Customer elects to purchase such spare engines or engine spare parts through Boeing, Customer will place its orders on a date to be mutually agreed upon during the Initial Provisioning Meeting.

4.5 QEC Kits. Boeing will, on or about September 15, 1997, furnish to Customer a listing of all components which could be included in the Quick Engine Change (QEC) kits which may be purchased by Customer from Boeing. Customer agrees to review such listing and indicate by marking on one copy of such listing those components that Customer desires included in its QEC kits. Customer will return such marked copy to Boeing within 30 days after Customer's receipt of such listing. Within 30 days after Boeing's receipt of such marked copy, Boeing will republish such listing to reflect only those components selected by Customer and will provide copies of such republished listing to Customer. Boeing will from time to time furnish revisions to such republished listing until a date approximately 90 days after delivery of the last QEC kit ordered by Customer for the Aircraft. Boeing will furnish to Customer as soon as practicable a statement setting forth a firm price for the QEC kit configuration selected by Customer. Customer agrees to place orders with Boeing for the QEC kits for the Aircraft by December 15, 1997.

4.6 Payment for Provisioning Items. The payment provisions of the Customer Services General Terms Agreement (CSGTA) between Boeing and Customer will be applicable to Provisioning Items ordered by Customer from Boeing for the Aircraft.

## 5. Delivery.

Boeing will, insofar as reasonably possible, deliver to Customer the Spare Parts ordered by Customer in accordance with the provisions of this letter on dates reasonably calculated to conform to Customer's anticipated needs in view of the scheduled deliveries of the Aircraft. Customer and Boeing will agree upon the date to begin delivery of the Provisioning Spare Parts ordered in accordance with this letter. Where appropriate, Boeing will arrange for shipment of such Spare Parts, which are manufactured by vendors, directly to Customer from the applicable vendor's facility. The routing and method of shipment for initial deliveries and all subsequent deliveries of such Spare Parts will be as mutually agreed between Boeing and Customer.

## 6. Substitution for Obsolete Spare Parts.

6.1 Obligation to Substitute. In the event that, prior to delivery of the first Aircraft pursuant to the Purchase Agreement, any Spare Part purchased by Customer from Boeing in accordance with this letter is rendered obsolete or unusable due to the redesign of the Aircraft or of any accessory, equipment or part thereof (other than a redesign at Customer's request), Boeing will deliver to Customer new and usable Spare Parts in substitution for such obsolete or unusable Spare Parts and Customer will return the obsolete or unusable Spare Parts to Boeing. Boeing will credit Customer's account with Boeing with the price paid by Customer for any such obsolete or unusable Spare Part and will invoice Customer for the purchase price of any such substitute Spare Part delivered to Customer.

6.2 Delivery of Obsolete Spare Parts and Substitutes Therefor. Obsolete or unusable Spare Parts returned by Customer pursuant to this Item will be delivered to Boeing at its Seattle Distribution Center, or such other destination as Boeing may reasonably designate. Spare Parts substituted for such returned obsolete or unusable Spare Parts will be delivered to Customer at Boeing's Seattle Distribution Center, or such other Boeing shipping point as Boeing may reasonably designate. Boeing will pay the freight charges for the shipment from Customer to Boeing of any such obsolete or unusable Spare Part and for the shipment from Boeing to Customer of any such substitute Spare Part.

## 7. Repurchase of Provisioning Items.

7.1 Obligation to Repurchase. During a period commencing 1 year after delivery of the first Aircraft under the Purchase Agreement, and ending 5 years after such delivery, Boeing will, upon receipt of Customer's written request and subject to the exceptions in Paragraph 7.2, Exceptions, repurchase unused and undamaged Provisioning Items which (i) were recommended by Boeing in the Provisioning Data as initial provisioning for the Aircraft, (ii) were purchased by Customer from Boeing, and (iii) are surplus to Customer's needs.

7.2 Exceptions. Boeing will not be obligated under Paragraph 7.1, Obligation to Repurchase, to repurchase any of the following: (i) quantities of Provisioning Items in excess of those quantities recommended by Boeing in the Provisioning Data for the Aircraft, (ii) QEC Kits, bulk material kits, raw material kits, service bulletin kits, standards kits and components thereof (except those components listed separately in the Provisioning Data), (iii) Provisioning Items for which an Order was received by Boeing more than 8 months after delivery of the last Aircraft, (iv) Provisioning Items which have become obsolete or have been replaced by other Provisioning Items as a result of (a) Customer's modification of the Aircraft or (b) design improvements by Boeing or the vendor (other than Provisioning Items which have become obsolete because of a defect in design if such defect has not been remedied by an offer by Boeing or the vendor to provide no charge retrofit kits or replacement parts which correct such defect), and (v) Provisioning Items which become excess as a result of a change in Customer's operating parameters, provided to Boeing pursuant to the Initial Provisioning meeting in Paragraph 2, which were the basis of Boeing's initial provisioning recommendations for the Aircraft.

7.3 Notification and Format. Customer will notify Boeing, in writing, when Customer desires to return Provisioning Items which Customer's review indicates are eligible for repurchase by Boeing under the provisions of this Repurchase of Provisioning Items paragraph. Customer's notification will include a detailed summary, in part number sequence, of the Provisioning Items Customer desires to return. Such summary will be in the form of listings, tapes, diskettes or other media as may be mutually agreed between Boeing and Customer, and will include part number, nomenclature, purchase order number, purchase order date and quantity to be returned. Within 5 business days after receipt of Customer's notification, Boeing will advise Customer, in writing, when Boeing's review of such summary will be completed, but in no case will the Boeing review be completed more than 30 days after receipt of Customer's notification.

