AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 8, 1996

REGISTRATION NO. 333-02701

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CONTINENTAL AIRLINES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	74-2099724
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

2929 ALLEN PARKWAY, SUITE 2010
HOUSTON, TEXAS 77019
(713) 834-2950
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JEFFERY A. SMISEK, ESQ.
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
CONTINENTAL AIRLINES, INC.
2929 ALLEN PARKWAY, SUITE 2010
HOUSTON, TEXAS 77019
(713) 834-2950
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES OF CORRESPONDENCE TO:

MICHAEL L. RYAN, ESQ.	STEPHEN A. GREENE, ESQ.
CLEARY, GOTTLIEB, STEEN & HAMILTON	CAHILL GORDON & REINDEL
ONE LIBERTY PLAZA	80 PINE STREET
NEW YORK, NEW YORK 10006	NEW YORK, NEW YORK 10005

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after this Registration Statement is declared effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: [_]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

CONTINENTAL AIRLINES, INC.

CROSS-REFERENCE SHEET

(PURSUANT TO ITEM 501(a) OF REGULATION S-K SHOWING LOCATION IN PROSPECTUS OF INFORMATION REQUIRED BY ITEMS IN FORM S-3)

FORM S-3 ITEM NUMBER AND CAPTION	CAPTION OR LOCATION IN PROSPECTUS
1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus....	Facing Page of Registration Statement; Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus...	Available Information; Incorporation of Certain Documents by Reference; Inside Front Cover Page of Prospectus; Outside Back Cover Page of Prospectus
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges...	Prospectus Summary; Risk Factors
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Not Applicable
6. Dilution.....	Not Applicable
7. Selling Security Holders.....	Principal and Selling Stockholders
8. Plan of Distribution.....	Underwriting
9. Description of Securities to be Registered.....	Not Applicable
10. Material Changes.....	Recent Developments; Principal and Selling Stockholders; Description of Capital Stock
11. Incorporation of Certain Documents by Reference.....	Incorporation of Certain Documents by Reference
12. Disclosure of Commission Position on Indemnification For Securities Act Liabilities.....	Not Applicable

EXPLANATORY NOTE

This Registration Statement contains two forms of prospectus: one to be used in connection with an offering in the United States and Canada (the "U.S. Prospectus") and one to be used in a concurrent offering outside the United States and Canada (the "International Prospectus"). The two prospectuses are identical except for the front and back cover pages and the section entitled "Underwriting." The form of U.S. Prospectus is included herein and is followed by the alternate pages to be used in the International Prospectus. Each of the alternate pages for the International Prospectus included herein is labeled "Alternate Page for International Prospectus." Final forms of each Prospectus will be filed with the Securities and Exchange Commission under Rule 424(b).

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED MAY 8, 1996

PROSPECTUS

4,271,015 SHARES
CONTINENTAL [LOGO] AIRLINES
CLASS B COMMON STOCK

Of the 4,271,015 shares (the "Shares") of Class B common stock, par value $.01 per share (the "Class B common stock"), of Continental Airlines, Inc. (the "Company" or "Continental") offered hereby, 3,416,812 Shares are being offered in the United States and Canada (the "U.S. Shares") by the U.S. Underwriters (the "U.S. Offering"), and 854,203 Shares are being concurrently offered outside the United States and Canada by the International Underwriters (the "International Offering" and, together with the U.S. Offering, the "Offering"). The offering price and underwriting discounts and commissions of the U.S. Offering and the International Offering are identical. See "Underwriting."

All of the Shares offered hereby are being sold by Air Canada, a Canadian corporation ("Air Canada"), and certain partners of Air Partners, L.P., a Texas limited partnership ("Air Partners") (collectively, the "Selling Stockholders"). See "Principal and Selling Stockholders." Continental will not receive any of the proceeds from the sale of the Shares by the Selling Stockholders.

The Class B common stock is listed on the New York Stock Exchange, Inc. (the "NYSE") under the trading symbol "CAI.B." On May 7, 1996, the last reported sale price of the Class B common stock on the NYSE was $54.00 per share. See "Market Price of Common Stock and Dividends."

FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN EVALUATING AN INVESTMENT IN THE SHARES, SEE "RISK FACTORS" ON PAGES 12 TO 15.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO SELLING STOCKHOLDERS(2)
Per Share.....	$	$	$
Total(3).....	$	$	$

(1) The Company and the Selling Stockholders have severally agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) The Company has agreed to pay certain expenses of the Offering estimated at $350,000.

(3) Air Canada has granted the U.S. Underwriters a 30-day option to purchase up to 200,000 additional shares of Class B common stock on the same terms and conditions as set forth above. If all such additional shares are purchased by the Underwriters, the total Price to Public will be $, the total Underwriting Discount will be $ and the total Proceeds to Selling Stockholders will be $. See "Underwriting."

The Shares are offered by the several Underwriters, subject to prior sale, when, as and if delivered to and accepted by them, subject to approval of certain legal matters by counsel to the Underwriters, and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Shares will be made in New York, New York on or about , 1996.

MERRILL LYNCH & CO.

GOLDMAN, SACHS & CO.

LEHMAN BROTHERS

MORGAN STANLEY & CO.
INCORPORATED

The date of this Prospectus is , 1996.

AVAILABLE INFORMATION

Continental is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the following public reference facilities maintained by the Commission: Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; Suite 1300, Seven World Trade Center, New York, New York 10048; and The Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of prescribed rates. In addition, reports, proxy statements and other information concerning Continental may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Continental is the successor to Continental Airlines Holdings, Inc. ("Holdings"), which merged with and into Continental on April 27, 1993. Holdings had also been subject to the informational requirements of the Exchange Act.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Continental with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to Continental and Holdings and the securities offered hereby. Although statements concerning and summaries of certain documents are included herein, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. These documents may be inspected without charge at the office of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies may be obtained at fees and charges prescribed by the Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SHARES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NYSE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

DURING THIS OFFERING, CERTAIN PERSONS AFFILIATED WITH PERSONS PARTICIPATING IN THE DISTRIBUTION MAY ENGAGE IN TRANSACTIONS FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNTS OF OTHERS IN THE SHARES PURSUANT TO EXEMPTIONS FROM RULES 10B-6, 10B-7, AND 10B-8 UNDER THE EXCHANGE ACT.

FOR FLORIDA RESIDENTS

The Company does not conduct business with the government of Cuba or any person or affiliate located in Cuba, except that Continental aircraft conduct Cuban overflights for which Continental makes monthly payments through a clearing house of Cubana de Aviacion pursuant to a specific license from the Office of Foreign Assets Control, United States Department of Treasury.

The information set forth above is accurate as of the date hereof. Current information concerning the Company's business dealings with the government of Cuba or with any person or affiliate located in Cuba may be obtained from the Division of Securities and Investor Protection of the Florida Department of Banking and Finance, The Capital, Tallahassee, Florida 32399-0350, telephone number (904) 488-9805.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission (File No. 0-9781) are hereby incorporated by reference in this Prospectus: (i) Continental's Annual Report on Form 10-K for the year ended December 31, 1995 (as amended by Forms 10-K/A1 and 10-K/A2 filed on March 8, 1996 and April 10, 1996, respectively), (ii) the description of the Class B common stock contained in Continental's registration statement (RegistrationNo. 0-21542) on Form 8-A, (iii) Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and (iv) Continental's Current Reports on Forms 8-K, filed on January 31, 1996, March 26, 1996 and May 7, 1996.

All reports and any definitive proxy or information statements filed by Continental pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Securities offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Continental will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of such person, a copy of any or all documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests for such documents should be directed to Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Secretary, telephone (713) 834-2950.

PROSPECTUS SUMMARY

The following summary information is qualified in its entirety by the detailed information and financial statements (including the notes thereto) appearing elsewhere or incorporated by reference in this Prospectus. Prospective investors should consider carefully the matters discussed under the caption "Risk Factors." Unless otherwise stated or unless the context otherwise requires, references to "Continental" or the "Company" include Continental Airlines, Inc. and its predecessors and subsidiaries. All route, fleet, traffic and similar information appearing in this Prospectus is as of or for the period ended March 31, 1996, unless otherwise stated herein.

THE COMPANY

Continental Airlines, Inc. 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 revenue passenger miles in the first three months of 1996) and, together with its wholly owned subsidiary, Continental Express, Inc. ("Express"), and its 91%-owned subsidiary, Continental Micronesia, Inc. ("CMI"), serves 175 airports worldwide.

The Company operates its route system primarily through domestic hubs at Newark, Houston Intercontinental and Cleveland, and a Pacific hub on Guam and Saipan. Each of Continental's three U.S. hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic. The Guam/Saipan hub is strategically located to provide service from Japanese and other Asian cities to popular resort destinations in the western Pacific. Continental is the primary carrier at each of these hubs, accounting for 51%, 78%, 54% and 58% of all daily jet departures, respectively.

Continental directly serves 118 U.S. cities, with additional cities (principally in the western and southwestern United States) connected to Continental's route system under agreements with America West Airlines, Inc. ("America West"). Internationally, Continental flies to 57 destinations and offers additional connecting service through alliances with foreign carriers. Continental operates 52 weekly departures to five European cities and markets service to four other cities through code-sharing agreements. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations in Mexico than any other United States airline. In addition, Continental flies to four cities in South America and plans to commence service between Newark and Bogota, Colombia, with service on to Quito, Ecuador, in June 1996. Through its Guam/Saipan hub, Continental provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

In late 1994 and early 1995, Continental's new management team, led by Gordon Bethune (President and Chief Executive Officer) and Greg Brenneman (Chief Operating Officer), put in place a comprehensive strategic and operational plan designed to fundamentally change the Company. The plan, labeled the "Go Forward Plan," was a "back to basics" approach, which focused on improving profitability and financial condition by delivering a consistent quality product to customers and improving employee morale and working conditions.

Management believes that the initiatives put in place under the Go Forward Plan and the support of Continental's employees contributed significantly to the Company's record $224 million in net income and other accomplishments in 1995. These accomplishments included substantial improvements in revenue per available seat mile, load factor and yields, increased cash from operations, consistent interior and exterior aircraft appearance, achievement of number one ranking in on-time performance and fewest mishandled bags among major carriers in the fourth quarter (as reported by the U.S. Department of Transportation ("DOT")), significant reductions in customer complaints, payment of profit sharing to employees, and improved employee relations (including signing the first collective bargaining agreement with pilots in 12 years).

In addition, management believes that these Go Forward Plan initiatives and Continental employee support have continued to contribute to the Company's results in 1996, as evidenced by the Company's $88 million net income for the first quarter and substantially higher revenue per available seat mile, load factor and yields, as compared with the first quarter of 1995.

1996 GO FORWARD PLAN

The Company's 1996 Go Forward Plan combines the four basic components of the 1995 plan, Fly to Win, Fund the Future, Make Reliability a Reality and Working Together, with new initiatives intended to build upon Continental's operational and strategic strengths.

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

Focus on Hub Operations. Continental plans to continue focusing on its hub operations, adding selected flights and refining its scheduling to capitalize on the strength of its hubs. The last 9 jet aircraft currently deployed to serve Greensboro, North Carolina as a "mini-hub" are scheduled to be redeployed in June to bolster the Company's Newark and Houston hubs. In 1996, Continental will also focus on expanding international traffic through service to new destinations and additional code-sharing alliances with foreign carriers.

. Newark. Continental is the only major U.S. carrier with a hub in the New York metropolitan area, the largest population center in the United States. Through its state-of-the-art facility, Continental operates 51% (214 departures) of the average daily jet departures and, together with Express, accounted for 57% (333 departures) of all average daily departures (jet and turboprop) from Newark. As the only hub carrier in the New York metropolitan area, Continental believes it has several advantages. For example, in addition to international travelers attracted to the New York metropolitan area as a tourist and business destination, Continental's Newark hub attracts international travelers seeking convenient connections to other destinations throughout the Company's route system. Management believes that combining the Company's own flying with alliance flying (discussed below) over the next few years can develop Newark into a global gateway of considerable significance. A new international passenger facility was opened at Newark in 1996 to permit growth in international service, and a passenger monorail is expected to open in the next few months which will allow prompt connections between the international facility (Terminal B) and the Company's domestic operations in Terminal C.

. Houston. Continental operates 55% (308 departures) of average daily jet departures and together with Express accounted for 60% (418 departures) of all average daily departures from Houston Intercontinental and Hobby airports. The Company occupies space in two terminals (C and IAB) at Houston Intercontinental and has realigned the Houston hub's gate structure to allow for more convenient connections of domestic and international flights. Management believes that Houston is also well suited for east/west connecting traffic and features faster ground connection times than the east/west hubs of certain of its principal competitors. Management believes that Houston, like Newark, has significant growth potential. Continental currently has 41 gates under use at Intercontinental airport at the time of peak bank departures. This compares to approximately 55 gates used by American Airlines at Dallas-Fort Worth International Airport during peak bank departures and approximately 50 gates used by Northwest Airlines at Minneapolis during peak bank departures. The Company is currently negotiating with the City of Houston for an additional 10 gates at Intercontinental airport.

Houston is the focus of Continental's operations in Mexico and Central America, serving 11 cities in Mexico and every country in Central America. Continental serves more destinations in Mexico than any other United States airline. Continental also serves three cities in South America through its Houston hub, flies directly to London and Paris and has code-sharing agreements through Newark for Rome, Milan, Amsterdam and Prague.

. Cleveland. Continental operates 54% (106 departures) of the average daily jet departures and, together with Express, accounted for 62% (216 departures) of all average daily departures from Cleveland. Management believes that Cleveland is currently underserved as a hub, given the size of its population base relative to that of other hub cities (such as Pittsburgh and Cincinnati) with higher levels of service. In 1996, Continental intends to begin expansion of service at Cleveland, in part by adding Express flights to new destinations in the midwestern United States. Management expects these Express flights to generate additional feed traffic that ultimately can support additional jet service in Cleveland.

. Guam/Saipan. CMI is a United States-certificated international carrier engaged in the business of transporting passengers, cargo and mail in the western Pacific. From its hub operations based on Guam and Saipan, CMI provides service to seven cities in Japan, more than any other United States carrier, and to other Pacific rim destinations, including Taiwan, the Philippines, Hong Kong, South Korea and Indonesia. Service to these Japanese cities and certain other Pacific rim destinations is subject to a variety of regulatory restrictions, limiting the ability of other carriers to begin servicing these markets. CMI is the principal air carrier in the Micronesian Islands, where it pioneered scheduled air service in 1968. CMI's route system is linked to the United States market through Honolulu, which CMI serves non-stop from both Tokyo and Guam. CMI and Continental also maintain a code-sharing agreement and coordinate schedules on certain flights from the west coast of the United States to Honolulu, and from Honolulu to Guam and Tokyo to facilitate travel from the United States into CMI's route system.

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 can continue to capture additional flow traffic through its hubs and attract a larger share of higher yielding business travelers, while growing both its domestic and international operations.

Improve Business/Leisure Mix. The Company's passenger load factors have increased substantially from 59.7% in the first quarter of 1995 to 67.0% in the first quarter of 1996. This increase in load factor facilitates the Company's efforts to manage the business versus leisure traveler mix on its aircraft. Since the average business traveler generally pays a higher fare (on a revenue per seat mile basis) for the convenience of booking later and being able to make last minute travel changes, increases in business traffic contribute to incremental profitability. Business fares (i.e., unrestricted fares) accounted for approximately 44.8% of the Company's passenger revenue in the first quarter of 1996 compared to 37.8% in the first quarter of 1995. The Company has recently invested in state-of-the-art revenue management and pricing systems, which management believes will enhance its ability to manage the business versus leisure mix.

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

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

Continental currently has international code-sharing alliances with Alitalia Airlines ("Alitalia"), Air Canada, Transavia Airlines ("Transavia") and CSA Czech Airlines, and joint marketing agreements with other airlines not involving code-sharing. The Company has recently entered into code-sharing agreements or arrangements with China Airlines, the TACA Group (serving Central America and the northern tier of South America) and World Airways (serving South Africa, Senegal, Israel and two points in Ireland); all of these agreements or arrangements are scheduled to be implemented by the end of the second quarter. The Company anticipates entering into other code-sharing agreements in 1996.

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

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

- In January, the Company consummated the offering of $489 million of enhanced pass-through certificates that refinanced the underlying debt associated with 18 leased aircraft and will reduce Continental's annual operating lease expense by more than $15 million for the affected aircraft.

- During January and February, Continental repurchased or redeemed without prepayment penalty the remaining amount of the Series A convertible secured debentures for $125 million (including payment-in-kind interest of $7 million).

- In February, Continental sold approximately 1.4 million of the shares it owned in America West, realizing net proceeds of approximately $25 million and recognizing a gain of $12.5 million.

- In March, Continental completed the offering of $230 million of 6 3/4% convertible subordinated notes.

- In March, Continental repaid $257 million of secured indebtedness to General Electric Company and affiliates (collectively, "GE") (of which $47 million was required as a result of the convertible debt financing and the America West stock sale and $210 million was an optional prepayment), obtaining the elimination of certain restrictive covenants.

Make Reliability a Reality. Customer service will continue to be a focus in 1996. Management believes Continental's on-time performance record is crucial to its other operational objectives and, together with its other initiatives (such as improved baggage handling and customer satisfaction) is an important tool to attract higher-margin business travelers.

Continental's goal for 1996 is to be ranked monthly by the DOT among the top three major carriers in on-time performance, baggage handling and customer satisfaction. In 1995, $65 bonuses were paid to employees (up to the manager level) for each month that the Company ranked among the top five major carriers for on-time performance statistics. For 1996, bonuses of $65 will continue to be paid to these employees for each month that Continental ranks second or third in on-time performance, and bonuses of $100 will be paid for each month that Continental ranks first.

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 Continental's attractiveness to business travelers and the travel agent community. Specifically, Continental implemented various initiatives designed to offer travelers cleaner, more attractive aircraft interiors; consistent interior and exterior decor; first class seating on all jet aircraft; better meals; and greater benefits under its award-winning frequent flyer program. In 1996, Continental intends to continue making improvements designed to attract business travelers, such as upgraded on-board telecommunications, entertainment and information systems, refurbished Presidents Clubs with

specialty bars, and on-board specialty coffees and microbrewery beer, among others. The Company continues to refine its award-winning BusinessFirst service.

Working Together. Management believes that Continental's employees are its greatest asset, as well as the cornerstones of improved reliability and customer service. Management has introduced a variety of programs to increase employee participation and foster a sense of shared community. These initiatives include significant efforts to communicate openly and honestly with all employees through daily news bulletins, weekly voicemail updates from Gordon Bethune, quarterly Continental publications, videotapes mailed to employees, and Go Forward Plan bulletin boards in all departments 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) and monthly meetings open to all employees, as well as other periodic on-site visits by management designed to encourage employee participation and cooperation.

Management believes that it enjoys good relations with all employee groups. The Company's jet pilots are represented by the Independent Association of Continental Pilots ("IACP"), which signed a collective bargaining agreement, which was ratified by the union membership, effective July 1, 1995. This agreement was the first collective bargaining agreement with the Company's pilots in 12 years.

The Company is a Delaware corporation. Its executive offices are located at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and its telephone number is (713) 834-2950.

THE OFFERING

Shares Offered by Selling Stockholders(1):	
U.S. Offering.....	3,416,812 Shares
International Offering.....	854,203 Shares
Total.....	4,271,015 Shares
Shares Outstanding after the Offering(2):	
Class A.....	4,640,000 shares
Class B.....	23,153,180 shares
Total.....	27,793,180 shares
Use of Proceeds.....	The Company will not receive any proceeds from the Offering.
Voting Control.....	Assuming consummation of the Offering (and exercise of the Underwriters' overallotment option) and consummation of the transactions described under "Recent Developments," approximately 4.0% of the general voting power and 10.1% of the common equity interests would be held by Air Canada and 9.9% of the common equity interests and 39.4% of the general voting power would be held by Air Partners. In addition, assuming exercise of all of the warrants held by Air Partners, approximately 52.2% of the general voting power and 23.4% of the common equity interests would be held by Air Partners. See "Recent Developments" and "Principal and Selling Stockholders." The Company, Air Canada and Air Partners have agreed to amend the Subscription and Stockholders' Agreement dated as of April 27, 1993 among the Company, Air Partners and Air Canada (the "Stockholders' Agreement") and certain related agreements upon the closing of the Offering (except for certain specified provisions which were amended, effective April 19, 1996) as part of the consummation of the transactions described under "Recent Developments." In addition, at its annual meeting of stockholders to be held June 26, 1996 (the "Annual Meeting"), the Company has proposed to eliminate a number of the provisions of the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation") that currently provide Air Partners and Air Canada special rights. See "Recent Developments" and "Description of Capital Stock."
Limitations on Foreign Ownership of Common Stock.....	Foreign Ownership Restrictions (as defined herein) contained in the Company's Certificate of Incorporation and bylaws (the "Bylaws") limit the number of shares of voting stock that may be voted by foreign holders. See "Description of Capital Stock--Class A Common Stock and Class B Common Stock--Limitation on Voting by Foreign Owners."
NYSE Symbol.....	"CAI.B"

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(1) Excludes 200,000 shares subject to the Underwriters' overallotment option.

(2) Excludes (a) 1,519,734 shares of Class A common stock, (b) 3,382,632 Class B common stock reserved for issuance upon exercise of warrants held by Air Partners and (c) shares of Class B common stock issued after April 30, 1996 pursuant to the Company's employee benefit plan; reflects the contemplated conversion by Air Canada of all its 1,661,056 shares of Class A common stock into Class B common stock.

SUMMARY FINANCIAL AND OPERATING DATA

The following tables summarize certain financial and operating data of the Company and certain financial data of Holdings. The consolidated financial data of both the Company, for the two years ended December 31, 1995 and 1994 and for the period from April 28, 1993 through December 31, 1993, and Holdings, for the period from January 1, 1993 through April 27, 1993, are derived from their respective audited consolidated financial statements. On April 27, 1993, in connection with the Reorganization (as defined herein), the Company adopted fresh start reporting in accordance with SOP 90-7 (as defined herein). A vertical black line is shown in the table below to separate Continental's post-reorganized consolidated financial data from the pre-reorganized consolidated financial data of Holdings since they have not been prepared on a consistent basis of accounting. The consolidated financial data of the Company for the three months ended March 31, 1996 and 1995 are derived from its unaudited consolidated financial statements. The unaudited consolidated financial statements include all adjustments (consisting solely of normal recurring accruals) that the Company considers necessary for the presentation of the financial position and results of operations for these periods. Operating results for the three months ended March 31, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. The summary consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the Company's consolidated financial statements, including the notes thereto, incorporated by reference herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		PERIOD FROM REORGANIZATION (APRIL 28, 1993 THROUGH DECEMBER 31, 1993)	PERIOD FROM JANUARY 1, 1993 THROUGH APRIL 27, 1993
	1996	1995	1995	1994		
	(UNAUDITED)		(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)			
STATEMENT OF OPERATIONS DATA:						
Operating Revenue:						
Passenger	$ 1,375	$ 1,240	$5,302	$ 5,036	$ 3,493	$1,622
Cargo, mail and other	114	169	523	634	417	235
	1,489	1,409	5,825	5,670	3,910	1,857
Operating Expenses	1,369	1,381	5,440	5,681	3,815	1,971
Operating Income (Loss)	120	28	385	(11)	95	(114)
Nonoperating Income (Expense):						
Interest expense	(47)	(53)	(213)	(241)	(165)	(52)
Interest capitalized	1	1	6	17	8	2
Interest income	9	6	31	23	14	--
Gain on System One transactions	--	--	108	--	--	--
Reorganization items, net	--	--	--	--	--	(818)
Other, net	12	(10)	(7)	(439)(1)	(4)	5
	(25)	(56)	(75)	(640)	(147)	(863)
Income (Loss) before Income Taxes, Minority Interest and Extraordinary Gain	95	(28)	310	(651)	(52)	(977)
Net Income (Loss)	$ 88	$ (30)	$ 224	$ (613)	$ (39)	$2,640(2)
Earnings (Loss) per Common and Common Equivalent Share	$ 2.70	$ (1.21)	$ 7.20	$(23.76)	$ (2.33)	N.M.(3)
Earnings (Loss) per Common Share Assuming Full Dilution	$ 2.36	$ (1.21)	$ 6.29	$(23.76)	$ (2.33)	N.M.(3)

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,			
	1996	1995	1995	1994	1993	1992
OPERATING DATA (UNAUDITED): (4)						
Revenue passenger miles (millions)	9,752	9,561	40,023	41,588	42,324	43,072
Available seat miles (millions)	14,551	16,003	61,006	65,861	67,011	67,877
Passenger load factor	67.0%	59.7%	65.6%	63.1%	63.2%	63.5%
Breakeven passenger load factor	61.0%	58.2%	60.8%	62.9%	63.3%	65.4%
Passenger revenue per available seat mile (cents)	8.90	7.37	8.20	7.22	7.17	6.66
Operating cost per available seat mile (cents)	8.92	7.90	8.36	7.86	7.90	7.56
Average yield per revenue passenger mile (cents)	13.28	12.34	12.51	11.44	11.35	10.49
Average length of aircraft flight (miles)	876	803	836	727	856	851

	AS OF MARCH 31, 1996	AS OF DECEMBER 31, 1995
	(IN MILLIONS OF DOLLARS) (UNAUDITED)	
BALANCE SHEET DATA:		
Cash and Cash Equivalents, including restricted Cash and Cash Equivalents of $124 and $144, respectively(5)	$ 657	$ 747
Other Current Assets	655	568
Total Property and Equipment, Net	1,410	1,461
Routes, Gates and Slots, Net	1,517	1,531
Other Assets, Net	507	514
Total Assets	$4,746	$4,821
Current Liabilities	$2,040	$1,984
Long Term Debt and Capital Leases	1,462	1,658
Deferred Credits and Other Long-term Liabilities	542	564
Minority Interest	28	27
Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust(6)	242	242
Redeemable Preferred Stock	42	41
Common Stockholders' Equity	390	305
Total Liabilities and Stockholders' Equity	$4,746	$4,821

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(1) Includes a provision of $447 million recorded in the fourth quarter of 1994 associated with the planned early retirement of certain aircraft and closed or underutilized airport and maintenance facilities and other assets.

(2) Includes a $3.6 billion extraordinary gain from the extinguishment of debt.

(3) Historical per share data for Holdings is not meaningful since the Company has been recapitalized and has adopted fresh start reporting as of April 27, 1993.

(4) Operating cost and breakeven passenger load factor data for periods prior to April 28, 1993 are not comparable with data after April 27, 1993.

(5) Restricted cash and cash equivalents agreements relate primarily to workers' compensation claims and the terms of certain other agreements. In addition, CMI is required by its loan agreement with GE to maintain certain minimum cash balances and net worth levels, which effectively restrict the amount of cash available to Continental from CMI.

(6) The sole assets of the Trust are convertible subordinated debentures which are expected to be repaid by 2020. Upon repayment, the Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust will be mandatorily redeemed.

RISK FACTORS

Prospective investors should carefully consider the factors set forth below, in addition to the other information contained or incorporated by reference in this Prospectus, in evaluating an investment in the Shares offered hereby.

CONTINENTAL'S HISTORY OF OPERATING LOSSES

Although Continental recorded net income of $224 million in 1995 and $88 million in the three months ended March 31, 1996, 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.

LEVERAGE AND LIQUIDITY

Continental has successfully negotiated a variety of agreements to increase its liquidity during 1995 and 1996. Nevertheless, Continental remains more leveraged and has significantly less liquidity than certain of its competitors, several of whom have available lines of credit and/or significant unencumbered assets. Accordingly, Continental may be less able than certain of its competitors to withstand a prolonged recession in the airline industry.

As of March 31, 1996, Continental and its consolidated subsidiaries had approximately $1.7 billion (including current maturities) of long-term indebtedness and capital lease obligations and had approximately $702 million of minority interest, preferred securities of trust, redeemable preferred stock and common stockholders' equity. Common stockholders' equity reflects the adjustment of the Company's balance sheet and the recording of assets and liabilities at fair market value as of April 27, 1993 in accordance with fresh start reporting.

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

As of March 31, 1996, Continental had approximately $657 million of cash and cash equivalents, including restricted cash and cash equivalents of $124 million. Continental does not have general lines of credit and has no significant unencumbered assets.

Continental has firm commitments with The Boeing Company ("Boeing") to take delivery of 43 new jet aircraft during the years 1998 through 2002. The estimated aggregate cost of these aircraft is $2.6 billion. In addition, six Beech 1900-D turboprop aircraft are scheduled to be delivered later in 1996. The Company currently anticipates that the firm financing commitments available to it with respect to its acquisition of new aircraft from Beech Acceptance Corporation ("Beech") will be sufficient to fund all deliveries scheduled during 1996, and that it will have remaining financing commitments from aircraft manufacturers of $676 million for jet aircraft deliveries beyond 1996. However, the Company believes that further financing will be needed to satisfy the remaining amount of such capital commitments. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments.

For 1996, Continental expects to incur cash expenditures under operating leases of approximately $586 million, compared with $521 million for 1995, relating to aircraft and approximately $229 million relating to facilities and other rentals, the same amount as for 1995. In addition, Continental has capital requirements relating to compliance with regulations that are discussed below. See "--Regulatory Matters."

Continental and CMI have secured borrowings from GE which aggregated $373 million as of March 31, 1996. CMI's secured loans contain significant financial covenants, including requirements to maintain a minimum cash balance and consolidated net worth, restrictions on unsecured borrowings and mandatory prepayments on the sale of most assets. These financial covenants limit the ability of CMI to pay dividends to Continental. In addition, Continental's secured loans require Continental to, among other things, maintain a minimum cumulative operating cash flow, a minimum monthly cash balance and a minimum ratio of operating cash flow to fixed charges. Continental also is prohibited generally from paying cash dividends on its capital stock, from purchasing or prepaying indebtedness and from incurring certain additional secured indebtedness.

AIRCRAFT FUEL

Since fuel costs constitute a significant portion of Continental's operating costs (approximately 12.5% for the year ended December 31, 1995 and 12.9% for the three months ended March 31, 1996), significant changes in fuel costs would materially affect the Company's operating results. Fuel prices continue to be susceptible to international events, and have risen in recent months. The Company cannot predict near or longer-term fuel prices. The Company has entered into petroleum option contracts to provide some short-term protection (currently approximately seven months) against a sharp increase in jet fuel prices. In the event of a fuel supply shortage resulting from a disruption of oil imports or otherwise, higher fuel prices or curtailment of scheduled service could result.

CERTAIN TAX MATTERS

The Company's United States federal income tax return reflects net operating loss carryforwards ("NOLs") of $2.5 billion, subject to audit by the Internal Revenue Service, of which $1.2 billion are not subject to the limitations of Section 382 of the Internal Revenue Code ("Section 382"). As a result, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional $1.2 billion of taxable income following December 31, 1995. For financial reporting purposes, however, Continental will be required to begin accruing tax expense on its income statement once it has realized an additional $122 million of taxable income following March 31, 1996. Section 382 imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. The sale of the Company's common stock resulting from this offering will give rise to an increase in percentage ownership by certain stockholders for this purpose. Based upon the advice of counsel, the Company believes that such percentage increase will not give rise to an ownership change under Section 382 as a result of the Offering. However, no assurance can be given that future transactions, whether within or outside the control of the Company, will not cause a change in ownership, thereby substantially limiting the potential utilization of the NOLs in a given future year. In the event that an ownership change should occur, utilization of Continental's NOLs would be subject to an annual limitation under Section 382. This Section 382 limitation for any post-change year would be determined by multiplying the value of the Company's stock (including both common and preferred stock) at the time of the ownership change by the applicable long-term tax exempt rate (which is 5.31% for April 1996). Unused annual limitation may be carried over to later years, and the limitation may under certain circumstances be increased by the built-in gains in assets held by the Company at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, Continental's NOL utilization would be limited to a minimum of approximately $90 million.

In connection with the Company's 1993 reorganization under Chapter 11 of the U.S. bankruptcy code effective April 27, 1993 (the "Reorganization") and the recording of assets and liabilities at fair market value under the American Institute of Certified Public Accountants' Statement of Position 90-7--"Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"), the Company recorded a deferred tax liability at April 27, 1993, net of the amount of the Company's estimated realizable net operating loss carryforwards as required by Statement of Financial Accounting Standards No. 109--"Accounting for Income Taxes." Realization of a substantial portion of the Company's net operating loss carryforwards will require the completion during the five-year period following the Reorganization of transactions resulting in recognition of

built-in gains for federal income tax purposes. The Company has consummated one such transaction, which had the effect of realizing approximately 40% of the built-in gains required to be realized over the five-year period, and currently intends to consummate one or more additional transactions. If the Company were to determine in the future that not all such transactions will be completed, an adjustment to the net deferred tax liability of up to $116 million would be charged to income in the period such determination was made.

CMI

CMI's operating profit margins have consistently been greater than the Company's margins overall. In addition to its non-stop service between Honolulu and Tokyo, CMI's operations focus on the neighboring islands of Guam and Saipan, resort destinations that cater primarily to Japanese travelers. Because the majority of CMI's traffic originates in Japan, its results of operations are substantially affected by the Japanese economy and changes in the value of the yen as compared to the dollar. Appreciation of the yen against the dollar during 1993 and 1994 increased CMI's profitability and a decline of the yen against the dollar may be expected to decrease it. To reduce the potential negative impact on CMI's dollar earnings, CMI from time to time purchases average rate options as a hedge against a portion of its expected net yen cash flow position. Any significant and sustained decrease in traffic or yields to and from Japan could materially adversely affect Continental's consolidated profitability.

PRINCIPAL STOCKHOLDERS

As of March 31, 1996, approximately 9.9% of the Company's common equity interests and approximately 32.4% of the general voting power of the Company's common stock were held by Air Partners (after giving effect to the distribution, effective March 29, 1996, of all the 2,742,773 shares of Class B common stock held by Air Partners to its partners), and approximately 18.0% of the common equity interests and 23.6% of the general voting power were held by Air Canada, exclusive in each case of warrants held by Air Partners and certain exchange rights of Air Canada. Assuming (i) consummation of the transactions described under "Recent Developments," (ii) consummation of this Offering (and exercise of the Underwriters' overallotment option) and (iii) exercise of the warrants held by Air Partners, approximately 8.6% of the common equity interests and 3.2% of the general voting power would be held by Air Canada, and 23.4% of the common equity interests and 52.2% of the voting power would be held by Air Partners. See "Principal and Selling Stockholders."

Various provisions in the Company's Certificate of Incorporation, Bylaws and the Stockholders' Agreement currently provide Air Partners and Air Canada with a variety of special rights to elect directors and otherwise affect the corporate governance of the Company; a number of these provisions could have the effect of delaying, deferring or preventing a change in control of the Company. See "Description of Capital Stock--Corporate Governance and Control." The Company has proposed to eliminate a number of these provisions and will propose for approval by its stockholders the related amendments to the Certificate of Incorporation at the Annual Meeting. Air Canada and Air Partners (unless otherwise directed by its investors) have agreed to vote in favor of these amendments at the Annual Meeting. See "Recent Developments."

LIMITATION ON VOTING BY FOREIGN OWNERS

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 citizens of the United States unless the shares are registered on a separate stock record. The Company's Bylaws further provide that no shares will be registered on this separate stock record if the amount so registered would exceed Foreign Ownership Restrictions (as defined herein). 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. See "Description of Capital Stock--Class A Common Stock and Class B Common Stock--Limitation on Voting by Foreign Owners."