7.4 Review and Acceptance by Boeing. Upon completion of Boeing's review of any detailed summary submitted by Customer pursuant to Paragraph 7.3, Boeing will issue to Customer a Material Return Authorization (MRA) for those Provisioning Items Boeing agrees are eligible for repurchase in accordance with this Repurchase of Provisioning Items paragraph. Boeing will advise Customer of the reason that any spare part included in Customer's detailed summary is not eligible for return. Boeing's MRA will state the date by which Provisioning Items listed in the MRA must be redelivered to Boeing and Customer will arrange for shipment of such Provisioning Items accordingly.

7.5 Price and Payment. The price of each Provisioning Item repurchased by Boeing pursuant to this Repurchase of Provisioning Items paragraph will be an amount equal to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the original invoice price thereof. In the case of Provisioning Items manufactured by a vendor which were purchased pursuant to Paragraph 4, Purchase from Boeing of Spare Parts as Initial Provisioning for the Aircraft, hereof the repurchase price will not include Boeing's [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] handling charge. Boeing will pay the repurchase price by issuing a credit memorandum in favor of Customer which may be applied against amounts due Boeing for the purchase of aircraft, Spare Parts, services or data.

7.6 Delivery of Provisioning Items. Provisioning Items repurchased by Boeing pursuant to this Repurchase of Provisioning Items paragraph will be delivered to Boeing at its Seattle Distribution Center, or such other destination as Boeing may reasonably designate. Boeing will pay the freight charges for

the shipment from Customer to Boeing of any such Provisioning Items.

8. Obsolete Spare Parts and Surplus Provisioning Items - Title and Risk of Loss.

Title to and risk of loss of any obsolete or unusable Spare Parts returned to Boeing pursuant to Paragraph 6, Substitution for Obsolete Spare Parts, will pass to Boeing upon delivery thereof to Boeing. Title to and risk of loss of any Spare Part substituted for an obsolete or unusable Spare Part pursuant to Paragraph 6, Substitution for Obsolete Spare Parts, will pass to Customer upon delivery thereof to Customer. Title to and risk of loss of any Provisioning Item repurchased by Boeing pursuant to Paragraph 7, Repurchase of Provisioning Items, will pass to Boeing upon delivery thereof to Boeing. With respect to the obsolete or unusable Spare Parts which may be returned to Boeing and the Spare Parts substituted therefor, pursuant to Paragraph 6, and the Provisioning Items which may be repurchased by Boeing, pursuant to Paragraph 7, the party which has risk of loss of any such Spare Part or Provisioning Item will have the responsibility of providing any insurance coverage for it desired by such party.

9. Supplier Support.

Boeing has entered, or anticipates entering, into product support agreements with suppliers (Boeing Suppliers) of major system components manufactured by such Suppliers to be installed on the Aircraft (Supplier Components). Such product support agreements commit, or are expected to commit, the Boeing Suppliers to provide to Boeing's customers and/or such customer's designees support services with respect to the Supplier Components which can be reasonably expected to be required during the course of normal operation. This support includes but is not limited to shelf-stock of certain spare parts, emergency spare parts, timely delivery of spare parts, and technical data related to the Supplier Components. Copies of such product support agreements will be provided to Customer on or about January 15, 1998 in Boeing Document D6-56115, Volumes 1 and 2. In the event Customer has used due diligence in attempting to resolve any difficulty arising in normal business transactions between Customer and a Boeing Supplier with respect to product support for a Supplier Component manufactured by such Supplier and if such difficulty remains unresolved, Boeing will, if requested by Customer, assist Customer in resolving such difficulty. Assistance will be provided by the Spares Supplier Support and Data Management Organization within the Boeing Buyer Services Division.

10. Termination for Excusable Delay.

In the event of termination of the Purchase Agreement with respect to any Aircraft pursuant to Article 7 of the AGTA, such termination will, if Customer so requests by written notice received by Boeing within 15 days after such termination, also discharge and terminate all obligations and liabilities of the parties as to any Spare Parts which Customer had ordered pursuant to the provisions of this letter as initial provisioning for such Aircraft and which are undelivered on the date Boeing receives such written notice.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
2061-5

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

Subject: Flight Crew Training Spare Parts Support

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

Ladies and Gentlemen:

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

Definition of Terms:

Flight Crew Training: Flight training occurring immediately following delivery using Boeing facilities.

Removed Parts: Parts removed from an Aircraft during Flight Crew Training.

Replacement Parts: Parts taken from Boeing inventory and installed in an Aircraft because no Standby Parts are available.

Standby Parts: Parts which are owned by Customer and located at Customer's designated storage area at Boeing to support Flight Crew Training. The Standby Parts list, including part numbers, exact quantities and on-dock dates, will be established during the spares provisioning meeting.

Training Aircraft: The Aircraft delivered to Customer used for Flight Crew Training.

#### 1. Provisioning of Spare Parts

To support Flight Crew Training, Boeing agrees to provide normal line maintenance and expendable spare parts at no charge on the Training Aircraft; and, Customer agrees to provide Standby Parts for the Training Aircraft.