INDUSTRY CONDITIONS AND COMPETITION

The airline industry is highly competitive and susceptible to price discounting. The Company has in the past both responded to discounting actions taken by other carriers and initiated significant discounting actions

itself. Continental's competitors include carriers with substantially greater financial resources, 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 demand and yields have been adversely affected by, among other things, the general state of the economy, international events and actions taken by carriers with respect to fares. From 1990 to 1993, these factors contributed to the domestic airline industry's incurring unprecedented losses. Although fare levels have increased recently, significant industry-wide discounts could be reimplemented at any time, and the introduction of broadly available, deeply discounted fares by a major United States airline would likely result in lower yields for the entire industry and could have a material adverse effect on the Company's operating results.

The airline industry has consolidated in past years as a result of mergers and liquidations and may further consolidate in the future. Among other effects, such consolidation has allowed certain of Continental's major competitors to expand (in particular) their international operations and increase their market strength. Furthermore, the emergence in recent years of several new carriers, typically with low cost structures, has further increased the competitive pressures on the major United States airlines. In many cases, the new entrants have initiated or triggered price discounting. Aircraft, skilled labor and gates at most airports continue to be readily available to start-up carriers. Although management believes that Continental is better able than some of its major competitors to compete with fares offered by start-up carriers because of its lower cost structure, 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 United States Federal Aviation Administration (the "FAA") has issued a number of maintenance directives and other regulations relating to, among other things, retirement of older aircraft, collision avoidance systems, airborne windshear avoidance systems, noise abatement, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft. The Company expects to continue incurring expenses for the purpose of complying with the FAA's noise and aging aircraft regulations. In addition, several airports have recently sought to increase substantially the rates charged to airlines, and the ability of airlines to contest such increases has been restricted by federal legislation, DOT regulations and judicial decisions.

Management believes that the Company benefitted from the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995, although the amount of any such benefit directly resulting from the expiration of the ticket tax cannot be determined. Reinstatement of the ticket tax will result in higher costs to consumers, which may have an adverse effect on passenger traffic, revenue and margins. The Company is unable to predict when or in what form the ticket tax may be reenacted.

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

RECENT DEVELOPMENTS

On April 19, the Company's Board of Directors approved certain agreements (the "Agreements") with its two major stockholders, Air Canada and Air Partners. The Agreements contain a variety of arrangements intended generally to reflect the intention that Air Canada has expressed to the Company of divesting its investment in Continental by early 1997, subject to market conditions. Air Canada has indicated to the Company that its original investment in Continental has become less central to Air Canada in light of other initiatives it has undertaken--particularly expansion within Canada and exploitation of the 1995 Open Skies agreement to expand Air Canada's own flights into the U.S. As a result of these initiatives, Air Canada has determined it appropriate to redeploy the funds invested in the Company into other uses in Air Canada's business. The Agreements also reflect the distribution by Air Partners, effective March 29, 1996, to its investors (the "AP Investors") of all of the shares of Class B common stock held by Air Partners and the desire of some of the AP Investors to realize the increase in value of their investment in the Company by selling all or a portion of their shares of Class B common stock. The Agreements required the Company to undertake the Offering, and upon the closing of the Offering:

- in light of its then-reduced equity stake, Air Canada will no longer be entitled to designate directors of Continental, will cause the four present or former members of Air Canada's Board of Directors currently serving as Continental directors to decline nomination for reelection as directors, and will convert all of its Class A common stock to Class B common stock;

- Air Canada and Air Partners will be restricted, prior to December 16, 1996, from the further disposition of the common stock of the Company held by either of them; and

- each of the existing Stockholders' Agreement and Registration Rights Agreement among the parties will be modified in a number of respects to reflect, among other matters, the changing composition of the respective equity interests of the parties.

Reflecting the reduction of Air Canada's interest and the decision of the current directors designated by Air Canada not to stand for reelection if the Offering is consummated (except under certain limited circumstances), along with the expiration of various provisions of the Company's Certificate of Incorporation and Bylaws specifically included at the time of the Reorganization, Continental's Board of Directors has also approved changes to the Company's Certificate of Incorporation and Bylaws (the "Proposed Amendments") generally eliminating special classes of directors (except for Air Partners' right to elect directors in certain circumstances) and supermajority provisions, and making a variety of other modifications aimed at streamlining the Company's corporate governance structure.

The Proposed Amendments also provide that, at any time after January 1, 1997, shares of Class A common stock would become freely convertible into an equal number of shares of Class B common stock. Under agreements put in place at the time of the Reorganization, and designed in part to ensure compliance with the foreign ownership limitations applicable to United States air carriers in light of the substantial stake in the Company then held by Air Canada, holders of Class A common stock (other than Air Canada) are not currently permitted under the Company's Certificate of Incorporation to convert their shares to Class B common stock. In recent periods, the market price of Class A common stock has generally been below the price of Class B common stock, which the Company believes is attributable in part to the reduced liquidity present in the trading market for Class A common stock. A number of Class A stockholders have requested that the Company provide for free convertibility of Class A common stock into Class B common stock, and in light of the reduction of Air Canada's equity stake, the Company has determined that the restriction is no longer necessary. Any such conversion would effectively increase the relative voting power of those Class A stockholders who do not convert.

The Company and Air Canada also expect to enter into discussions regarding modifications to the Company's existing "synergy" agreements with Air Canada, covering items such as maintenance and ground facilities, with a view to resolving certain outstanding commercial issues under the agreements and otherwise modifying the agreements to reflect Continental's and Air Canada's current needs. The Company has entered into an agreement with Air Partners for the sale by Air Partners to the Company from time to time at Air Partners' election for the one-year period beginning August 15, 1996, of up to an aggregate of $50 million in

intrinsic value (then-current Class B common stock price minus exercise price) of Air Partners' Class B common stock warrants. The purchase price would be payable in cash. The Board of Directors has authorized the Company to publicly issue up to $50 million of Class B common stock in connection with any such purchase. In connection with this agreement, the Company will reclassify $50 million from common equity to redeemable warrants.

Because certain aspects of the Agreements raised issues under the change in control provisions of certain of the Company's employment agreements and employee benefit plans, these agreements and plans are being modified to provide a revised change of control definition that the Company believes is appropriate in light of the prospective changes to its equity ownership structure. In connection with the modifications, payments are being made to certain employees, benefits are being granted to certain employees and options equal to 10% of the amount of the options previously granted to each optionee are being granted (subject to certain conditions) to substantially all employees holding outstanding options.

Certain of the Proposed Amendments and employee benefit actions are subject to stockholder approval at the Annual Meeting. Air Canada has delivered an irrevocable proxy in favor of Air Partners, authorizing Air Partners to vote, in its sole discretion, all the shares of common stock beneficially owned, directly or indirectly, by Air Canada as of the record date, April 30, 1996, (approximately 23.6% of the voting power of all voting securities outstanding as of such record date) with respect to such Proposed Amendments and employee benefit actions, among other matters to be voted on by the Company's stockholders. Air Partners has indicated to the Company that it intends to vote all such shares in favor of all such matters and, unless otherwise directed by its investors with respect to the shares of the Company held by Air Partners that are attributable to such investors' respective limited partnership interests, to vote the shares of common stock held by it as of the record date (approximately 35.7% of the voting power of all voting securities outstanding as of such date) in favor of all such matters.

Following the anticipated sale of Air Canada's Class B common stock in the Offering (and exercise of the Underwriters' overallotment option) and the conversion of all its Class A common stock to Class B common stock, Air Canada is expected to own approximately 4.0% of the voting power and 10.1% of the equity of the Company and Air Partners to own approximately 39.4% of the voting power and 9.9% of the equity of the Company (assuming no exercise of the warrants held by Air Partners).

USE OF PROCEEDS

All of the Shares to which this Prospectus relates are being offered by the Selling Stockholders. Continental will not receive any of the proceeds from the sale of such Shares.

MARKET PRICE OF COMMON STOCK AND DIVIDENDS

The Class A common stock and the Class B common stock are listed for trading on the NYSE, which is its principal market. As of March 31, 1996, there were approximately 3,928 and 9,176 holders of record of Continental's Class A common stock and Class B common stock, respectively.

Certain of the Company's credit agreements currently restrict the Company's ability to pay cash dividends to its common stockholders. The Company has not paid any cash dividends on its common stock and has no current intention of doing so.

The table below shows the quarterly high and low sales prices for the Company's Class A common stock and Class B common stock as reported on the NYSE since January 1, 1994.

	CLASS A COMMON STOCK PRICE		CLASS B COMMON STOCK PRICE	
PERIOD	HIGH	LOW	HIGH	LOW
1994				
First Quarter	$30 3/4	$18 3/4	$27 1/4	$16 7/8
Second Quarter	21	13 1/2	19 3/4	11 1/4
Third Quarter	22 1/4	14	21 1/2	13
Fourth Quarter	18 1/2	8 1/8	18 1/8	7 1/2
1995				
First Quarter	12 1/8	7	12 1/4	6 1/2
Second Quarter	25 3/4	10 3/8	25 3/4	10 5/8
Third Quarter	39 3/4	23 1/8	40 1/8	23 3/8
Fourth Quarter	46 7/8	34 3/8	47 1/2	34 3/4
1996				
First Quarter	54	38 1/4	56 3/8	38 7/8
Second Quarter (through May 7)	59 1/2	52 1/2	61	53 3/4

The last reported sale prices for the Company's Class A common stock and Class B common stock on the NYSE on May 7, 1996 were $52.75 and $54.00, respectively.

SELECTED FINANCIAL DATA

The following tables set forth selected financial data of (i) the Company for the three months ended March 31, 1996 and 1995, the two years ended December 31, 1995 and 1994 and for the period from April 28, 1993 through December 31, 1993 and (ii) Holdings for the period from January 1, 1993 through April 27, 1993. The consolidated financial data of both the Company, for the two years ended December 31, 1995 and 1994 and for the period from April 28, 1993 through December 31, 1993, and Holdings, for the period from January 1, 1993 through April 27, 1993, are derived from their respective audited consolidated financial statements. On April 27, 1993, in connection with the Reorganization, the Company adopted fresh start reporting in accordance with SOP 90-7 (as defined herein). A vertical black line is shown in the table below to separate Continental's post-reorganized consolidated financial data from the pre-reorganized consolidated financial data of Holdings since they have not been prepared on a consistent basis of accounting. The consolidated financial data of the Company for the three months ended March 31, 1996 and 1995 are derived from its unaudited consolidated financial statements, which include all adjustments (consisting solely of normal recurring accruals) that the Company considers necessary for the presentation of the financial position and results of operations for these periods. Operating results for the three months ended March 31, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the Company's consolidated financial statements, including the notes thereto, incorporated by reference herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		PERIOD FROM REORGANIZATION (APRIL 28, 1993 THROUGH DECEMBER 31,	PERIOD FROM JANUARY 1, 1993 THROUGH APRIL 27,
	1996	1995	1995	1994	1993)	1993
	(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA) (UNAUDITED)					
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Operating Revenue:						
Passenger	$1,375	$1,240	$5,302	$ 5,036	$3,493	$1,622
Cargo, mail and other	114	169	523	634	417	235
	1,489	1,409	5,825	5,670	3,910	1,857
Operating Expenses:						
Wages, salaries and related costs	364	366	1,432(1)	1,532	1,000	502
Aircraft fuel	177	169	681	741	540	272
Aircraft rentals	124	123	497	433	261	154
Commissions	126	119	489	439	378	175
Maintenance, materials and repairs	112	97	429	495	363	184
Other rentals and landing fees	84	92	356	392	258	120
Depreciation and amortization	65	64	253	258	162	77
Other	317	351	1,303	1,391	853	487
	1,369	1,381	5,440	5,681	3,815	1,971
Operating Income (Loss)	120	28	385	(11)	95	(114)
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Interest expense	(47)	(53)	(213)	(241)	(165)	(52)
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Earnings (Loss) per Common and Common Equivalent Share	$ 2.70	$(1.21)	$ 7.20	$(23.76)	$(2.33)	N.M. (4)
Earnings (Loss) per Common Share Assuming						

Full Dilution.....	$ 2.36	$(1.21)	$ 6.29	$(23.76)	$(2.33)	N.M. (4)

BALANCE SHEET DATA:	AS OF MARCH 31, 1996 (IN MILLIONS OF DOLLARS) (UNAUDITED)	AS OF DECEMBER 31, 1995
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Deferred Credits and Other Long-term Liabilities	542	564
Minority Interest	28	27
Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust(6)	242	242
Redeemable Preferred Stock	42	41
Common Stockholders' Equity	390	305
Total Liabilities and Stockholders' Equity	$4,746	$4,821

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(1) Includes a $20 million cash payment in 1995 by the Company in connection with a 24-month collective bargaining agreement entered into by the Company and the Independent Association of Continental Pilots.

(2) Includes a provision of $447 million recorded in the fourth quarter of 1994 associated with the planned early retirement of certain aircraft and closed or underutilized airport and maintenance facilities and other assets.

(3) Includes a $3.6 billion extraordinary gain from extinguishment of debt.

(4) Historical per share data for Holdings is not meaningful since the Company has been recapitalized and has adopted fresh start reporting as of April 27, 1993.

(5) Restricted cash and cash equivalents agreements relate primarily to workers' compensation claims and the terms of certain other agreements. In addition, CMI is required by its loan agreement with GE to maintain certain minimum cash balances and net worth levels, which effectively restrict the amount of cash available to Continental from CMI.

(6) The sole assets of the Trust are convertible debentures which are expected to be repaid by 2020. Upon repayment, the Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust will be mandatorily redeemed.

RESULTS OF OPERATIONS

The following discussion provides an analysis of the Company's results of operations and reasons for material changes therein for the three months ended March 31, 1996 as compared to the corresponding period ended March 31, 1995.

For an analysis of the Company's results of operations for the year ended December 31, 1995 as compared to the year ended December 31, 1994 and for the year ended December 31, 1994 as compared to the year ended December 31, 1993, see the Company's Annual Report on Form 10-K for the year ended December 31, 1995 incorporated by reference herein.

Comparison of Three Months Ended March 31, 1996 to Three Months Ended March 31, 1995

Continental's financial and operating performance improved dramatically in the first quarter of 1996 compared to the first quarter of 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 Continental's balance sheet and liquidity. In addition, management believes that the Company benefitted 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 be determined. The Company recorded consolidated net income of $88 million for the three months ended March 31, 1996 as compared to a consolidated net loss of $30 million for the three months ended March 31, 1995. The Company's net income in the first quarter of 1996 included a $12.5 million gain related to the sale of approximately 1.4 million shares of America West common stock.

Implementation of the Company's route realignment and capacity rationalization initiatives reduced capacity by 9.1% in the first quarter of 1996 as compared to the first quarter of 1995. This decrease in capacity, combined with a 2.0% increase in traffic, produced a 7.3 percentage point increase in load factor to 67.0%. This higher load factor, combined with a 7.6% increase in the average yield per revenue passenger mile, contributed to a 10.9% increase in passenger revenue to $1.4 billion despite the decreased capacity.

Cargo, mail and other revenue decreased 32.5%, $55 million, in the three months ended March 31, 1996 as compared to the same period in the prior year, principally as a result of the transactions involving the Company's System One Information Management, Inc. ("System One") subsidiary, which were effective April 27, 1995.

Wages, salaries and related costs decreased 0.6%, $2 million, during the quarter ended March 31, 1996 as compared to the same period in 1995, primarily due to a reduction in the number of full-time equivalent employees from approximately 35,000 as of March 31, 1995 to approximately 32,900 as of March 31, 1996. Such decrease was substantially offset by accruals totalling $15 million for employee profit sharing and other incentive programs, including the payment of bonuses for on-time airline performance. In addition, wage rates were impacted by a longevity pay increase for substantially all employee groups, effective July 1, 1995.

Aircraft fuel expense increased 4.7%, $8 million, in the three months ended March 31, 1996 as compared to the same period in the prior year. The average price per gallon increased 12.7% from 52.61 cents in the first quarter of 1995 to 59.31 cents in the first quarter of 1996. Such increase was partially offset by a 7.1% decrease in the quantity of jet fuel used from 312 million gallons in the first quarter of 1995 to 290 million gallons in the first quarter of 1996, principally reflecting capacity reductions and increased stage lengths.

Commission expense increased 5.9%, $7 million, in the quarter ended March 31, 1996 as compared to the same period in the prior year, primarily due to increased passenger revenue.

Maintenance, materials and repairs increased 15.5%, $15 million, during the quarter ended March 31, 1996 as compared to the same period in 1995, due principally to the volume and timing of engine overhauls as part of the Company's ongoing maintenance program.

Other rentals and landing fees decreased 8.7%, $8 million, for the three months ended March 31, 1996 compared to the same period in 1995, principally due to reduced facility rentals and landing fees resulting from capacity reductions.

Other operating expense decreased 9.7%, $34 million, in the three months ended March 31, 1996 as compared to the same period in the prior year, primarily as a result of the System One transactions (which were effective April 27, 1995) coupled with decreases in advertising expense and other miscellaneous expense.

Interest expense decreased 11.3%, $6 million, during the three months ended March 31, 1996 as compared to the same period in 1995, primarily due to principal reductions of long-term debt and capital lease obligations.

Interest income increased 50.0%, $3 million, in the first quarter of 1996 compared to the same period in the prior year, principally due to an increase in the average interest rate earned on investments coupled with an increase in the average invested balance of cash and cash equivalents.

The Company's other nonoperating income (expense) in the quarter ended March 31, 1996 included a $12.5 million gain related to the sale of approximately 1.4 million shares of America West common stock (39 cents and 32 cents per primary and fully diluted share, respectively). Other nonoperating income (expense) in the first quarter of 1995 consisted primarily of foreign exchange and other losses of $9.6 million (related to the Japanese yen and Mexican peso).

The income tax provision for the three months ended March 31, 1996 consists of foreign income taxes. No provision for federal income taxes was recorded for the three months ended March 31, 1996 or 1995 since the Company had previously incurred net operating losses for which a tax benefit had not previously been recorded.

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

	THREE MONTHS ENDED MARCH 31,		NET INCREASE/
	1996	1995	(DECREASE)
Revenue passenger miles (millions) (a)	9,752	9,561	2.0%
Available seat miles (millions) (b)	14,551	16,003	(9.1)%
Block hours (thousands) (c)	270	281	(3.9)%
Passenger load factor (d)	67.0%	59.7%	7.3pts.
Breakeven passenger load factor (e)	61.0%	58.2%	2.8pts.
Passenger revenue per available seat mile (cents) (f)	8.90	7.37	20.8%
Total revenue per available seat mile (cents) (g)	9.77	8.15	19.9%
Operating cost per available seat mile (cents) (h)	8.92	7.90	12.9%
Operating cost per block hour	$ 4,806	$ 4,496	6.9%
Average yield per revenue passenger mile (cents) (i)	13.28	12.34	7.6%
Average fare per revenue passenger	$142.54	$129.10	10.4%
Revenue passengers (thousands)	9,087	9,141	(0.6)%
Average length of aircraft flight (miles)	876	803	9.1%
Average daily utilization of each aircraft (hours) (j)	9:29	9:34	(0.5)%
Actual aircraft in fleet at end of period	314	324	(3.1)%

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(a) The number of scheduled miles flown by revenue passengers.
(b) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
(c) The number of hours an aircraft is operated in revenue service from gate-to-gate.
(d) Revenue passenger miles divided by available seat miles.
(e) 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.
(f) Passenger revenue divided by available seat miles.
(g) Total revenue divided by available seat miles.
(h) Operating expenses divided by available seat miles.
(i) The average revenue received for each mile a revenue passenger is carried.
(j) The average block hours flown per day in revenue service per aircraft.

LIQUIDITY AND CAPITAL COMMITMENTS

In the first quarter of 1996, the Company completed a number of transactions intended to strengthen its long-term financial position and enhance earnings. On January 31, the Company consummated the offering of $489 million of enhanced pass-through certificates that refinanced the underlying debt associated with 18 leased aircraft and will reduce Continental's annual operating lease expense by more than $15 million for the affected aircraft. During January and February, Continental repurchased or redeemed without prepayment penalty the remaining amount of the Series A convertible secured debentures for $125 million (including payment-in-kind interest of $7 million). In February, Continental sold approximately 1.4 million of the shares it owned in America West, realizing net proceeds of approximately $25 million and recognizing a gain of $12.5 million. On March 26, Continental sold $230 million of 6 3/4% convertible subordinated notes. The net proceeds from this offering and from the America West stock sale, as well as cash on hand, were used for the repayment of certain outstanding GE indebtedness totaling $257 million (of which $47 million was required as a result of the convertible debt financing and the America West stock sale and $210 million was an optional prepayment).

As a result of NOLs, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional $1.2 billion of taxable income following December 31, 1995. For financial reporting purposes, however, Continental will be required to begin accruing tax expense on its income statement once it has realized an additional $122 million of taxable income following March 31, 1996. Section 382 of the Internal Revenue Code 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. However, no assurance can be given that future transactions, whether within or outside the control of the Company, will not cause a change in ownership, thereby substantially limiting the potential utilization of the NOLs in a given future year. In the event that an ownership change should occur, utilization of Continental's NOLs would be subject to an annual limitation under Section 382. The Section 382 limitation for any post-change year would be determined by multiplying the value of the Company's stock (including both common and preferred stock) at the time of the ownership change by the applicable long-term tax exempt rate (which is 5.31% for April 1996). Unused annual limitation may be carried over to later years, and the limitation may under certain circumstances be increased by the built-in gains in assets held by the Company at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, Continental's NOL utilization would be limited to a minimum of approximately $90 million.

Continental has firm commitments with Boeing to take delivery of one new 757 aircraft in April 1996 (which aircraft has been delivered) and 43 new jet aircraft during the years 1998 through 2002. The estimated aggregate cost of these aircraft is $2.6 billion. In addition, six Beech 1900-D turboprop aircraft are scheduled to be delivered later in 1996. The Company currently anticipates that the firm financing commitments available to it with respect to its acquisition of new aircraft from Boeing and Beech will be sufficient to fund all deliveries scheduled during 1996, and that it will have remaining financing commitments from aircraft manufacturers of $676 million for jet aircraft deliveries beyond 1996.

In addition, in March 1996, Express entered into an agreement to acquire eight new ATR aircraft that are expected to be placed into service during 1996. These aircraft will be accounted for as operating leases. In conjunction with the acquisition, in 1996, the Company will return eight older ATR aircraft accounted for as capital leases.

Continental expects its cash outlays for 1996 capital expenditures, exclusive of aircraft acquisitions, to aggregate $120 million primarily relating to mainframe, software application and automation infrastructure projects, aircraft modifications and mandatory maintenance projects, passenger terminal facility improvements and office, maintenance, telecommunications and ground equipment. Continental's capital expenditures during the three months ended March 31, 1996, aggregated $14 million, exclusive of aircraft acquisitions.

The Company expects to fund its 1996 and 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.

As of March 31, 1996, the Company had $657 million in cash and cash equivalents, compared to $747 million as of December 31, 1995. Net cash provided by operating activities increased $74 million during the three months ended March 31, 1996 compared to the same period in the prior year principally due to earnings improvement. In addition, net cash provided by investing activities increased $9 million, primarily as a result of proceeds received from the sale of approximately 1.4 million shares of Continental's America West stock slightly offset by higher net capital expenditures in 1996. Net cash used by financing activities for the three months ended March 31, 1996 compared to the same period in the prior year increased $194 million primarily due to the repayment of long-term debt using in part, proceeds received from the issuance of the 6 3/4% convertible subordinated notes.

Continental does not have general lines of credit, and substantially all of its assets, including the stock of its subsidiaries, are encumbered.

Approximately $124 million and $144 million of cash and cash equivalents at March 31, 1996 and December 31, 1995, respectively, were held in restricted arrangements relating primarily to workers' compensation claims and in accordance with the terms of certain other agreements. Continental and CMI, a 91% owned subsidiary, have secured borrowings from GE which as of March 31, 1996 and December 31, 1995 aggregated $373 million and $634 million, respectively. CMI's secured loans contain significant financial covenants, including requirements to maintain a minimum cash balance and consolidated net worth, restrictions on unsecured borrowings and mandatory prepayments on the sale of most assets. These financial covenants limit the ability of CMI to pay dividends to Continental. As of March 31, 1996, CMI had a minimum cash balance requirement of $30 million. In addition, certain of Continental's secured loans require the Company to, among other things, maintain a minimum cumulative operating cash flow, a minimum monthly cash balance and a minimum ratio of operating cash flow to fixed charges. Continental also is prohibited generally from paying cash dividends in respect of its capital stock, from purchasing or prepaying indebtedness and from incurring certain additional secured indebtedness.

The Company has entered into petroleum option contracts to provide some short-term protection (currently approximately seven months) 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. The petroleum option contracts generally cover the Company's forecasted jet fuel needs for the next three to nine months, and the average rate option contracts cover a portion of CMI's yen-denominated ticket sales for the next three to nine months. At March 31, 1996, the Company had petroleum option contracts outstanding with an aggregate notional value of $252 million and CMI had an average rate option contract outstanding with a contract value of $158 million. At March 31, 1996, the carrying value of the option contracts was immaterial. The Company and CMI are exposed to credit loss in the event of nonperformance by the counterparties on the option contracts; however, management does not anticipate nonperformance by these counterparties. The amount of such exposure is generally the unrealized gains, if any, on such option contracts.

Management believes that the Company's costs are likely to be affected in 1996 by, among other factors, (i) increased wages, salaries and benefits, (ii) higher aircraft rental expense as new aircraft are delivered, (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, (v) changes in the Company's fleet and related capacity and (vi) the Company's continuing efforts to reduce costs throughout its operations.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth, as of April 30, 1996, certain information with respect to the Selling Stockholders and with respect to persons owning beneficially (to the knowledge of the Company) more than five percent of any class of the Company's voting securities. The table also sets forth the respective general voting power of such persons. Information set forth in the following table is based on reports filed with the Commission pursuant to the Exchange Act and on information that has been furnished to the Company by the respective stockholders. In accordance with regulations promulgated by the Commission, the table shows the effect of the exercise of warrants by Air Partners, and, in the case of Air Canada for amounts owned prior to the Offering, the exchange of certain shares of Class B common stock for Class A common stock, but, in determining the denominator used to show percentage ownership of such person, does not assume the exercise of warrants or the exchange of shares owned by any other person. In addition to the shares owned directly, each of the partners in Air Partners owns an interest in Air Partners and may be deemed to beneficially own a portion of the Continental securities owned by Air Partners.

The table does not show under "General Voting Power" the effect of Air Canada's potential exchange of certain shares of Class B common stock for an equal number of shares of Class A common stock, because, prior to the Offering, the voting of most of the Class A common stock acquirable as a result of such exchange would currently be prohibited by applicable Foreign Ownership Restrictions and, after the Offering, Air Canada will have waived its right to cause such exchange. See "--Stockholders' Agreement." Such information is, however, shown in the footnotes to the table. Upon completion of the Offering, Air Canada will convert all of its shares of Class A common stock into Class B common stock and irrevocably waive its right to exchange Class B common stock for Class A common stock. See "--Stockholders' Agreement."

		SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING				SHARES BENEFICIALLY OWNED AFTER THE OFFERING		
BENEFICIAL OWNER	CLASS OF COMMON STOCK	NUMBER	PERCENT OF CLASS(1)	GENERAL VOTING POWER(1)(2)	SHARES BEING OFFERED	NUMBER	PERCENT OF CLASS(1)(3)	GENERAL VOTING POWER(2)(3)
Air Canada..... Air Canada Center Montreal Int'l Airport (Dorval) P.O. Box 14000 Postal Station, St. Laurent Canada H4Y 1H4	Class A	2,740,000(4)	37.1%	23.6%(5)	--	-- (6)	--	4.3%
	Class B	3,338,944(7)	15.5%		2,000,000(8)	3,000,000(6)(9)	13.0%	
Air Partners, L.P.(10)..... 2420 Texas Commerce Tower 201 Main Street Fort Worth, TX 75102	Class A	4,259,734(11)	54.5%	44.6%	--	4,259,734(11)	69.2%	52.2%
	Class B	3,382,632(12)	13.6%		--	3,382,632(12)	12.8%	
American General Corporation(13)..... 2929 Allen Parkway Houston, TX 77019	Class A	774,496(14)	11.8%	9.9%	--	774,496(14)	15.8%	11.5%
	Class B	997,381(15)	4.5%		382,074	615,307(15)	2.6%	
FMR Corp..... 82 Devonshire Street Boston, MA 02109	Class B	3,658,751(16)	16.6%	4.3%	--	3,658,751(16)	15.4%	5.2%
David Bonderman.....	Class A	4,267,934(17)	54.6%	45.6%	--	4,267,934(17)	69.3%	53.2%
	Class B	4,341,052(18)	17.5%		114,586	4,226,466(18)	15.9%	
Bonderman Family Limited Partnership(19).....	Class B	441,225	2.1%	*	33,219	408,006	1.8%	*
Estate of Larry L. Hillblom(19)(20).....	Class B	319,800	1.5%	*	319,800	--	--	--
DHL Management Services, Inc.(19).....	Class B	322,970	1.5%	*	322,970	--	--	--
SunAmerica Inc.(19)...	Class B	143,152	*	*	143,152	--	--	--
Eli Broad(19).....	Class B	95,434	*	*	66,488	28,946	*	*
Donald Sturm(19)(21)..	Class B	356,064	1.7%	*	120,000	236,064	1.0%	*
Conair Limited Partners, L.P.(19).....	Class B	38,282	*	*	38,282	--	--	--

NAME AND ADDRESS OF BENEFICIAL HOLDER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING				SHARES BENEFICIALLY OWNED AFTER THE OFFERING			
	CLASS OF COMMON STOCK	NUMBER	PERCENT OF CLASS(1)	GENERAL VOTING POWER(1)(2)	SHARES BEING OFFERED	NUMBER	PERCENT OF CLASS(1)(3)	GENERAL VOTING POWER(2)(3)
Bondo Air, L.P.(19)....	Class B	412,499	1.9%	*	412,499	--	--	--
Air Saipan, Inc.(22)...	Class B	10,086	*	*	10,086	--	--	--
1992 Air, Inc.(22).....	Class B	369,108	1.7%	*	305,456	63,652	*	*
Air II General, Inc.(23).....	Class B	2,403	*	*	2,403	--	--	--
Total.....					4,271,015			

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*less than 1%

(1) Does not show the effect of Air Canada's potential exchange of certain shares of Class B common stock for an equal number of shares of Class A common stock.

(2) Each share of Class A common stock is entitled to ten votes, and each share of Class B common stock is entitled to one vote. General Voting Power includes the combined total of the votes attributable to Class A common stock and Class B common stock.

(3) Amount assumes conversion of 1,661,056 shares of Class A common stock held by Air Canada into an equal number of shares of Class B common stock.

(4) Amount includes 1,078,944 shares of Class A common stock issuable upon exchange of a like number of shares of Class B common stock held by Air Canada.

(5) Does not include the exchange of 1,078,944 shares of Class B common stock for Class A common stock as described in Note 4 above, which would be subject to Foreign Ownership Restrictions. If Air Canada were permitted to exchange the 1,078,944 shares of Class B common stock for an equal number of shares of Class A common stock, its General Voting Power would be 31.5%.

(6) Amount assumes conversion of 1,661,056 shares of Class A common stock held by Air Canada into an equal number of shares of Class B common stock and that 1,078,944 shares of Class B common stock held by Air Canada would no longer be exchangeable for an equal number of shares of Class A common stock.

(7) Amount includes 1,078,944 shares of Class B common stock held by Air Canada which are exchangeable, under certain circumstances, for a like number of shares of Class A common stock. Such shares are also included in the number of shares of Class A common stock reported herein pursuant to SEC Rule 13d-3 under the Exchange Act.

(8) Does not include 200,000 shares of Class B common stock subject to the Underwriters' overallotment option.

(9) Amount includes 200,000 shares of Class B common stock subject to the Underwriters' overallotment option.

(10) Based on reports filed with the Commission pursuant to the Exchange Act, the general partners of Air Partners are 1992 Air GP, managing general partner, and Air II General, Inc. The general partners of 1992 Air GP are 1992 Air, Inc., majority general partner, and Air Saipan, Inc. David Bonderman is the controlling shareholder of Air II General, Inc. and 1992 Air, Inc. and accordingly may be deemed the beneficial owner of shares held by Air Partners. In addition, Mr. Bonderman holds, directly and indirectly, limited partnership interests in Air Partners. See notes (17) and (18). Mr. Bonderman also holds director stock options to purchase 3,000 shares of Class B common stock and may be deemed to own 369,108 shares of Class B common stock owned by 1992 Air, Inc. and 2,403 shares of Class B common stock owned by Air II General, Inc. that are not included in the amounts shown. Bonderman Family Limited Partnership, of which David Bonderman is the general partner, holds 8,200 shares of Class A common stock and 441,225 shares of Class B common stock that are not included in the amounts shown. The holders of limited partnership interests in Air Partners, together with Air Partners, may be deemed to be acting as a group for purposes of the federal securities laws. In addition, Bonderman Family Limited Partnership holds limited partnership interests in Air Partners. On the basis of certain provisions of the limited partnership agreement of Air Partners, Bonderman Family Limited Partnership may be deemed to beneficially own the shares of Class A common stock and any Class B common stock beneficially owned by Air Partners that are attributable to such limited partnership interests. However, Bonderman Family Limited Partnership, pursuant to Rule 13d-4 under the Exchange Act, disclaims beneficial ownership of all such shares. The estate of Larry L. Hillblom, solely in its capacity as the sole shareholder of Air Saipan, Inc., may be deemed the beneficial owner of shares of Class A common stock and any Class B common stock held by Air Partners. In addition, the estate of Mr. Hillblom also holds limited partnership interests in Air Partners. On the basis of certain provisions of the limited partnership agreement of Air Partners, the estate of Mr. Hillblom may be deemed to beneficially own the shares of Class A common stock and any Class B common stock beneficially owned by Air Partners that are attributable to such limited partnership interests. Bondo Air Limited Partnership ("Bondo Air"), solely in its capacity as a limited partner of Air Partners, may be deemed to beneficially own the shares of

Class A common stock and any Class B common stock held by Air Partners that are attributable to such limited partnership interest. However, Bondo Air, pursuant to Rule 13d-4 under the Exchange Act, disclaims beneficial ownership of all such shares. Mr. Alfredo Brener, through a limited partnership whose corporate general partner he controls, owns warrants to purchase a 98.5% limited partnership interest in Bondo Air, and on the basis of certain provisions of the limited partnership agreement of Bondo Air, Mr. Brener may be deemed to beneficially own such limited partnership interests and, in turn, the shares attributable to Bondo Air's limited partnership interest in Air Partners. However, Mr. Brener, pursuant to Rule 13d-4 under the Exchange Act, disclaims beneficial ownership of all such shares. Donald Sturm, a director of the Company, holds a limited partnership interest in Air Partners. On the basis of certain provisions of the limited partnership agreement of Air Partners, Mr. Sturm may be deemed to beneficially own the shares of Class A common stock and any Class B common stock beneficially owned by Air Partners that are attributable to such limited partnership interest. However, Mr. Sturm, pursuant to Rule 13d-4 under the Exchange Act, disclaims beneficial ownership of all such shares.

(11) Includes 1,519,734 shares issuable upon exercise of warrants by Air Partners to purchase Class A common stock.

(12) Represents shares subject to warrants held by Air Partners to purchase Class B common stock.

(13) American General Corporation ("American General") holds a limited partnership interest in Air Partners. On the basis of certain provisions of the limited partnership agreement of Air Partners, American General may be deemed to beneficially own the shares of Class A common stock and any Class B common stock (including shares subject to warrants) beneficially owned by Air Partners that are attributable to such limited partnership interest. However, American General, pursuant to Rule 13d-4 under the Exchange Act, disclaims beneficial ownership of all such shares.

(14) Based on reports filed with the Commission under the Exchange Act, the shares reported represent American General's proportionate interest in shares beneficially owned by Air Partners, including 276,315 shares of Class A common stock issuable upon exercise of warrants held by Air Partners and attributable to the limited partnership interest of American General.