If parts other than those discussed above fail, Boeing will attempt to provide Replacement Parts for those failed parts in order to prevent extended down time on the Training Aircraft. If Boeing is unable to provide Replacement Parts, Customer will be responsible for providing those parts.

#### 2. Disposition of Removed Parts

Boeing may with Customer consent either:

(i) repair such Removed Parts, at no charge to Customer, and either retain such parts as Standby Parts or return the Removed Parts to Customer, at Customer expense; or

(ii) return the Removed Parts to Customer at Customer's expense; or

(iii) return the Removed Parts to the manufacturer for repair or replacement under such manufacturer's warranty. Upon Boeing's receipt of the repaired Removed Parts or their replacements, Boeing may retain such Removed Parts or their replacements as Standby Parts or return such

Removed Parts or their replacements to Customer, at Customer's expense. Any Removed Parts returned to Customer, or replacements, will be accomplished in accordance with any written instructions from Customer received by Boeing prior to such return.

3. Payment for Replacement Parts

Boeing will invoice Customer for Replacement Parts at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for such part.

4. Redelivery of Standby Parts

Standby Parts not installed in the Training Aircraft will be redelivered to Customer on board the last aircraft used for Flight Crew Training.

5. Non-performance by Customer

If Customer's non-performance of obligations in this Letter Agreement causes a delay in the Flight Crew Training, Customer will be deemed to have agreed to any such delay in Flight Crew Training. In addition, Boeing will have the right to:

- (i) purchase Standby Parts and invoice Customer for the price of such Parts and for any necessary adjustment and calibration of such Parts; or
- (ii) cancel or reschedule the Flight Crew Training; or
- (iii) invoice Customer for any out-of-pocket expenses, including but not limited to ground handling expenses, maintenance costs and storage costs, that are directly attributable to the delay in the Flight Crew Training.

6. Customer Warranty

Customer warrants that the Standby Parts will meet the requirements of the Detail Specification and be in a condition to pass Boeing's receipt inspection and functional test, and if not in a new condition, will have an attached FAA Serviceable Parts Tag.

7. Title and Risk of Loss

Title to and risk of loss of any Standby Parts or Removed Parts will remain with Customer. Boeing will have only such liability for Standby Parts and Removed Parts as a bailee for mutual benefit would have, but will not be liable for loss of use. For Replacement Parts, title will transfer to Customer at the time such part is installed on the Training Aircraft.

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

October 10, 1997  
2061-6

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

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

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

Ladies and Gentlemen:

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

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

October 10, 1997  
6-1162-GOC-087

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

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

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

Ladies and Gentlemen:

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

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

October 10, 1997  
6-1162-GOC-088

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

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

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

Ladies and Gentlemen:

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem  
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis  
Its Vice President

October 10, 1997  
6-1162-GOC-089

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

Subject: Special Matters

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

Ladies and Gentlemen:

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

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

2. Option Aircraft Pricing.

2.1 Airframe Base Price. Notwithstanding the provisions of Paragraph 2.2.3 of Letter Agreement 2061-1, the Airframe Price for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Option Aircraft described in Letter Agreement 2061-1 shall be [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for the Aircraft presented in Table 1 to the Purchase Agreement.

2.2 Optional Features Prices. Notwithstanding the provisions of Paragraph 2.2.1 of Letter Agreement 2061-1, the Optional Features Prices for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Option Aircraft described in Letter Agreement 2061-1 [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

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

4. Payment of Interest on Deferred Advance Payments.

4.1 Interest Rate for Firm Aircraft. Customer agrees to pay interest on all amounts which are deferred pursuant to Paragraph 3.1 of this Letter Agreement at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Such interest shall accrue from and include the date on which such payments would have been due but for the execution of this Letter Agreement to but excluding the date on which such amounts are paid in full. Interest shall be due and payable on the first business day of each calendar quarter and on the delivery date of any Aircraft that had a deferred advance payment schedule. (Note: the interest rate as determined above will be use for the entire calendar quarter; e.g., the interest rate determined based on [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].)

4.2 Interest Rate for Option Aircraft. Customer agrees to pay interest on all amounts which are deferred pursuant to Paragraph 3.2 of this Letter Agreement at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.3 Delivery Delay Impact on Interest Calculations. If the delivery of any Aircraft is delayed due to either an excusable or a non-excusable delay, then interest on the deferred advance payments in respect of such Aircraft will not accrue during the time period from the last working day of the scheduled delivery month to the day of delivery of the Aircraft. Payment of any interest that has accrued prior to the start of the delay but remains unpaid will be paid on the normal quarterly interest payment schedule set forth in Paragraph 4.1 of this Letter Agreement or on the delivery date of the Aircraft, whichever comes first.

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

5. Option Aircraft Deposits.

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

6. Model Substitution.

6.1 Customer may elect to substitute other Model 777 aircraft then currently in production for the Aircraft subject to (i) Boeing receiving Customer's written notice 15 months prior the scheduled delivery month, (ii) Boeing production constraints, and (iii) receipt of written concurrence from the engine manufacturer acceptable to both Customer and Boeing.