(15) Based on reports filed with the Commission under the Exchange Act, the shares reported include 283 shares held by an indirect wholly-owned subsidiary of American General, and 615,024 shares of Class B common stock issuable upon exercise of warrants held by Air Partners and attributable to the limited partnership interest of American General.

(16) Based on reports filed with the Commission under the Exchange Act, the shares reported include 165,589 shares of Class B common stock issuable upon conversion of the Company's 6 3/4% Convertible Subordinated Notes due April 15, 2006 and 420,011 shares of Class B common stock issuable upon conversion of the Company's 8 1/2% Convertible Preferred Securities of Trust. FMR, together with its wholly owned subsidiaries, Fidelity Management & Research Company and Fidelity Management Trust Company, has sole dispositive power with respect to 2,568,966 of the shares beneficially owned by it and sole voting power with respect to 2,563,900 of such shares. FMR has no shared voting or dispositive power. Members of the Edward D. Johnson 3d family own approximately 49% of the outstanding voting stock of FMR Corp.

(17) Includes 8,200 shares of Class A common stock beneficially owned by Bonderman Family Limited Partnership. Also includes 2,740,000 shares of Class A common stock beneficially owned by Air Partners or 1,519,734 such shares subject to warrants (collectively, 54.5% of the class) owned by Air Partners, which Mr. Bonderman may be deemed to own beneficially. See note 10.

(18) Includes 3,000 shares subject to vested director stock options, 441,225 shares beneficially owned by Bonderman Family Limited Partnership, 369,108 shares owned by 1992 Air, Inc. and 2,403 shares owned by Air II General, Inc. See note 10. Also includes 3,382,632 shares subject to warrants owned by Air Partners, which Mr. Bonderman may be deemed to own beneficially. See note 10.

(19) The referenced stockholder holds limited partnership interests in Air Partners. On the basis of certain provisions of the limited partnership agreement of Air Partners, the referenced stockholder may also be deemed to beneficially own the shares of Class A common stock and any Class B common stock beneficially owned by Air Partners that are attributable to such limited partnership interests. Such shares are not included in the amounts shown for the referenced stockholder.

(20) The Estate of Larry L. Hillblom owns 60.6 percent of one class of shares and 100 percent of another class of shares of DHL Corporation. DHL Corporation, in turn, owns 100 percent of the outstanding shares of DHL Management Services, Inc. Accordingly, the estate may be deemed to own beneficially the 322,970 shares of Class B common stock of the Company held by DHL Management, Inc.

(21) Includes 3,000 shares to vested director stock options. Also includes 30,200 shares held in trusts for the benefit of Mr. Sturm's children, 15,100 shares held in a charitable trust for which Mr. Sturm acts as Trustee, and 4,300 shares held by a corporation of which Mr. Sturm is the principal stockholder.

(22) This entity is a general partner of 1992 Air GP, one of the general partners of Air Partners. See note 10.

(23) This entity is one of the general partners of Air Partners. See note 10.

STOCKHOLDERS' AGREEMENT

Pursuant to the existing Stockholders' Agreement, Air Partners and Air Canada have each agreed that they will vote their shares of common stock to elect six directors designated by Air Canada, six directors designated by Air Partners and six directors not affiliated with Air Canada or Air Partners and who are satisfactory to Air Partners, and to give effect to certain other agreements regarding the composition of the board and its committees. They have further agreed through April 27, 1996 to vote for the election of three persons designated by the committee representing Prepetition Creditors to serve among the six independent directors. Each such party has also agreed to limit its holdings to a specified percentage of total voting power and to restrict its transfers of certain Class A common stock, certain shares of Class B common stock owned by Air Canada, and as applicable, Class C common stock, ($.01 par value (the "Class C common stock")) and Class D common stock, ($.01 par value (the "Class D common stock")), through April 27, 1997, unless the other party consents to the proposed transfer. Air Partners has further granted Air Canada a right of first refusal to acquire certain of its shares of Class A common stock or its Class D common stock in the event it receives, after April 27, 1997, a good faith offer from a third party to purchase all or

any portion of such shares, and in the event it proposes to sell any such shares in a Rule 144 transaction after such date. Air Partners has also given Air Canada an option, exercisable after April 27, 1997 (and subject to applicable Foreign Ownership Restrictions, as defined in the Company's Certificate of Incorporation), to purchase certain of these shares at their market price plus a specified control premium. In addition, Air Partners has agreed to restrict its ability to sell certain Class B common stock to any air carrier in a private sale at any time prior to April 27, 1997. Unless extended by the parties, or

terminated earlier due to the occurrence of certain terminating events, the Stockholders' Agreement will terminate on April 27, 2002.

On April 19, 1996, the Company's Board of Directors approved an amendment to the Stockholders' Agreement, which (except for certain specified provisions that were effective as of such date) will become effective upon the closing of the Offering. The amendment to the Stockholders' Agreement reflects Air Canada's proposed disposition of Continental stock by, among other things: (a) deleting the purchase options, rights of first refusal and other restrictions on the transfer of Continental securities that currently exist between Air Partners and Air Canada; (b) deleting the limitation on minimum and maximum aggregate voting power that may be held by Air Partners and Air Canada; and (c) eliminating the voting arrangement between Air Partners and Air Canada relating to the election of directors.

The amendment includes certain agreements among the Company, Air Partners and Air Canada relating to the exercise of registration rights under the Registration Rights Agreement. See "--Certain Rights of Air Partners and Air Canada." The amendment also provides that Air Canada will: (a) convert its shares of Class A common stock to Class B common stock; (b) grant an irrevocable proxy to Air Partners to enable Air Partners to vote Air Canada's shares of Continental common stock with respect to the election of directors, approval of certain amendments to the Certificate of Incorporation, and approval of amendments to certain employee benefit-related contracts and other matters at the Annual Meeting; (c) irrevocably waive its right to convert shares of Class B common stock into Class A common stock; and (d) cause each of its designees to the Board of Directors to resign at any time following the closing of the Offering upon the request of Continental.

In addition, each of Air Canada and Air Partners has agreed that prior to December 16, 1996, without Continental's prior written consent, it will not enter into certain transactions in Continental securities that would, pursuant to Section 382, have an adverse effect on the Company's ability to fully utilize its NOLs.

WARRANTS

In connection with the Reorganization, Air Partners and Air Canada acquired warrants to purchase shares of Class A common stock and Class B common stock at exercise prices of $15 and $30 per share. The warrants held by Air Canada were repurchased and canceled by the Company on September 29, 1995. The warrants held by Air Partners expire if not exercised on or before April 27, 1998. The Company has entered into an agreement with Air Partners for the sale by Air Partners to the Company from time to time at Air Partners' election for the one-year period beginning August 15, 1996, of up to an aggregate of $50 million in intrinsic value (then-current Class B common stock price minus exercise price) of Air Partners' Class B common stock warrants. The purchase price would be payable in cash. The Board of Directors has authorized the Company to publicly issue up to $50 million of Class B common stock in connection with any such purchase. In connection with this agreement, the Company will reclassify $50 million from common equity to redeemable warrants.

PREEMPTIVE RIGHTS OF AIR PARTNERS AND AIR CANADA

Air Partners and Air Canada each has the right to purchase additional shares of Class B common stock to preserve its current proportional ownership of such stock. If the amendments to the Certificate of Incorporation are approved by stockholders at the Annual Meeting Air Canada will no longer have this right. See "Description of Capital Stock--Corporate Governance and Control--Preemptive Rights of AP/AC Investors."

CERTAIN CONVERSION RIGHTS

Air Canada has the right at any time to convert its shares of Class A common stock into an equal number of shares of Class B common stock and, subject to applicable Foreign Ownership Restrictions, to exchange certain shares of Class B common stock for an equal number of shares of Class A common stock. See "Description of Capital Stock--Class B Common Stock and Class A Common Stock." In specified limited circumstances, Air Partners has the right to convert its shares of Class A common stock into Class D common stock, and Air Canada has the right to convert its shares of Class A common stock to Class C common stock. See "Description of Capital Stock--Special Classes of Common Stock" regarding the terms of the Class C common stock and Class D common stock and the conversion of such stock back into Class A common stock.

As discussed above in "--Stockholders' Agreement," upon the closing of the Offering, Air Canada's agreement to convert its shares of Class A common stock into shares of Class B common stock and its waiver of its right to exchange certain shares of Class B common stock for Class A common stock will become effective.

CERTAIN RIGHTS OF AIR PARTNERS AND AIR CANADA

Pursuant to a Registration Rights Agreement, the Company has granted extensive demand and incidental registration rights to Air Partners and Air Canada to have their common stock registered under the Securities Act in connection with proposed sales of such stock. On April 19, 1996, the Company's Board of Directors approved amendments to the Registration Rights Agreement. See "Recent Developments." Air Canada has a preferential right to bid for take off and landing slots at LaGuardia, Washington National and Chicago O'Hare airports and leasehold interests at Chicago O'Hare, LAX and Seattle-Tacoma airports in the event Continental were to determine to sell such assets.

DESCRIPTION OF CAPITAL STOCK

The current authorized capital stock of the Company consists of 50,000,000 shares of Class A common stock, 100,000,000 shares of Class B common stock 50,000,000 shares of Class C common stock, 50,000,000 shares of Class D common stock (such classes of common stock referred to collectively as the "common stock"), and 10,000,000 shares of preferred stock, $.01 par value (the "Preferred Stock"). Amendments to the Certificate of Incorporation have been proposed by the Board of Directors for a vote at the Annual Meeting that would increase the amount of authorized Class B common stock to 200,000,000 shares and eliminate the Class C common stock as an authorized class of shares. See "Recent Developments." As of April 30, 1996, there were 6,301,056 outstanding shares of Class A common stock, 21,492,124 outstanding shares of Class B common stock and 409,662 shares of Series A 12% Cumulative Preferred Stock.

Pursuant to the Reorganization, on April 27, 1993 the Company issued 1,900,000 shares of Class A common stock and 5,042,368 shares of Class B common stock to a distribution agent for the benefit of the Company's Prepetition Creditors. As of March 31, 1996, there remained 291,459 shares of Class A common stock, 762,291 shares of Class B common stock, and approximately $1 million of cash available for distribution. Pending resolution of certain disputed claims, a distribution agent will continue to hold undistributed Class A common stock and Class B common stock and will vote such shares of each class pro rata in accordance with the vote of all other shares of such class on any matter submitted to a vote of stockholders. Also pursuant to the Reorganization, the Company issued 493,621 shares of Class B common stock to its retirement plan.

The following summary description of capital stock accurately describes the material matters with respect thereto, but is not intended to be complete and reference is made to the provisions of the Company's Certificate of Incorporation and Bylaws and the agreements referred to in this summary description. As used in this section, except as otherwise stated or required by context, each reference to Air Canada or Air Partners includes any successor by merger, consolidation or similar transaction and any wholly owned subsidiary of such entity or such successor.

COMMON STOCK--ALL CLASSES

Holders of common stock of all classes participate ratably as to any dividends or distributions on the common stock, except that dividends payable in shares of common stock, or securities to acquire common stock, are paid in common stock, or securities to acquire common stock, of the same class as that upon which the dividend or distribution is being paid. Upon any liquidation, dissolution or winding up of the Company, holders of common stock of all outstanding classes are entitled to share ratably the assets of the Company available for distribution to the stockholders, subject to the prior rights of holders of any outstanding Preferred Stock. Holders of common stock have no preemptive, subscription, conversion or redemption rights (other than preemptive, subscription and conversion rights of Air Partners and Air Canada described under "--Corporate Governance and Control"), and are not subject to further calls or assessments. Holders of common stock have no right to cumulate their votes in the election of directors. All series of common stock vote together as a single class, subject to the right to a separate class vote in certain instances required by law and to the rights of holders of Class C common stock and Class D common stock to vote separately as a class to elect directors as described under "--Special Classes of Common Stock."

CLASS B COMMON STOCK AND CLASS A COMMON STOCK

The holders of Class B common stock are entitled to one vote per share, and the holders of Class A common stock are entitled to ten votes per share, on all matters submitted to a vote of stockholders, except that voting rights of non-U.S. citizens are limited as set forth below under "--Limitation on Voting by Foreign Owners" and no holder of Class C common stock or Class D common stock can vote any of its Class B common stock for the election of directors (see "--Special Classes of Common Stock").

Air Canada and Air Partners (together, the "AP/AC Investors") owned as of April 30, 1996 in the aggregate approximately 28% of the outstanding Class A common stock and Class B common stock, representing

approximately 56% of total voting power (excluding the exercise of warrants held by Air Partners and the exchange of Class B common stock for Class A common stock by Air Canada), and Air Partners has warrants to acquire up to an additional 3,382,632 shares of Class B common stock and 1,519,734 of Class A common stock (together representing approximately 21% of total voting power, assuming exercise of such warrants). See "Principal and Selling Stockholders" for a description of the number of securities beneficially owned by each of Air Partners and Air Canada as of April 30, 1996 and certain other matters relating to their ownership and "--Corporate Governance and Control" below for a discussion of arrangements regarding the composition of the Board of Directors of the Company.

Air Canada may at any time and from time to time convert shares of Class A common stock into an equal number of shares of Class B common stock and, so long as such exchange would comply with the Foreign Ownership Restrictions (as defined below under the caption "--Limitation on Voting by Foreign Owners") may exchange up to 1,078,944 of its shares of Class B common stock for an equal number of shares of Class A common stock. Except for these special conversion and exchange rights of Air Canada, Class B common stock is not convertible into or exchangeable for Class A common stock and Class A common stock is not convertible into or exchangeable for Class B common stock.

Upon the closing of the Offering, pursuant to the amendment to the Stockholders' Agreement, Air Canada will convert its Class A common stock into Class B common stock and will irrevocably waive its right to exchange certain shares of Class B common stock for Class A common stock.

In addition, under the Proposed Amendments, the Certificate of Incorporation would be amended to permit all stockholders at any time and from time to time after January 1, 1997 to convert shares of Class A common stock into an equal number of shares of Class B common stock. Because the Class A common stock has ten votes per share and the Class B common stock has one vote per share, any such conversion would effectively increase the relative voting power of those Class A stockholders who do not convert. The limitation in the current charter was designed to ensure compliance with applicable Foreign Ownership Restrictions by giving Air Canada a method for reducing its voting power, if necessary, while preventing conversions by other stockholders that would have the effect of increasing Air Canada's voting control without any action by Air Canada itself. In light of Air Canada's reduced stake in the Company, the Company has determined that this restriction is no longer necessary. In addition, in recent periods, the market price of Class A common stock has generally been below the price of Class B common stock, which the Company believes is attributable in part to the reduced liquidity present in the trading market for Class A common stock. A number of holders of Class A common stock have requested that the charter be amended to give all stockholders the right to convert Class A common stock into Class B common stock. The effective date of this amendment is proposed to be January 1, 1997.

Limitation on Voting by Foreign Owners. The Company's Certificate of Incorporation defines "Foreign Ownership Restrictions" as "applicable statutory, regulatory and interpretive restrictions regarding foreign ownership or control of U.S. air carriers (as amended or modified from time to time)." Such restrictions currently require that no more than 25% of the voting stock of the Company be owned or controlled, directly or indirectly, by persons who are not U.S. Citizens ("Foreigners") for purposes of the Foreign Ownership Restrictions, and that the Company's president and at least two-thirds of its other managing officers and directors be U.S. Citizens. For purposes of the Certificate of Incorporation, "U.S. Citizen" means (i) an individual who is a citizen of the United States; (ii) a partnership each of whose partners is an individual who is a citizen of the United States; or (iii) a corporation or association organized under the laws of the United States or a State, the District of Columbia, or a territory or possession of the United States, of which the president and at least two-thirds of the board of directors and other managing officers are citizens of the United States, and in which at least 75% of the voting interest is owned or controlled by persons that are citizens of the United States. The Certificate of Incorporation provides that no shares of capital stock may be voted by or at the direction of Foreigners, unless such shares are registered on a separate stock record (the "Foreign Stock Record") maintained by the Company for the registration of ownership of voting stock by Foreigners. The Company's Bylaws further provide that no

shares will be registered on the Foreign Stock Record if the amount so registered would exceed the Foreign Ownership Restrictions or adversely affect the Company's operating certificates or authorities. Registration on the Foreign Stock Record is made in chronological order based on the date the Company receives a written request for registration, except that certain shares held by Air Canada, and, after such shares, certain shares acquired by Air Partners in connection with its original investment in the Company that are subsequently transferred to any Foreigner are entitled to be registered prior to, and to the exclusion of, other shares. Shares currently owned by Air Canada and registered on the Foreign Stock Record constitute a substantial portion of the shares that may be voted by Foreigners under the Foreign Ownership Restrictions. Accordingly, at this time only a very limited number of shares of Class B common stock or Class A common stock of the Company may be registered on the Foreign Stock Record and voted by any Foreigner other than Air Canada.

Under the Proposed Amendments, the Bylaws would be amended to delete Air Canada's right to have its shares included in the Foreign Stock Record on a preferential basis. Furthermore, after Air Canada converts its Class A common stock to Class B common stock upon the closing of the Offering, a larger number of shares of Class B common stock and/or Class A common stock could be registered on the Foreign Stock Record and voted by Foreigners other than Air Canada.

CORPORATE GOVERNANCE AND CONTROL

Board of Directors. The Certificate of Incorporation provides that the Company's Board of Directors must consist of eighteen directors to be elected by holders of common stock, exclusive of any directors who may be elected by holders of Preferred Stock. Pursuant to the Stockholders' Agreement, the AP/AC Investors agreed to vote their shares to elect six directors designated by Air Partners, six directors designated by Air Canada, and six additional directors satisfactory to Air Partners. Pursuant to the Certificate of Incorporation, (i) the six additional directors must be independent of Air Partners and Air Canada and, until the first annual meeting of stockholders after April 27, 1996, must include three directors designated by the committee representing Prepetition Creditors (as defined in the Stockholders' Agreement), and (ii) at each annual meeting, the Board must nominate the chief executive officer for election as a director.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to provide that the number of directors may be determined from time to time by the Board in accordance with the Bylaws, subject to the rights of holders of preferred stock to elect additional directors as set forth in any preferred stock designation. The Bylaws would also be amended to provide that the number of directors will be determined from time to time by the Board (and will initially consist of 12 directors). In addition, provisions relating to the Board designees of Air Canada and the committee representing Prepetition Creditors would be deleted.