6.2 Customer may elect to substitute Model 767 aircraft then currently in production for the Aircraft subject to (i) Boeing having an available position in the desired delivery month, (ii) Boeing production constraints, (iii) the configuration of the substitute aircraft having been established, and (iv) receipt of acceptable written concurrence from the engine manufacturer.

7. Aircraft Invoices.

Upon Customer request, at time of Aircraft delivery Boeing agrees to provide a separate invoice addressed to the owner/trustee of such Aircraft specifying the dollar amount to be received at time of delivery. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

8. Assignment of Credits.

Customer may not assign the credit memoranda described in this Letter Agreement without Boeing's prior written consent other than in circumstances where Boeing provides or arranges lease equity financing to Customer in respect of an Aircraft.

9. Confidential Treatment.

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: October 10, 1997

CONTINENTAL AIRLINES, INC.

By\_\_\_/s/ Brian Davis \_\_\_\_\_

Its\_\_\_Vice President\_\_\_\_\_ \_

Supplemental Agreement No. 1

to

Purchase Agreement No. 2061

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 777 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of December 18, 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 (Customer);

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

WHEREAS, Customer wishes to add to the Purchase Agreement [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft that deliver in [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]; and

WHEREAS, Boeing and Customer have mutually agreed to amend the Purchase 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 Purchase 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. 1.

2. Table 1:

Remove and replace, in its entirety, "Table 1, Aircraft Delivery, Description, Price and Advance Payments" with the revised "Table 1, Aircraft Delivery, Description, Price and Advance Payments", pages 1 and 2, attached hereto, to reflect the revised delivery schedule for the Aircraft.

3. Letter Agreements:

Add Letter Agreement 6-1162-GOC-172, "Additional Matters", to the Purchase Agreement to (i) confirm the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] payment schedule for the Aircraft added by this Supplemental Agreement No. 1, (ii) establish the interest rate applicable to such [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] payments and (iii) document that the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft added by this Supplemental Agreement No. 1 will replace [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Model 767-400ER aircraft contained in Purchase Agreement No. 2060.

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: /s/Gunar O. Clem

By: /s/ Brian Davis

Its: Attorney-In-Fact

Its: Vice President

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

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

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

6-1162-GOC-089 Special Matters

6-1162-GOC-172 Additional Matters

SA No. 1

SUPPLEMENTAL AGREEMENTS

Dated as of:

Supplemental Agreement No. 1

December 18, 1997

Table 1 to  
Supplemental Agreement No. 1 to Purchase Agreement No. 2061  
Aircraft Delivery, Description, Price and Advance Payments

Airframe Model/MTGW: 777-200IGW 580,000 Detail Specification: D019W004-A (2/29/96)

Engine Model: GE90-85B Price Base Year: Jul-95

Airframe Base Price:

Optional Features:

Sub-Total of Airframe and Features:

Engine Price (Per Aircraft):

Aircraft Basic Price (Excluding BFE/SPE):

Buyer Furnished Equipment (BFE) Estimate:

In-Flight Entertainment Equipment (IFE) Estimate:

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

December 18, 1997  
6-1162-GOC-172

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

Subject: Additional Matters

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

Ladies and Gentlemen:

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

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

Notwithstanding the Advance Payment Schedule contained in Table 1 of the Purchase Agreement, Customer may pay advance payments according to the following schedule for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft added under Supplemental Agreement No. 1 to the Purchase Agreement.

Due Date of Payment	Amount Due per Aircraft (Percentage times Advance Payment Base Price)
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. Payment of Interest on Deferred Advance Payments.

Customer agrees to pay interest on all amounts which are deferred pursuant to Paragraph 1 of this Letter Agreement at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Such interest shall accrue from and include the date on which such payments would have been due but for the execution of this Letter Agreement to but excluding the date on which such amounts are paid in full. Interest shall be due and payable on the first business day of each calendar quarter and on the delivery date of any Aircraft that had a deferred advance payment schedule. (Note: the interest rate as determined above will be use for the entire calendar quarter; e.g., the interest rate determined based [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].)

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

4. Customer's Right to Confirm.

Boeing agrees that Customer may cancel the exercise of the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft added under Supplemental Agreement No. 1 to the Purchase Agreement by giving Boeing written notice of such cancellation on or before January 2, 1998.

5. Confidential Treatment.

Boeing and Customer understand that certain information

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

Very truly yours,

THE BOEING COMPANY

By /s/ Gunar O. Clem

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: December 18, 1997

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President \_\_\_\_\_

FIRST AMENDMENT  
TO THE  
GOVERNANCE AGREEMENT

This First Amendment to the Governance Agreement dated as of March 2, 1998, is by and among Continental Airlines, Inc., a Delaware corporation (the "Company"), Newbridge Parent Corporation, a Delaware corporation (the "Stockholder"), and Northwest Airlines Corporation, a Delaware corporation that is the holder of all of the outstanding stock of the Stockholder ("Parent").

WHEREAS, the Company, the Stockholder and the Parent have entered into that certain Governance Agreement dated as of January 25, 1998 (the "Governance Agreement"), pursuant to which the Parent and the Stockholder have agreed, among other things, that they and their respective Affiliates will not, subject to certain exceptions set forth in the Governance Agreement, Beneficially Own any Voting Securities in excess of the Permitted Percentage; and

WHEREAS, the Parent and the Stockholder have proposed to enter into a Purchase Agreement (the "Barlow Agreement") with Barlow Investors III, LLC, a California limited partnership ("Barlow"), and the guarantors signatory thereto, pursuant to which the Parent and the Stockholder would acquire Beneficial Ownership of 979,000 shares of Class A Common Stock Beneficially Owned by Barlow;

WHEREAS, the Parent and the Stockholder entering into the Barlow Agreement would cause them to Beneficially Own Voting Securities in excess of the Permitted Percentage as in effect on the date hereof; and

WHEREAS, the Parent and the Stockholder have requested that the Company consent to their entering into the Barlow Agreement, and the Company is willing to agree thereto subject to the terms and conditions of this First Amendment; and

WHEREAS, the Company, the Parent and the Stockholder desire to clarify the effect of the conversion of shares of Class A Common Stock to Class B Common Stock by the holders thereof under Section 1.01 of the Governance Agreement.

NOW THEREFORE, the Company, the Stockholder and the Parent, intending to be legally bound, hereby agree as follows:

1. Capitalized terms not otherwise defined herein shall have their respective meanings set forth in the Governance Agreement.

2. Section 1.01(d) of the Governance Agreement is amended and restated to read in its entirety as set forth below:

(d) (i) Except as otherwise set forth in this subsection (d), if at any time the Parent or the Stockholder becomes aware that it and its Affiliates Beneficially Own more than the Permitted Percentage, then the Parent shall promptly notify the Company, and the Parent and the Stockholder, as appropriate, shall promptly take all action necessary to reduce the amount of Voting Securities Beneficially Owned by such Persons to an amount not greater than the Permitted Percentage.

(ii) If the Voting Securities Beneficially Owned by the Stockholder and its Affiliates exceed the Permitted Percentage (A) solely by reason of repurchases of Voting Securities by the Company or (B) as a result of the transactions otherwise permitted by the terms of this Agreement, then the Stockholder shall not be required to reduce the amount of Voting Securities Beneficially Owned by such Persons and the percentage of the Fully Diluted Voting Power represented by the Voting Securities Beneficially Owned by such Persons shall become the Permitted Percentage.

(iii) Notwithstanding the provisions of Section 1.01(a), if the Voting Securities Beneficially Owned by the Stockholder and its Affiliates exceed the Permitted Percentage solely by reason of the Parent's and the Stockholder's entering into (A) the Purchase Agreement dated as of March 2, 1998 (the "Barlow Agreement") among the Parent, the Stockholder, Barlow Investors III, LLC, a California limited liability company ("Barlow"), and the guarantors signatory thereto, respecting the sale by Barlow of 979,000 shares of Class A Common Stock to the Stockholder, and (B) the Investment Agreement, and the purchase of (C) the 979,000 shares of Class A Common Stock pursuant to the Barlow Agreement, and (D) Voting Securities pursuant to the Investment Agreement, the Stockholder and its Affiliates shall not be required to reduce the amount of Voting Securities Beneficially Owned by such Persons; provided that the Permitted Percentage shall not be changed as a result thereof, and, if the Fully Diluted Voting Power of the Voting Securities Beneficially Owned by the Stockholder and its Affiliates is subsequently reduced to or below the Permitted Percentage, neither the Stockholder, the Parent, nor any of their respective Affiliates shall Beneficially Own any Voting Securities in excess of the Permitted Percentage after such reduction.

(iv) Notwithstanding the provisions of Section 1.01(a), if the Voting Securities Beneficially Owned by the Stockholders and its Affiliates exceed the Permitted Percentage solely by reason of the conversion of shares of Class A Common Stock into shares of Class B Common Stock by the holders thereof, the Stockholder and its Affiliates shall not be required to reduce the amount of Voting Securities Beneficially Owned by such Persons; provided that, the Permitted Percentage shall not be changed as a result of any such conversion, and if the Fully Diluted Voting Power of the Voting Securities Beneficially Owned by the Stockholder and its Affiliates is subsequently reduced to or below the Permitted Percentage, neither the Stockholder, the Parent, nor any of their respective Affiliates shall Beneficially Own any Voting Securities in excess of the Permitted Percentage after such reduction.

3. The Company hereby represents and warrants to the Parent and the Stockholder that this First Amendment to the Governance Agreement has been approved by a Majority Vote.

4. This First Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

5. Except as expressly modified by this First Amendment to the Governance Agreement, all of the terms, conditions and provisions of the Governance Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to the Governance Agreement to be executed as of the date first referred to above.

Northwest Airlines Corporation

By: /s/ Douglas M. Steenland  
Name: Douglas M Steenland  
Title: Senior Vice President,  
General Counsel and Secretary

Newbridge Parent Corporation

By: /s/ Douglas M. Steenland  
Name: Douglas M. Steenland  
Title: Vice President, Secretary  
And Assistant Treasurer

Continental Airlines, Inc.