Supermajority Vote Requirements. The Certificate of Incorporation requires the affirmative vote of shares having at least two-thirds of the total voting power of all issued and outstanding shares of common stock, voting together as a single class, to amend the provisions of the Certificate of Incorporation that govern the number of authorized shares and the relative rights of classes of capital stock, election and voting of directors, and rights of the AP/AC Investors to purchase additional shares of Class B common stock.

The Certificate of Incorporation also provides that, unless prohibited by law, the affirmative vote of at least 70% (75% if more than one director is elected by holders of Preferred Stock or in certain other instances) of directors (a "Supermajority Vote") is required to approve certain extraordinary transactions, including (i) authorization, issuance or disposition of Class A common stock or rights to acquire Class A common stock, (ii) liquidation or dissolution of the Company, (iii) any fundamental change in the lines of business of the Company, (iv) appointment of a receiver for the Company or commencement of bankruptcy proceedings or (v) any amendment to the Plan of Reorganization. In addition, a Supermajority Vote of directors is required to approve the following transactions, if such Supermajority Vote requirements are first presented to and approved by DOT as complying with the Foreign Ownership Restrictions: (a) approval of capital expenditures in any fiscal year that exceed by more than $50,000,000 the amount of capital expenditures set forth in the Company's capital budget; (b) approval to incur indebtedness for money borrowed in any fiscal year that exceeds by more than

$50,000,000 the maximum principal amount of indebtedness projected in the Company's financial plan for such year; (c) certain acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; and (d) the taking of certain actions with respect to material contracts (including, among others, contracts providing for the merger or consolidation of the Corporation, contracts with periods in excess of four years or contemplating expenditures in excess of $50 million in any year and $150 million in the aggregate), and any compensatory plan in which any director or executive officer of the Company participates.

The Certificate of Incorporation further requires approval by two-thirds of the directors in office (assuming no vacancies) to approve contracts (or any amendments thereof) between the Company and any air carrier (other than Air Canada) with respect to a code-sharing or marketing alliance or to amend certain provisions of the Company's Bylaws governing (i) the election and voting of directors and committees of the Board of Directors or (ii) the ownership and voting of stock by Foreigners. Such Bylaw amendments also must be approved by at least a majority of the total voting power of all issued and outstanding shares of common stock, unless they have been approved by a majority of the directors designated or elected by the AP/AC Investors. The Certificate of Incorporation also requires approval by the holders of at least two-thirds of the voting power of all issued and outstanding shares of common stock in order to amend the sections of the Certificate of Incorporation relating to (i) the Corporation's capital stock, (ii) composition and voting of the Board of Directors, and (iii) preemptive rights of Air Partners and Air Canada.

Contracts and transactions between the Company and its directors, officers or other related parties also must be approved by a majority (or, in cases otherwise subject to a Supermajority Vote, by 75%) of disinterested directors, unless such contracts or transactions are approved by the stockholders or are otherwise fair to the Company.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to delete the foregoing provisions.

Fairness Opinion; Business Combinations. The Certificate of Incorporation provides that the Board of Directors will not approve any merger or similar corporate transaction unless, prior to the approval, the board receives an opinion of an independent investment banking firm that the consideration to be received by the holders of common stock is fair from a financial point of view to such holders. The Certificate of Incorporation provides that the Company is not governed by Section 203 of the General Corporation Law of Delaware that, in the absence of such provisions, would have imposed additional requirements regarding mergers and other business combinations.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to delete the requirement that the board receive such opinion.

Preemptive Rights of AP/AC Investors. Pursuant to the Certificate of Incorporation, each AP/AC Investor is given the right to purchase from the Company additional shares of Class B common stock to the extent necessary to maintain its pro rata ownership of the outstanding Class B common stock. Such preemptive rights terminate as to an AP/AC Investor if the total voting power of the common stock beneficially owned by such AP/AC Investor is less than 20% of the total voting power of all of the outstanding common stock.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to delete Air Canada's preemptive rights.

Procedural Matters. The Company's Bylaws require stockholders seeking to nominate directors or propose other matters for action at a stockholders' meeting to deliver notice thereof to the Company certain specified periods in advance of the meeting and to follow certain other specified procedures.

Change in Control. The cumulative effect of the provisions of the Certificate of Incorporation and Bylaws referred to under this heading "Description of Capital Stock" and the Stockholders' Agreement is to maintain certain rights of the AP/AC Investors to elect directors and otherwise to preserve their relative ownership and voting positions. These provisions may have the effect of delaying, deferring or preventing a change in control of the Company.

The cumulative effect of the Agreements and the Proposed Amendments will be to maintain certain rights of Air Partners to elect directors and otherwise to preserve its relative ownership and voting positions. Air Canada will not continue to have similar rights.

SPECIAL CLASSES OF COMMON STOCK

The Certificate of Incorporation authorizes Class C common stock and Class D common stock as a mechanism to provide, under certain circumstances, a specified level of Board representation for each of the AP/AC Investors. No shares of Class C common stock or Class D common stock are currently outstanding, and they may only be issued in limited circumstances upon conversion of Class A common stock held by AP/AC Investors. In the event the AP/AC Investors hold shares of Class A common stock and Class B common stock representing 50% or less of the combined voting power of all classes of common stock, or if the Stockholders' Agreement is no longer in effect, each of the AP/AC Investors has the option, which may be exercised only once, to convert all (but not less than all) shares of Class A common stock held by it into an equal number of shares of Class C common stock, in the case of Air Canada, or Class D common stock, in the case of Air Partners. Such right of conversion is further conditioned upon the AP/AC Investor holding common stock having at least 20% of the total voting power of all classes of common stock.

After such conversion, holders of Class C common stock and Class D common stock are each entitled to elect six directors, voting as a separate class. When shares of Class C common stock are outstanding, Air Canada has no right to vote any of its shares of Class B common stock for the election of directors; and if Air Canada becomes the beneficial owner of additional shares of Class A common stock during such time, such shares will automatically be converted into an equal number of shares of Class C common stock. Likewise, when shares of Class D common stock are outstanding, Air Partners may not vote any of its shares of Class B common stock for the election of directors; and if Air Partners becomes the beneficial owner of any additional shares of Class A common stock during such time, such shares will automatically be converted into Class D common stock. Each share of Class C common stock and Class D common stock has ten votes and, as to matters other than the election of directors, votes together with all other classes of common stock as a single class. In the event the voting power of all common stock held by an AP/AC Investor represents less than 20% of the voting power of all classes of common stock, all Class C common stock or Class D common stock held by such AP/AC Investor will automatically convert into an equal number of shares of Class A common stock. Shares of Class C common stock and Class D common stock also convert automatically into an equal number of shares of Class A common stock upon the transfer of record or beneficial ownership of such Class C common stock or Class D common stock to any person other than certain related parties of the original holder. Each AP/AC Investor may also at any time voluntarily convert all (but not less than all) shares of Class C common stock or Class D common stock held by it into an equal number of shares of Class A common stock. All shares of Class C common stock or Class D common stock surrendered by an AP/AC Investor for conversion into Class A common stock will be canceled and may not be reissued.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to delete the Class C common stock and provide that the holders Class D common stock are entitled to elect one-third of the number of directors determined by the Board of Directors pursuant to the Bylaws (rounded to the nearest whole number).

REDEEMABLE PREFERRED STOCK

The Company has authorized and issued a class of preferred stock, designated as Series A 12% Cumulative Preferred Stock.

Holders of the Series A 12% Preferred are entitled to receive, when, as and if declared by the Board of Directors, cumulative dividends payable quarterly in additional shares of such preferred stock for dividends accumulating through December 31, 1996. Thereafter dividends are payable in cash at an annual rate of $12 per share; provided, however, that to the extent net income (as defined in the certificate of designation for the preferred stock) for any calendar quarter is less than the amount of dividends due on all outstanding shares of

the Series A 12% Preferred for such quarter, the Board of Directors may declare dividends payable in additional shares of Series A 12% Preferred in lieu of cash. At any time, the Company may redeem, in whole or in part, on a pro rata basis among the stockholders, any outstanding shares of the Series A 12% Preferred. All outstanding shares of the Series A 12% Preferred are mandatorily redeemable on April 27, 2003 out of legally available funds. The redemption price is $100 per share plus accrued and unpaid dividends. Shares of the Series A 12% Preferred are not convertible into shares of common stock and such shares do not have voting rights, except under limited circumstances described in the following two paragraphs. Shares of the Series A 12% Preferred have a liquidation preference of $100 per share plus accrued and unpaid dividends, senior to any distribution on shares of common stock.

In the event the Company violates certain covenants set forth in the certificate of designation relating to the Series A 12% Preferred, fails to pay the full amount of dividends on the preferred stock for nine consecutive quarterly payment dates or shall not have redeemed the preferred stock within five days of the date of any redemption of which the Company has given, or is required to give, notice (a "Default"), the holders of the Series A 12% Preferred as to which a Default exists, voting (subject to the Foreign Ownership Restrictions) together as one class, are entitled to elect one member of the Board of Directors. In the event the Company pays in full all dividends accrued on the preferred stock for three consecutive payment dates following such Default (and no dividend arrearages exist as to such stock), or otherwise cures any other default that gives rise to such voting rights, the holders of the Series A 12% Preferred will cease to have the right to elect a director.

The consent or approval of the holders of a majority of the then-outstanding shares of Series A 12% Preferred is required for the creation of certain classes of senior or parity stock, certain mergers or sales of substantially all of the Company's assets, the voluntary liquidation or dissolution of the Company and amendments to the terms of the preferred stock that would adversely affect the Series A 12% Preferred.

The Board of Directors of the Company has the authority, without any vote by the stockholders, to issue additional shares of preferred stock, up to the number of shares authorized in the Certificate of Incorporation, as it may be amended from time to time, in one or more series, and to fix the number of shares constituting any such series, the designations, preferences and relative rights and qualifications of such series, including the voting rights, dividend rights, dividend rate, terms of redemption (including sinking fund provisions), redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series.

LIMITATION OF DIRECTOR LIABILITY AND INDEMNIFICATION

The Company's Certificate of Incorporation provides, to the fullest extent permitted by Delaware law as it may from time to time be amended, that no director shall be liable to the Company or any stockholder for monetary damages for breach of fiduciary duty as a director. Delaware law currently provides that such waiver may not apply to liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law (governing distributions to stockholders), or (iv) for any transaction from which the director derived any improper personal benefit. The Certificate of Incorporation further provides that the Company will indemnify each of its directors and officers to the full extent permitted by Delaware law and may indemnify certain other persons as authorized by law. The foregoing provisions do not eliminate any monetary liability of directors under the federal securities laws.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering (assuming no exercise of the overallotment option) and after giving effect to the conversion by Air Canada of its Class A common stock for Class B common stock, Continental will have a total of 4,640,000 shares of Class A common stock and 23,153,180 shares of Class B common stock outstanding (excluding shares of Class B common stock issued after April 30, 1996 pursuant to the Company's employee benefit plan). Of such shares, approximately 291,459 shares of Class A common stock and approximately 762,291 shares of Class B common stock are held in trust by a distribution agent pending resolution of certain disputed claims and subsequent distribution to, or sale for the benefit of, Prepetition Creditors. Upon distribution to Prepetition Creditors, these shares will also be freely tradeable. An independent investment manager has discretion over the continued holding or sale of the 78,621 shares of Class B common stock held in trust for the benefit of the Company's retirement plan.

Shares of Class A common stock and Class B common stock held by Air Partners and Air Canada are "restricted" securities within the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act, unless an exemption from registration is available, including the exemption provided by Rule 144. Each of Air Canada and Air Partners have entered into agreements with Continental restricting, prior to December 16, 1996, the further disposition of Continental stock held by either of them. See "Recent Developments." Air Canada has indicated its intention to dispose of its remaining equity interest in the Company by early 1997, subject to market conditions. The Company has granted Air Canada and Air Partners extensive registration rights. See "Principal and Selling Stockholders--Certain Rights of Air Partners and Air Canada."

The Company has agreed that, except with the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), it will not, directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company or any interests therein or any securities convertible into or exchangeable for shares of common stock or other equity interests of the Company, except that the Company may (i) issue shares of common stock or other equity interests (a) as a result of the exercise or conversion of options, warrants or other securities outstanding on the date of the U.S. Purchase Agreement, (b) as a result of the grant of stock options or other stock-based awards (and the exercise thereof) to directors, officers and employees of the Company or its subsidiaries, and (c) if required pursuant to the Certificate of Incorporation and may (ii) cause to be registered with the Commission (x) a resale shelf registration statement for the Company's outstanding 6 3/4% Convertible Subordinated Notes due 2006 and 8 1/2% Convertible Preferred Securities of Trust, (y) a registration statement for the sale (only after the expiration of the 90-day period referred to above) of up to $50 million of Class B common stock and (z) a registration statement for the sale by Air Canada and certain partners of Air Partners of shares of Class B common stock (or the use of such shares in connection with hedging transactions), provided that this clause (z) does not affect the obligations of Air Canada and such partners pursuant to the 90-day lockup agreement described below.

Air Canada and Air Partners have agreed that, except with the prior written consent of Merrill Lynch, they will not, directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company (except, in the case of Air Canada, for Shares included in the Offering), any interests therein, or any securities convertible into or exchangeable for shares of common stock of the Company, except that Air Partners may (i) convert shares of common stock of one class for shares of common stock of another class or for other equity interests in the Company and (ii) transfer common stock or other equity interests in the Company to any of its partners or affiliates (including the Company) if such transferee agrees to be bound by the agreement set forth in this paragraph and Air Canada may transfer shares of common stock of the Company to any entity that is wholly-owned by Air Canada if such transferee agrees to be bound by the agreement set forth in this paragraph.

Each of the AP Investors has agreed that, except with the prior written consent of Merrill Lynch, it will not directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company (except for Shares included in the Offering) or any interests therein or any securities convertible into or exchangeable for shares of common stock of the Company, in each case that have been received, or that may hereafter be acquired, from Air Partners.

CERTAIN U.S. TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a general discussion of certain United States federal income and estate tax consequences of the purchase, ownership and disposition of Class B common stock by a person who is (as to the United States) a foreign corporation, a nonresident alien individual, a nonresident alien fiduciary of an estate or trust the income of which is not subject to United States taxation regardless of its source, or a foreign partnership (a "Non-U.S. Holder"). This summary does not address all aspects of United States federal income and estate taxes that may be relevant to Non-U.S. Holders in light of their personal circumstances including Non-U.S. Holders that may be subject to special treatment under United States federal income tax laws (for example, insurance companies,

tax-exempt organizations, financial institutions or broker-dealers) and is based on current provisions of the Internal Revenue Code of 1986 as amended (the "Code"), existing and proposed regulations promulgated thereunder, and administrative and judicial interpretation thereof, all of which are subject to change. Accordingly, each Non-U.S. Holder is urged to consult its own tax advisor with respect to the United States tax consequences of the ownership and disposition of Class B common stock, as well as any tax consequences that may arise under the laws of any state, municipality, foreign country or other taxing jurisdiction or under the provisions of an applicable tax treaty.

DIVIDENDS

Dividends paid to a Non-U.S. Holder of Class B common stock ordinarily will be subject to withholding of United States federal income tax at a 30 percent rate, or at a lower rate under an applicable income tax treaty that provides for a reduced rate of withholding. However, if the dividends are effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States, then the dividends will be exempt from the withholding tax described above and instead will be subject to United States federal income tax on a net income basis, unless an applicable tax treaty provides otherwise. In such case, if the Non-U.S. Holder is a foreign corporation, it may also be subject to a 30% United States branch profits tax. A Non-U.S. Holder that is eligible for a reduced rate of United States withholding tax pursuant to a tax treaty and does not realize the benefit of such reduced rate when the dividend is paid may obtain a refund of excess amounts withheld by filing an appropriate claim for refund with the United States Internal Revenue Service ("IRS").

The Company must report annually to the IRS the amount of dividends paid to a Non-U.S. Holder and tax withheld from such dividends. This information also may be made available to the tax authorities of the country in which the Non-U.S. Holder resides, pursuant to the terms of a tax treaty between the United States and such country.

GAIN ON DISPOSITION OF CLASS B COMMON STOCK

The gain realized on the sale or exchange of the Class B common stock by a Non-U.S. Holder will not be subject to United States federal income tax, including withholding tax, unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States, or (ii) in the case of gain realized by a Non-U.S. Holder who is an individual, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of sale and either (A) such gain or income is attributable to an office or other fixed place of business maintained in the United States by such Non-U.S. Holder or (B) such Non-U.S. Holder has a tax home in the United States.

FEDERAL ESTATE TAXES

Class B common stock held by an individual Non-U.S. Holder at the time of death will be included in such Non-U.S. Holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

U.S. INFORMATION REPORTING REQUIREMENTS AND BACKUP WITHHOLDING TAX

U.S. information reporting requirements and backup withholding tax will not apply to dividends paid on Class B common stock to a Non-U.S. Holder at an address outside the United States. As a general matter, information reporting and backup withholding also will not apply to a payment of the proceeds of a sale of Class B common stock effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of Class B common stock effected outside the United States by a foreign office of a broker if the broker is a U.S. person, derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, or is a "controlled foreign corporation" as to the United States, unless the broker has documentary evidence in its records that the holder is a Non-U.S. Holder and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of Class B common stock will be subject to backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

PROPOSED REGULATIONS

On April 15, 1996, the Internal Revenue Service released proposed regulations (the "Proposed Regulations") that would, among other matters, change the withholding tax and backup withholding tax rules applicable to dividends paid with respect to stock of U.S. corporations. These regulations, if adopted in the form proposed, would require that certain Non-U.S. Holders of Class B common stock that seek to rely on a tax treaty to obtain a reduction in the rate of the dividend withholding tax provide certifications regarding their eligibility for receiving such treaty benefits. In addition, under the Proposed Regulations, a Non-U.S. Holder that fails to comply with certain certification requirements may be subject to backup withholding tax at a rate of 31% in lieu of the dividend withholding tax. It is uncertain whether, or in what form, the Proposed Regulations will be adopted. If adopted in the form proposed, the Proposed Regulations would not apply to dividends paid prior to 1998. Non-U.S. Holders are urged to consult their tax advisers regarding the possible applicability to them of the Proposed Regulations.