By: /s/Jeffery A. Smisek  
Name: Jeffery A. Smisek  
Title: Executive Vice President,  
General Counsel and Secretary

GE Aircraft Engines  
 General Electric Company  
 One Neumann Way  
 Cincinnati, OH 45215-1988 USA  
 Tel. 513/243-2000

LETTER AGREEMENT NO. 11

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

Gentlemen:

WHEREAS, General Electric Company ("GE") and Continental Airlines, Inc. ("Airline") have entered into Amended and Restated General Terms Agreement No. 6-8057 dated as of November 1, 1994, as amended (together with Letter Agreement Nos. 1 through 10 thereto, collectively, the "Agreement"). This Letter Agreement No. 11 amends and supplements the Agreement by providing for applicable terms and conditions governing the sale by GE and the purchase by Airline from GE of spare CF6 and GE90 engines and related equipment and spare parts therefor in support of Airline's fleet of GE-powered aircraft; and

WHEREAS, Airline has ordered from The Boeing Company ("Boeing") (i) thirty (30) new firm 767-400ER aircraft for delivery in the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] time period, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and (ii) ten (10) new firm 777-200 aircraft for delivery in the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] time period [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

WHEREAS, Airline and Boeing have entered into an agreement whereby Airline has agreed that in the event Airline purchases any new 737 through 777 sized aircraft prior to December 31, 2017, such aircraft shall be aircraft manufactured by Boeing. GE is not a party to this Purchase Agreement and any reference to such Purchase Agreement is only for the convenience of Airline.

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

- I. Airline agrees that when Airline acquires directly from Boeing new 737 through 777 sized aircraft (other than 757 aircraft), including derivatives, for delivery by December 31, 2017 (except for those for which neither GE nor CFMI has an application) which are in addition to the Firm 767 Aircraft and Firm 777 Aircraft, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Airline shall equip all such additional aircraft with GE or CFMI engines. If, for any reason other than one defined in the Agreement as an "Excusable Delay" (Article VIII), GE or CFMI is unable to deliver such engines in the time period required by Airline, Airline may purchase engines from another source.
- II. Airline agrees that in the event Airline acquires directly from an aircraft manufacturer for delivery by December 31, 2017, with or without Boeing's consent, additional new 737 through 777 sized aircraft, including derivatives, which are not manufactured by Boeing, such additional aircraft shall be equipped with GE or CFMI engines (except for those for which neither GE nor CFMI has an application). If, for any reason, other than one defined in the Agreement as an "Excusable Delay" (Article VIII), GE or CFMI is unable to deliver such engines in the time period required by Airline, Airline may purchase engines from another source.

The additional aircraft referred to in paragraph I above and in this paragraph II shall be individually or collectively referred to as the "Follow-On Aircraft."

III. If Airline purchases Follow-On Aircraft, Airline agrees to purchase a quantity of spare engines which are equivalent to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] percent [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (rounded to the nearest whole spare engine) of the quantity of new engines installed on each model of Follow-On Aircraft.

IV. GE agrees to provide Airline the following Special Allowances, subject to all of the conditions set forth in Attachment A hereto.

A. Follow-On Aircraft Allowance

In consideration of Airline purchasing and taking delivery of new CF6 powered Follow-on Aircraft for delivery through December 31, 2017, GE will provide Airline an allowance per aircraft as defined by the formula below:

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

In consideration of Airline purchasing and taking delivery of new GE90 powered Follow-On Aircraft for delivery through December 31, 2017, GE will provide Airline an allowance per aircraft as defined by the formula below:

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

These Follow-On Aircraft Allowances will be earned by Airline, on a pro rata basis, upon delivery of each shipset of CF6 and GE90 Engines to the aircraft manufacturer for installation on Airline's Follow-On Aircraft.

Upon concurrence by the aircraft manufacturer, GE will make the Follow-On Aircraft Allowances available for use toward the purchase of the respective Follow-On Aircraft to which such allowance relates.

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

The obligations set forth in this Letter Agreement No. 11 are in addition to and form part of the obligations set forth in the Agreement.

Counterparts: This Letter Agreement No. 11 may be executed by the parties hereto in two or more counterparts and by the different parties hereto on separate counterparts each of which shall be deemed to be an original but all of which when taken together shall constitute one and the same document. Delivery of an executed counterpart of a signature page to this Agreement by fax shall be effective as delivery of a manually executed counterpart.

Please indicate your agreement with the foregoing by signing the original and one copy in the space provided below and returning the same to the undersigned whereby this Letter Agreement No. 11 shall become effective as of December 22, 1997.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By: /s/ Brian Davis

By: /s/ James L. Raphael

Typed Name: Brian Davis

Typed Name: James L. Raphael

1.Allowance for Initial Aircraft Sale Only

Any allowance described in this Letter Agreement No. 11 applies only to new CF6 powered Follow-on Aircraft and new GE90 powered Follow-On 777 Aircraft (individually or collectively, the "CF6/GE90 Follow-On Aircraft") and does not apply to an aircraft that has been the subject of a previous GE proposal or offer or, to an aircraft that has been previously sold or otherwise acquired through resale, lease, trade or exchange.

2. Allowance Not Paid

If: (a) Airline for any reason: terminates, cancels, revokes or delays beyond the Follow-On Delivery Period (defined as a period of time not to exceed December 31, 2017 unless such delay occurs as a result of an Excusable Delay) its order for Follow-On Aircraft or some portion thereof, or (b) Airline fails to perform, in any material respect, any of the allowance conditions or other material terms of the Agreement, in addition to the other remedies that may be available to GE in this Attachment A, and, with respect to a failure to perform, in any material respect, any of the other material terms of the Agreement, such other remedies that may be available to GE at law or in equity, any allowance which may have been earned by Airline upon delivery of GE engines to the aircraft manufacturer for affected Aircraft shall become an unearned allowance, and will not be paid; provided, however, that such an unearned allowance relating to a delayed CF6/GE90 Follow-On Aircraft may be reinstated and paid to Airline upon delivery of such CF6/GE90 Follow-On Aircraft if (i) such delay was not attributable to a breach by Airline under the applicable aircraft manufacturer's purchase agreement, this Agreement or any other applicable agreement, and (ii) Airline accepts such CF6/GE90 Follow-On Aircraft promptly when tendered by Boeing; and (iii) such acceptance occurs not later than the Follow-On Delivery Period, subject to excusable delay as defined in paragraph 10 hereof.

3. Adjustment of Allowances

In the event Airline fails to (i) take delivery of at least [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] the respective CF6 and GE90 Follow-On Aircraft Allowances described in Article IV.A of Letter Agreement No. 11 will be reduced according to the following table:

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

and such reduced allowance will be applicable to (i) all CF6 powered Follow-On Aircraft delivered to Airline through December 31, 2017 and (ii) all GE90-powered Follow-On Aircraft delivered to Airline through December 31, 2017.

The Special Allowances described in Article IV.A. will not be applicable to Follow-On Aircraft delivered after December 31, 2017.

The cut-off dates set forth in this paragraph 3 are subject to extension for excusable delay [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4. Assignability of Allowances

The allowances described herein are exclusively for the benefit of Airline, and are not assignable, except in connection with Airline's financing of the Aircraft.

5. Set Off for Outstanding Balance

Allowances will be made available by GE at the time of CF6/GE90 Follow-On Aircraft delivery provided Airline has no accounts aggregating in excess of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] outstanding for ninety (90) days or more payable to GE for the purchase of GE Aircraft Engines products and services for which GE shall have notified airline (to the attention of Chief Financial Officer) at least ninety (90) days prior to such scheduled CF6/GE90 Follow-On Aircraft delivery. In the event of such outstanding accounts receivable, the amounts of such outstanding accounts receivable shall be deducted by GE from the allowances that are payable at the time of scheduled Aircraft delivery. However, no such deduction will occur for those past due amounts that Airline has contested in good faith, provided that Airline has notified GE of such contest within sixty (60) days after Airline received the invoice(s) therefor.

6. Cancellation of CF6/GE90 Follow-On Spare Engines

In the event Airline cancels any purchase order for CF6/GE90 Follow-On Aircraft spare engine(s) prior to scheduled delivery to Airline, except in circumstances constituting Excusable Delay, (i) GE will retain, and Airline will forfeit, any spare engine progress payments made to GE for such canceled spare engine, and (ii) if written notice of cancellation is received by GE at least [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] prior to the scheduled engine delivery date, Airline will pay a cancellation charge of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the engine price, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

7. Cancellation or Failure to Accept Delivery of Installed Engines

If airline cancels any purchase order for, or otherwise fails to take delivery of, installed CF6/GE90 Follow-On Aircraft engine(s) (individually or collectively, the "Engine"), the parties agree that harm or damage will be sustained by GE as a result. The parties agree that any such cancellation or failure to accept delivery of the Engine (except in circumstances constituting Excusable Delay) will subject Airline to a cancellation charge of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the installed Engine price, (determined as of the date of scheduled Engine delivery to the aircraft manufacturer). If Airline provides notice of cancellation at least [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] prior to the scheduled delivery date of the aircraft, the parties acknowledge this charge [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and to be a reasonable estimate of the harm or damage to GE. To the extent that GE gets paid cancellation fees by or receives credit or other quantifiable consideration from the aircraft manufacturer with respect to installed Engines for Airline's canceled aircraft or aircraft for which Airline has failed to accept delivery when duly tendered, GE will credit airline the value of such fees, credits or other quantifiable consideration against such cancellation charge and any other amounts owed to GE by Airline for damages relating to any such cancellation or failure to accept delivery.

8. Additional Damages; Confidentiality

In the event written notice of cancellation (of spare or installed engines) is not received by GE more than

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] prior to scheduled delivery date to Airline for a spare engine, or [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] prior to the delivery date of the aircraft for an installed engine, GE will also retain all remedies available to it for damages in law or equity in excess of such cancellation charge.

Airline agrees to cooperate with GE to maintain the confidentiality of any proprietary information disclosed by GE in connection with proving any such additional harm or damages, provided that any such disclosure shall be at GE's discretion.

9. Planned Aircraft Not Operated for Planned Period

If, within the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] following delivery of each CF6/GE90 Follow-On Aircraft for which a special allowance was provided by GE under this Letter Agreement No. 11, Airline fails to operate (other than as a result of mechanical problem or due to an event of loss) such CF6/GE90 Follow-On Aircraft, the special allowances earned and/or paid on such CF6/GE90 Follow-On Aircraft shall be proportionately reduced. Airline will reimburse GE an amount equal to the proportionate share of the special allowances earned and/or paid with respect to such CF6/GE90 Follow-On Aircraft, (based on the percentage of the six-month minimum period the CF6/GE90 Follow-On Aircraft was actually operated by Airline), with interest on such amount. The special allowance reimbursement is due no later than 30 days from the time Airline ceases to operate such CF6/GE90 Follow-On Aircraft.