UNDERWRITING

Subject to the terms and conditions set forth in a purchase agreement (the "U.S. Purchase Agreement") between the Selling Stockholders, the Company and each of the underwriters named below (the "U.S. Underwriters"), and concurrently with the sale of 854,203 Shares to the International Underwriters (as defined below), the Selling Stockholders have agreed to sell to each of the U.S. Underwriters named below, and each of the U.S. Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated are acting as representatives (the "U.S. Representatives"), severally has agreed to purchase from the Selling Stockholders, the aggregate number of Shares set forth opposite its name below:

U.S. UNDERWRITERS	NUMBER OF SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co.	
Lehman Brothers Inc.	
Morgan Stanley & Co. Incorporated	
Total	3,416,812

The Company and the Selling Stockholders also have entered into a purchase agreement (the "International Purchase Agreement") with certain underwriters outside the United States and Canada (the "International Underwriters" and, together with the U.S. Underwriters, the "Underwriters") for whom Merrill Lynch International, Goldman Sachs International, Lehman Brothers International (Europe) and Morgan Stanley & Co. International Limited are acting as representatives (the "International Representatives"). Subject to the terms and conditions set forth in the International Purchase Agreement, and concurrently with the sale of 3,416,812 Shares to the U.S. Underwriters pursuant to the U.S. Purchase Agreement, the Selling Stockholders have agreed to sell to the International Underwriters, and the International Underwriters severally have agreed to purchase, an aggregate of 854,203 Shares. The initial public offering price per share and the underwriting discount per share are identical under the U.S. Purchase Agreement and the International Purchase Agreement.

In the U.S. Purchase Agreement and the International Purchase Agreement, the several U.S. Underwriters and the several International Underwriters, respectively, have agreed, subject to the terms and conditions set forth therein, to purchase all of the Shares being sold pursuant to each such Agreement if any of the shares being sold pursuant to each such Agreement are purchased. Under certain circumstances, the commitments of non-defaulting U.S. Underwriters or International Underwriters (as the case may be) may be increased. The closings with respect to the sale of the Shares to the U.S. Underwriters and the International Underwriters are conditioned upon one another.

The U.S. Underwriters and the International Underwriters have entered into an intersyndicate agreement (the "Intersyndicate Agreement") which provides for the coordination of their activities. The Underwriters are permitted to sell Shares to each other for the purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the U.S. Underwriters and any dealer to whom they sell Shares will only offer to sell or sell Shares to persons who are United States or Canadian persons or to persons they believe intend to resell to persons who are United States or Canadian persons, and the International Underwriters and any dealer to whom they sell Shares will not offer to sell or sell Shares to United States or Canadian persons or to persons they believe intend to resell to United States or Canadian persons, except, in each case, for transactions pursuant to the Intersyndicate Agreement.

The U.S. Representatives have advised the Selling Stockholders that the U.S. Underwriters propose initially to offer the Shares to the public at the initial public offering price set forth on the cover page of this Prospectus,

and to certain dealers (who may include U.S. Underwriters) at such price less a concession not in excess of $ per share. The U.S. Underwriters may allow, and such dealers may reallow, a discount not in excess of $ per share on sales to certain other dealers. After the Offering, the public offering price, concession and discount may be changed.

Air Canada has granted an option to the U.S. Underwriters exercisable during the 30-day period after the date of this Prospectus, to purchase up to an aggregate of 200,000 additional shares at the initial public offering price set forth on the cover page of this Prospectus, less the underwriting discount. The U.S. Underwriters may exercise the option only to cover over-allotments, if any, made on the sale of the Shares offered hereby. To the extent that the U.S. Underwriters exercise the option, each U.S. Underwriter will be obligated, subject to certain conditions, to purchase the same percentage of such of additional shares as the number of Shares to be purchased by it shown in the foregoing table bears to the total number of Shares initially offered by the U.S. Underwriters hereby.

The Company has agreed that, except with the prior written consent of Merrill Lynch, it will not, directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company or any interests therein or any securities convertible into or exchangeable for shares of common stock or other equity interests of the Company, except that the Company may (i) issue shares of common stock or other equity interests (a) as a result of the exercise or conversion of options, warrants or other securities outstanding on the date of the U.S. Purchase Agreement, (b) as a result of the grant of stock options or other stock-based awards (and the exercise thereof) to directors, officers and employees of the Company or its subsidiaries, and (c) if required pursuant to the Certificate of Incorporation and (ii) may cause to be registered with the Commission (x) a resale shelf registration statement for the Company's outstanding 6 3/4% Convertible Subordinated Notes due 2006 and 8 1/2% Convertible Preferred Securities of Trust, (y) a registration statement for the sale (only after the expiration of the 90-day period referred to above) of up to $50 million of Class B common stock and (z) a registration statement for the sale by Air Canada and certain partners of Air Partners of shares of Class B common stock (or the use of such shares in connection with hedging transactions), provided that this clause (z) does not affect the obligations of Air Canada and such partners pursuant to the 90-day lockup agreement described below.

Air Canada and Air Partners have agreed that, except with the prior written consent of Merrill Lynch, they will not, directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company (except, in the case of Air Canada, for Shares included in the Offering), any interests therein, or any securities convertible into or exchangeable for shares of common stock of the Company, except that Air Partners may (i) convert shares of common stock of one class for shares of common stock of another class or for other equity interests in the Company and (ii) transfer common stock or other equity interests in the Company to any of its partners or affiliates (including the Company) if such transferee agrees to be bound by the agreement set forth in this paragraph and Air Canada may transfer shares of common stock of the Company to any entity that is wholly owned by Air Canada if such transferee agrees to be bound by the agreement set forth in this paragraph.

Each of the AP Investors has agreed that, except with the prior written consent of Merrill Lynch, it will not directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company (except for Shares included in the Offering) or any interests therein or any securities convertible into or exchangeable for shares of common stock of the Company, in each case that have been received, or that may hereafter be acquired, from Air Partners.

The Company and the Selling Stockholders have severally agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act or to contribute to payments the Underwriters may be required to make in respect thereof.

Certain of the Underwriters or their affiliates have provided from time to time, and may provide in the future, investment banking services to the Company and its affiliates, for which such Underwriters or their affiliates have received or will receive fees and commissions.

LEGAL MATTERS

The validity of the Class B common stock offered hereby will be passed upon for Continental by Jeffery A. Smisek, Esq., General Counsel of the Company. Certain legal matters will be passed upon for Continental by Cleary, Gottlieb, Steen & Hamilton, New York, New York, and for the Underwriters by Cahill Gordon & Reindel, a partnership including a professional corporation, New York, New York.

EXPERTS

The consolidated financial statements (including schedules incorporated by reference) of Continental Airlines, Inc. at December 31, 1995 and 1994 and for each of the two years ended December 31, 1995 and for the period April 28, 1993 through December 31, 1993, and the consolidated statements of operations, redeemable and non-redeemable preferred stock and common stockholders' equity and cash flows of Continental Airlines Holdings, Inc. for the period January 1, 1993 through April 27, 1993, incorporated by reference in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference, in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDERS OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY THE CLASS B COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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4,271,015 SHARES

CONTINENTAL [LOGO]
AIRLINES

CLASS B COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.

GOLDMAN, SACHS & CO.

LEHMAN BROTHERS

MORGAN STANLEY & CO.
INCORPORATED

, 1996

+++
+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
+ANY SUCH STATE. +
+++

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED MAY 8, 1996

PROSPECTUS

4,271,015 SHARES
CONTINENTAL [LOGO] AIRLINES
CLASS B COMMON STOCK

Of the 4,271,015 shares (the "Shares") of Class B common stock, par value $.01 per share (the "Class B common stock"), of Continental Airlines, Inc. (the "Company" or "Continental") offered hereby, 854,203 Shares are being offered outside the United States and Canada by the International Underwriters (the "International Offering"), and 3,416,812 Shares are being concurrently offered in the United States and Canada by the U.S. Underwriters (the "U.S. Offering" and, together with International Offering, the "Offering"). The offering price and underwriting discounts and commissions of the International Offering and the U.S. Offering are identical. See "Underwriting."

All of the Shares offered hereby are being sold by Air Canada, a Canadian corporation ("Air Canada") and certain partners of Air Partners, L.P., a Texas limited partnership ("Air Partners") (collectively, the "Selling Stockholders"). See "Principal and Selling Stockholders." Continental will not receive any of the proceeds from the sale of the Shares by the Selling Stockholders.

The Class B common stock is listed on the New York Stock Exchange, Inc. (the "NYSE") under the trading symbol "CAI.B." On May 7, 1996, the last reported sale price of the Class B common stock on the NYSE was $54.00 per share. See "Market Price of Common Stock and Dividends."

FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN EVALUATING AN INVESTMENT IN THE SHARES, SEE "RISK FACTORS" ON PAGES 12 TO 15.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO SELLING STOCKHOLDERS(2)
Per Share.....	$	$	$
Total(3).....	$	$	$

(1) The Company and the Selling Stockholders have severally agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) The Company has agreed to pay certain expenses of the Offering estimated at $350,000.

(3) Air Canada has granted the U.S. Underwriters a 30-day option to purchase up to 200,000 additional shares of Class B common stock on the same terms and conditions as set forth above. If all such additional shares are purchased by the Underwriters, the total Price to Public will be $, the total Underwriting Discount will be $ and the total Proceeds to Selling Stockholders will be $. See "Underwriting."

The Shares are offered by the several Underwriters, subject to prior sale, when, as and if delivered to and accepted by them, subject to approval of certain legal matters by counsel to the Underwriters, and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Shares will be made in New York, New York on or about , 1996.

MERRILL LYNCH INTERNATIONAL

GOLDMAN SACHS INTERNATIONAL

LEHMAN BROTHERS

MORGAN STANLEY & CO.
INTERNATIONAL

The date of this Prospectus is , 1996.

UNDERWRITING

Subject to the terms and conditions set forth in a purchase agreement (the "International Purchase Agreement") between the Selling Stockholders, the Company and each of the underwriters named below (the "International Underwriters"), and concurrently with the sale of 3,416,812 Shares to the U.S. Underwriters (as defined below), the Selling Stockholders have agreed to sell to each of the International Underwriters named below, and each of the International Underwriters, for whom Merrill Lynch International, Goldman Sachs International, Lehman Brothers International (Europe) and Morgan Stanley & Co. International Limited are acting as representatives (the "International Representatives"), severally has agreed to purchase from the Selling Stockholders, the aggregate number of Shares set forth opposite its name below:

INTERNATIONAL UNDERWRITERS	NUMBER OF SHARES
Merrill Lynch International	
Goldman Sachs International	
Lehman Brothers International (Europe)	
Morgan Stanley & Co. International Limited	
Total	854,203

The Company and the Selling Stockholders also have entered into a purchase agreement (the "U.S. Purchase Agreement") with certain underwriters in the United States and Canada (the "U.S. Underwriters" and, together with the International Underwriters, the "Underwriters") for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated are acting as representatives (the "U.S. Representatives"). Subject to the terms and conditions set forth in the U.S. Purchase Agreement, and concurrently with the sale of 854,203 Shares to the International Underwriters pursuant to the International Purchase Agreement, the Selling Stockholders have agreed to sell to the U.S. Underwriters, and the U.S. Underwriters severally have agreed to purchase, an aggregate of 3,416,812 Shares. The initial public offering price per share and the underwriting discount per share are identical under the International Purchase Agreement and the U.S. Purchase Agreement.

In the International Purchase Agreement and the U.S. Purchase Agreement, the several International Underwriters and the several U.S. Underwriters, respectively, have agreed, subject to the terms and conditions set forth therein, to purchase all of the Shares being sold pursuant to each such Agreement if any of the shares being sold pursuant to each such Agreement are purchased. Under certain circumstances, the commitments of non-defaulting International Underwriters or U.S. Underwriters (as the case may be) may be increased. The closings with respect to the sale of the Shares to the International Underwriters and the U.S. Underwriters are conditioned upon one another.

The International Underwriters and the U.S. Underwriters have entered into an intersyndicate agreement (the "Intersyndicate Agreement") which provides for the coordination of their activities. The Underwriters are permitted to sell Shares to each other for the purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the U.S. Underwriters and any dealer to whom they sell Shares will only offer to sell or sell Shares to persons who are United States or Canadian persons or to persons they believe intend to resell to persons who are United States or Canadian persons, and the International Underwriters and any dealer to whom they sell Shares will not offer to sell or sell Shares to United States or Canadian persons or to persons they believe intend to resell to United States or Canadian persons, except, in each case, for transactions pursuant to the Intersyndicate Agreement.

The International Representatives have advised the Selling Stockholders that the International Underwriters propose initially to offer the Shares to the public at the initial public offering price set forth on the cover page of

this Prospectus, and to certain dealers (who may include International Underwriters) at such price less a concession not in excess of $ per share. The International Underwriters may allow, and such dealers may reallow, a discount not in excess of $ per share on sales to certain other dealers. After the Offering, the public offering price, concession and discount may be changed.

Air Canada has granted an option to the U.S. Underwriters exercisable during the 30-day period after the date of this Prospectus, to purchase up to an aggregate of 200,000 additional shares at the initial public offering price set forth on the cover page of this Prospectus, less the underwriting discount. The U.S. Underwriters may exercise the option only to cover over-allotments, if any, made on the sale of the Shares offered hereby. To the extent that the U.S. Underwriters exercise the option, each U.S. Underwriter will be obligated, subject to certain conditions, to purchase the same percentage of such of additional shares as the number of Shares to be purchased by it bears to the total number of Shares initially offered by the U.S. Underwriters.

The Company has agreed that, except with the prior written consent of Merrill Lynch, it will not, directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company or any interests therein or any securities convertible into or exchangeable for shares of common stock or other equity interests of the Company, except that the Company may (i) issue shares of common stock or other equity interests (a) as a result of the exercise or conversion of options, warrants or other securities outstanding on the date of the U.S. Purchase Agreement, (b) as a result of the grant of stock options or other stock-based awards (and the exercise thereof) to directors, officers and employees of the Company or its subsidiaries, and (c) if required pursuant to the Certificate of Incorporation and may cause to be registered with the Commission (x) a resale shelf registration statement for the Company's outstanding 6 3/4% Convertible Subordinated Notes due 2006 and 8 1/2% Convertible Preferred Securities of Trust, (y) a registration statement for the sale (only after the expiration of the 90-day period referred to above) of up to $50 million of Class B common stock and (z) a registration statement for the sale by Air Canada and certain partners of Air Partners of shares of Class B common stock (or the use of such shares in connection with hedging transactions), provided that this clause (z) does not affect the obligations of Air Canada and such partners pursuant to the 90-day lockup agreement described below.

Air Canada and Air Partners have agreed that, except with the prior written consent of Merrill Lynch, they will not, directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company (except, in the case of Air Canada, for Shares included in the Offering), any interests therein, or any securities convertible into or exchangeable for shares of common stock of the Company, except that Air Partners may (i) convert shares of common stock of one class for shares of common stock of another class or for other equity interests in the Company and (ii) transfer common stock or other equity interests in the Company to any of its partners or affiliates (including the Company) if such transferee agrees to be bound by the agreement set forth in this paragraph and Air Canada may transfer shares of common stock of the Company to any entity that is wholly-owned by Air Canada if such transferee agrees to be bound by the agreement set forth in this paragraph.

Each of the AP Investors has agreed that, except with the prior written consent of Merrill Lynch, it will not directly or indirectly, for a period of 90 days after the date of the U.S. Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any shares of common stock of the Company (except for Shares included in the Offering) or any interests therein or any securities convertible into or exchangeable for shares of common stock of the Company, in each case that have been received, or that may hereafter be acquired, from Air Partners.

Each International Underwriter has agreed that (i) it has not offered or sold, and will not for a period of six months following consummation of the Offering offer or sell, in the United Kingdom by means of any document, any shares of Class B common stock offered hereby, other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances that do not constitute an offer to the public within the meaning of the Public Offers of Securities Regulations 1995, (ii) it has complied with and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the shares of

Class B common stock in, from, or otherwise involving the United Kingdom and (iii) it has only issued or passed on and will only issue or pass on to any person in the United Kingdom any document received by it in connection with the issue of the shares of Class B common stock if that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995, as amended, or is a person to whom the document may otherwise lawfully be issued or passed on.

The Company and the Selling Stockholders have severally agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act or to contribute to payments the Underwriters may be required to make in respect thereof.

Purchasers of the Shares offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase, in addition to the offering price set forth on the cover page hereof.

Certain of the Underwriters or their affiliates have provided from time to time, and may provide in the future, investment banking services to the Company and its affiliates, for which such Underwriters or their affiliates have received or will receive fees and commissions.

LEGAL MATTERS

The validity of the Class B common stock offered hereby will be passed upon for Continental by Jeffery A. Smisek, Esq., General Counsel of the Company. Certain legal matters will be passed upon for Continental by Cleary, Gottlieb, Steen & Hamilton, New York, New York, and for the Underwriters by Cahill Gordon & Reindel, a partnership including a professional corporation, New York, New York.

EXPERTS

The consolidated financial statements (including schedules incorporated by reference) of Continental Airlines, Inc. at December 31, 1995 and 1994 and for each of the two years ended December 31, 1995 and for the period April 28, 1993 through December 31, 1993, and the consolidated statements of operations, redeemable and non-redeemable preferred stock and common stockholders' equity and cash flows of Continental Airlines Holdings, Inc. for the period January 1, 1993 through April 27, 1993, incorporated by reference in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference, in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

ALTERNATE PAGE FOR
INTERNATIONAL PROSPECTUS

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDERS OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY THE CLASS B COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

IN THIS PROSPECTUS, REFERENCES TO "DOLLARS" AND "$" ARE TO UNITED STATES DOLLARS.