Interest will be calculated at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. For purposes of the foregoing, Airline shall be deemed to operate such CF6/GE90 Follow-On Aircraft even though such CF6/GE90 Follow-On Aircraft are (i) operated by any majority owned affiliate or subsidiary of Airline or (ii) operated by any other airline with whom Airline has entered into a code sharing or other marketing arrangement.

10. Excusable Delay

"Excusable Delay" with respect to an installed engine as used in this Attachment A means a delay in delivery of an Aircraft not attributable to a failure of Airline to timely perform its obligations under the aircraft manufacturer's purchase agreement (without giving effect to any supplement, modification or waiver thereto which directly or indirectly results in a permitted delay of the scheduled delivery of an aircraft unless GE shall have consented thereto, which consent shall not be unreasonably withheld), including any event of force majeure or a default by the aircraft manufacturer, provided, that airline accepts such aircraft promptly when tendered by the aircraft manufacturer.

An "Excusable Delay" with respect to a spare engine as used in this Attachment A means a delay in delivery of a spare engine not attributable to a failure of Airline to timely perform its obligations under the purchase agreement between Airline and GE, including any event of default by GE or event of force majeure provided, that Airline accepts such spare engine promptly when tendered by GE after an event of force majeure.

## SUBSIDIARIES OF CONTINENTAL AIRLINES, INC.

Subsidiary	STATE OF INCORPORATION
Air Micronesia, Inc.	Delaware
Continental Express, Inc.	Delaware
Continental Micronesia, Inc.	Delaware

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference of our report dated February 9, 1998 (except for Note 13, as to which the date is March 18, 1998) with respect to the consolidated financial statements and our report dated March 18, 1998 with respect to the schedule of Continental Airlines, Inc. (the "Company") included in the Annual Report (Form 10-K) for 1997 filed with the Securities and Exchange Commission, into the following:

- (i) the Company's Registration Statements on Form S-8 (Nos. 33-81324, 33-60009 and 333-06993) relating to the Company's 1994 Incentive Equity Plan;
- (ii) the Company's Registration Statement on Form S-8 (No. 333-23165) relating to the Company's 1997 Stock Incentive Plan;
- (iii) the Company's Registration Statements on Form S-8 (Nos. 33-81326 and 33-59995) relating to the Company's 1994 Restricted Stock Grant;
- (iv) the Company's Registration Statement on Form S-8 (No. 333-16723) relating to the Company's 1997 Employee Stock Purchase Plan;
- (v) the Company's Registration Statement on Form S-8 (No. 33-81328) relating to the Company's 1994 Employee Stock Purchase Plan;
- (vi) the Company's Registration Statement on Form S-3 (No. 333-07899) relating to the Company's 6-3/4% Convertible Subordinated Notes and the related Offering Circular;
- (vii) the Company's Registration Statement on Form S-3 (No. 333-09739) relating to Warrants, Class A Common Stock and Class B Common Stock and sales by certain Selling Securityholders and the related Prospectus;
- (viii) the Registration Statement on Form S-3 (No. 333-04601) of the Company and Continental Airlines Finance Trust relating to 8-1/2% Convertible Trust Originated Preferred Securities<sup>SM</sup> and the related Offering Memorandum;
- (ix) the Company's Registration Statement on Form S-3 (No. 333-34545) relating to the Company's Pass Through Certificates for \$1,850,000,000 and the related Prospectus;
- (x) the Company's Registration Statement on Form S-3 (No. 333-31285) relating to the Company's Pass Through Certificates for \$250,000,000 and the related Prospectus; and
- (xi) the Company's Registration Statement on Form S-3 (No. 333-29255) relating to the Company's Debt Securities (Debt Shelf) and the related Prospectus.

ERNST & YOUNG

Houston, Texas  
March 18, 1998



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Lawrence W. Kellner and Jeffery A. Smisek, or either of them, the undersigned's true and lawful attorney or attorneys to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ Gordon Bethune  
Print Name: Gordon Bethune

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Lawrence W. Kellner and Jeffery A. Smisek, or either of them, the undersigned's true and lawful attorney or attorneys to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ David Bonderman

Print Name: David Bonderman

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 20, 1998

By: /s/ Michael P. Bonds  
Print Name: Michael P. Bonds

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Lawrence W. Kellner and Jeffery A. Smisek, or either of them, the undersigned's true and lawful attorney or attorneys to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ Greg Brenneman

Print Name: Gregory D. Brenneman

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ Pat Foley  
Print Name: Pat Foley

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 24, 1998

By: /s/ Lawrence W. Kellner  
Print Name: Lawrence W. Kellner

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Lawrence W. Kellner and Jeffery A. Smisek, or either of them, the undersigned's true and lawful attorney or attorneys to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ Douglas McCorkindale  
Print Name: Douglas McCorkindale

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ George Parker  
Print Name: George Parker

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ Richard W. Pogue  
Print Name: Richard W. Pogue

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 13, 1998

By: /s/ William S. Price  
Print Name: William S. Price

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Lawrence W. Kellner and Jeffery A. Smisek, or either of them, the undersigned's true and lawful attorney or attorneys to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ Donald L. Sturm

Print Name: Donald L. Sturm

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ Karen Hastie Williams

Print Name: Karen Hastie Williams

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

Date: February 11, 1998

By: /s/ Charles A. Yamarone  
Print Name: Charles A. Yamarone

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DEC-31-1997  
DEC-31-1997  
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23  
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