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4,271,015 SHARES

CONTINENTAL [LOGO]
AIRLINES

CLASS B COMMON STOCK

PROSPECTUS

MERRILL LYNCH INTERNATIONAL

GOLDMAN SACHS INTERNATIONAL

LEHMAN BROTHERS

MORGAN STANLEY & CO.
INTERNATIONAL

, 1996

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is an itemized list of expenses (all of which are estimates other than the registration fee and the NASD filing fee) of Continental in connection with registration of the Shares being registered hereby. Continental will pay all expenses incident to the registration of the Shares under the Securities Act including fees and disbursements of counsel to the Selling Stockholders.

Securities and Exchange Commission registration filing fee.....	$ 92,408
NASD filing fee.....	27,299
Blue Sky qualification fees and expenses, including legal fee.....	10,000
Printing and engraving expenses.....	75,000
Accounting fees and expenses.....	34,000
Legal fees and expenses.....	100,000
Miscellaneous.....	11,293
Total.....	$350,000

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company's Certificate of Incorporation and bylaws provide that the Company will indemnify each of its directors and officers to the full extent permitted by the laws of the State of Delaware and may indemnify certain other persons as authorized by the Delaware General Corporation Law (the "GCL"). Section 145 of the GCL provides as follows:

"(a) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the

adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by a majority vote of the board of directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (3) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent for such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees).

The Certificate of Incorporation and bylaws also limit the personal liability of directors to the Company and its stockholders for monetary damages resulting from certain breaches of the directors' fiduciary duties. The bylaws of the Company provide as follows:

"No Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the GCL, or (iv) for any transaction from which the Director derived any improper personal benefit. If the GCL is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of Directors of the Corporation shall be eliminated or limited to the full extent permitted by the GCL, as so amended."

The Company maintains directors' and officers' liability insurance. Air Partners and Air Canada have also entered into indemnification agreements with directors and officers of the Company covering certain liabilities, excluded from such insurance, that might arise from claims by or on behalf of Air Partners or Air Canada.

ITEM 16. EXHIBITS.

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
1.1	Form of U.S. Purchase Agreement among the Company, the Selling Stockholders and the U.S. Underwriters*
1.2	Form of International Purchase Agreement among the Company, the Selling Stockholders and the International Underwriters*
5.1	Opinion of Jeffery A. Smisek, Esq., General Counsel of Continental, with respect to the validity of the Class B common stock*
10.1	Amendment to Stockholders' Agreement dated April 19, 1996 among the Company, Air Partners and Air Canada**
10.2	Amended and Restated Registration Rights Agreement dated April 19, 1996 among the Company, Air Partners and Air Canada**
10.3	Form of Warrant Purchase Agreement between the Company and Air Partners*
23.1	Consent of Ernst & Young LLP**
23.2	Consent of Jeffery A. Smisek, Esq. (included in his opinion filed as Exhibit 5.1)*
24.1	Powers of Attorney**

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* Filed herewith

** Previously filed

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual

report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as the indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS AMENDMENT TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON MAY 8, 1996.

Continental Airlines, Inc.

/s/ Jeffery A. Smisek
By: _____

Jeffery A. Smisek

Senior Vice President and General Counsel

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED, ON MAY 8, 1996.

SIGNATURE	TITLE
/s/ Gordon M. Bethune GORDON M. BETHUNE	President, Chief Executive Officer (Principal Executive Officer) and Director
/s/ Lawrence W. Kellner LAWRENCE W. KELLNER	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Michael P. Bonds MICHAEL P. BONDS	Staff Vice President and Controller (Principal Accounting Officer)
* THOMAS J. BARRACK, JR.	Director
* DAVID BONDERMAN	Director
/s/ Gregory D. Brenneman GREGORY D. BRENNEMAN	Director

SIGNATURE	TITLE
*	Director
JOEL H. COWAN	
*	Director
PATRICK FOLEY	
*	Director
ROWLAND C. FRAZEE, C.C.	
*	Director
HOLLIS L. HARRIS	
*	Director
DEAN C. KEHLER	
*	Director
ROBERT L. LUMPKINS	
*	Director
DOUGLAS H. MCCORKINDALE	
*	Director
DAVID E. MITCHELL, O.C.	
*	Director
RICHARD W. POGUE	
*	Director
WILLIAM S. PRICE III	

SIGNATURE	TITLE
*	Director
DONALD L. STURM	
*	Director
CLAUDE I. TAYLOR, O.C.	
*	Director
KAREN HASTIE WILLIAMS	
*	Director
CHARLES A. YAMARONE	
*By: /s/ Scott R. Peterson	
SCOTT R. PETERSON, ATTORNEY-IN-FACT	

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24.1	Powers of Attorney**

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* Filed herewith

** Previously filed

3,416,812 Shares

CONTINENTAL AIRLINES, INC.

(a Delaware corporation)

Class B Common Stock

(Par Value $.01 Per Share)

U.S. PURCHASE AGREEMENT

May __, 1996

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
GOLDMAN, SACHS & CO.
LEHMAN BROTHERS INC.
MORGAN STANLEY & CO. INCORPORATED

as Representatives of the several U.S. Underwriters
c/o MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281

Ladies and Gentlemen:

Continental Airlines, Inc., a Delaware corporation (the "Company"), Air Canada, a Canada corporation ("Air Canada"), and each of the stockholders named in Schedule B hereto (together with Air Canada, the "Selling Stockholders"), in all instances acting severally and not jointly, confirm their agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and each of the other Underwriters named in Schedule A to the U.S. Pricing Agreement (as defined below) (collectively, the "U.S. Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch, Goldman, Sachs & Co., Lehman Brothers Inc. and

Morgan Stanley & Co. Incorporated are acting as representatives (in such capacity, the "Representatives"), with respect to (a) the sale by the Selling Stockholders, acting severally and not jointly, of the respective numbers of shares of Class B common stock, par value $.01 per share of the Company (the "Class B Common Stock") reflected in Schedule B hereto (the shares to be so sold by the Selling Stockholders being referred to herein as the "Initial U.S. Securities") and the purchase by the U.S. Underwriters, acting severally and not jointly, of the respective number of shares of Class B Common Stock reflected in Schedule A hereto; and (b) the grant by Air Canada to the U.S. Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of the Option Securities (as defined herein) to cover over-allotments except, in each case, as may otherwise be provided in the U.S. Pricing Agreement. The Initial U.S. Securities and the Option Securities are collectively hereinafter called the "U.S. Securities."

It is understood that the Company and the Selling Stockholders are concurrently entering into an agreement dated the date hereof (the "International Purchase Agreement") which provides for the sale by the Selling Stockholders of 854,203 shares of Class B Common Stock (the "Initial International Securities") through arrangements with certain underwriters outside the United States and Canada (the "International Underwriters"), for whom Merrill Lynch International Limited, Goldman Sachs International, Lehman Brothers International (Europe) and Morgan Stanley & Co. International Limited are acting as representatives.

The U.S. Underwriters and the International Underwriters are hereinafter collectively called the "Underwriters," the Initial U.S. Securities and the Initial International Securities are hereinafter called the "Initial Securities" and the Initial Securities and the Option Securities are hereinafter called the "Securities."

The Underwriters are concurrently entering into an Intersyndicate Agreement of even date herewith (the "Inter-syndicate Agreement") providing for the coordination of certain transactions among the U.S. Underwriters and the International Underwriters.

Each U.S. Underwriter shall purchase the number of shares of the Initial U.S. Securities set forth opposite such U.S. Underwriter's name in Schedule A to the U.S. Pricing

Agreement. To the extent that the public offering price per share set forth in the U.S. Pricing Agreement is less than the minimum public offering price per share set forth as to any Selling Stockholder on the signature page of the power of attorney, which forms a part of the custody agreement dated as of _____, 1996 (including such power-of-attorney, the "Custody Agreement") between the Company and such Selling Stockholder, such Selling Stockholder shall not sell any shares pursuant to this Agreement and shall no longer be deemed to be a Selling Stockholder under this Agreement.

Prior to the purchase and public offering of the U.S. Securities by the several U.S. Underwriters, the Company, the Selling Stockholders and the Representatives, acting on behalf of the several U.S. Underwriters, shall enter into an agreement substantially in the form of Exhibit A hereto (the "U.S. Pricing Agreement"). The U.S. Pricing Agreement may take the form of an exchange of any standard form of written telecommunication between the Company, the Selling Stockholders and the Representatives and shall specify such information as is required by Exhibit A hereto. The sale to the several U.S. Underwriters of the U.S. Securities by the Selling Stockholders will be governed by this Agreement, as supplemented by the U.S. Pricing Agreement. From and after the date of the execution and delivery of the U.S. Pricing Agreement, this Agreement shall be deemed to incorporate the U.S. Pricing Agreement.

The public offering price and the purchase price per share with respect to the International Securities shall be set forth in a separate instrument (the "International Pricing Agreement"), the form of which is attached to the International Purchase Agreement. The U.S. dollar price per share for the Securities to be purchased by the U.S. Underwriters pursuant to this Agreement and by the International Underwriters pursuant to the International Purchase Agreement shall be identical.

The Company has filed with the United States Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-02701) and related preliminary prospectuses for the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), has filed such amendments thereto and such amended preliminary prospectuses as may have been required to the date hereof and will file such additional amendments thereto and such amended

prospectuses as may hereafter be required*. Such registration statement (as amended) at the time it becomes effective and the U.S. prospectus and the international prospectus constituting a part thereof (including in each case all documents incorporated or deemed to be incorporated by reference therein and the information, if any, deemed to be part thereof pursuant to Rule 430A(b) or Rule 434 of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations")), as such U.S. prospectus or international prospectus may from time to time be amended or supplemented pursuant to the 1933 Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), are hereinafter referred to as the "Registration Statement," the "U.S. Prospectus" and the "International Prospectus," respectively, and the U.S. Prospectus and the International Prospectus are hereinafter together called the "Prospectuses" and, each individually, a "Prospectus," except that if any revised prospectus shall be provided to the U.S. Underwriters or the International Underwriters by the Company for use in connection with the offering of the Securities which differs from the Prospectuses on file at the Commission at the time the Registration Statement becomes effective (whether or not such revised prospectus is required to be filed by the Company pursuant to Rule 424(b) of the 1933 Act Regulations), the terms "U.S. Prospectus" and "International Prospectus" shall refer to such revised prospectuses from and after the time they are first provided to the U.S. Underwriters or the International Underwriters, as the case may be, for such use. Additionally, if the Company has elected to rely upon Rule 434 of the 1933 Act Regulations, the Company will prepare and file a term sheet (a "term sheet"), in accordance with the provisions of Rules 434 and 424(b) of such Regulations, promptly after execution of the Pricing Agreement. All references in this Agreement to financial statements and schedules or other information which is "contained," "included" or "stated" in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules or other information which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the

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* Two forms of prospectuses are to be used in connection with the offering and sale of the Securities: one relating to the International Securities (the "International Prospectus") and one relating to the U.S. Securities (the "U.S. Prospectus").

Registration Statement or the Prospectus shall be deemed to mean and include the filing of any document under the 1934 Act which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be.

The Company and the Selling Stockholders understand that the U.S. Underwriters propose to make a public offering of the U.S. Securities as soon as the Representatives deem advisable after the Registration Statement becomes effective and the U.S. Pricing Agreement has been executed and delivered.

SECTION 1. Representations and Warranties.

(a) The Company represents and warrants to each U.S. Underwriter as of the date hereof and as of the date of the U.S. Pricing Agreement (such latter date being hereinafter referred to as the "U.S. Representation Date") as follows:

(i) At the time the Registration Statement becomes effective and at the U.S. Representation Date, the Registration Statement will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The U.S. Prospectus, at the U.S. Representation Date (unless the term "U.S. Prospectus" refers to a prospectus which has been provided to the U.S. Underwriters by the Company for use in connection with the offering of the Securities which differs from the U.S. Prospectus on file at the Commission at the time the Registration Statement becomes effective, in which case at the time it is first provided to the U.S. Underwriters for such use) and at Closing Time referred to in Section 2 hereof, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and if Rule 434 is used, the U.S. Prospectus shall not be "materially different," as such term is used in Rule 434 of the 1933 Act Regulations, from the U.S. Prospectus first provided to the U.S. Underwriters for their use; provided, however, that the representations and warranties in this subsection shall not apply to statements contained in or omissions from the Registration Statement or U.S. Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any

U.S. Underwriter through Merrill Lynch or by or on behalf of any Selling Stockholder expressly for use in the Registration Statement or U.S. Prospectus.

(ii) The accountants that examined and certified the audited consolidated financial statements and supporting schedules of the Company included or incorporated or deemed to be incorporated in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) The audited and unaudited financial statements included or incorporated or deemed to be incorporated in the Registration Statement and the Prospectuses, together with the related notes thereto, present fairly in all material respects the financial position, results of operations and cash flows of the Company and its consolidated subsidiaries as at the dates and for the periods to which they relate; except as otherwise stated in the Registration Statement, said financial statements have been prepared in conformity with United States generally accepted accounting principles applied on a consistent basis; and the supporting schedules, if any, included or incorporated or deemed to be incorporated in the Registration Statement present fairly in all material respects the information required to be stated therein.

(iv) Since the respective dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein, (A) there has been no material adverse change in the business, financial condition, assets or results of operations of the Company and its consolidated subsidiaries, taken as a whole, whether or not arising in the ordinary course of business (a "Material Adverse Change"), (B) there has been no transaction entered into by the Company or any of its consolidated subsidiaries, other than those in the ordinary course of business, that is material to the Company and its consolidated subsidiaries, taken as a whole, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on its capital stock (other than declarations or scheduled payments of dividends on the Company's outstanding preferred stock in additional shares of such preferred stock).

(v) The Company has been duly incorporated and is validly existing as a corporation in good standing under

the laws of the State of Delaware with corporate power and authority to own, lease and operate its properties and to conduct its business as now conducted and as described in the Prospectuses and to enter into and perform its obligations under this Agreement, the Custody Agreement, the U.S. Pricing Agreement, the International Purchase Agreement and the International Pricing Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, financial condition, assets or results of operations of the Company and its consolidated subsidiaries, taken as a whole (a "Material Adverse Effect").

(vi) The only subsidiaries of the Company that are "significant subsidiaries" within the meaning of Rule 1-02(w) of Regulation S-X under the 1933 Act as of the date hereof are Air Micronesia, Inc. and Continental Micronesia, Inc., each a Delaware corporation (collectively, together with Continental Express, Inc., a Delaware corporation, the "Subsidiaries"). Each Subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a Material Adverse Effect. Except as set forth in the Registration Statement, all of the outstanding capital stock of each Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and except as set forth in the Registration Statement is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(vii) All of the outstanding capital stock of the Company has been duly authorized and validly issued and is fully paid and nonassessable; the authorized capital stock

of the Company conforms in all material respects to all statements relating thereto in the Prospectuses.

(viii) Neither the Company nor any of the Subsidiaries is in violation of its charter or in default (or, with notice or lapse of time or both, would be in default) in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which it or any of them is bound, or to which any of the property or assets of the Company or any of the Subsidiaries is subject, which violation or default would have a Material Adverse Effect; and the execution, delivery and performance of this Agreement, the U.S. Pricing Agreement, the Custody Agreement, the International Purchase Agreement and the International Pricing Agreement and the consummation of the transactions contemplated herein and therein and compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate action and will not conflict with or constitute or result in a breach or violation by the Company or any of the Subsidiaries of (A) any of the terms or provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) by the Company or any of the Subsidiaries, or give rise to any right to accelerate the maturity or require the prepayment of any indebtedness under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries under, any contract, indenture, mortgage, deed of trust, loan agreement, note, lease, or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them may be bound, or to which any of them or any of their respective assets or properties is subject, which individually or in the aggregate would (1) have or result in a Material Adverse Effect, or (2) materially affect the consummation of the transactions contemplated hereby; (B) the respective charters or by-laws of the Company and the Subsidiaries or (C) any applicable law, administrative regulation or administrative or court decree which would have or result in a Material Adverse Effect, or materially affect the consummation of the transactions contemplated hereby.

(ix) Except as disclosed in the Registration Statement, to the knowledge of the Company, no material labor problem, dispute or disturbance with the employees of the Company or any of the Subsidiaries exists or is threatened.

(x) Except as disclosed in the Registration Statement, there is no legal action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against the Company or any of the Subsidiaries, which is required to be disclosed in the Registration Statement, or which would, individually or in the aggregate, have a Material Adverse Effect, or which could reasonably be expected to materially and adversely affect the consummation of the transactions contemplated by this Agreement, the U.S. Pricing Agreement, the Custody Agreement, the International Purchase Agreement and the International Pricing Agreement. Except as disclosed in the Registration Statement, neither the Company nor any of the Subsidiaries has received any notice or claim of any default (or event which with notice or lapse of time or both would result in a default) under any of its respective material contracts or has knowledge of any breach of any of such contracts by the other party or parties thereto, except such defaults or breaches as would not result in a Material Adverse Effect. There are no contracts or documents of the Company or any of its subsidiaries which are required to be filed as exhibits to the Registration Statement by the 1933 Act or by the 1933 Act Regulations which have not been so filed.

(xi) No authorization, approval or consent of any court or governmental authority or agency of the United States is necessary in connection with the offering or sale of the Securities hereunder or under the International Purchase Agreement, except such as may be required and have been obtained under the 1933 Act, the 1933 Act Regulations, the 1934 Act, the 1934 Act Regulations or as may be required by the National Association of Securities Dealers, Inc. ("NASD") or under state securities laws.

(xii) The Company (i) has been subject to the requirements of Section 12 of the 1934 Act for a period of at least 12 calendar months, (ii) has filed in a timely manner all reports required to be filed during the 12 calendar months preceding the U.S. Representation Date, and

(iii) the aggregate market value of the voting stock held by non-affiliates of the Company is $75 million or more.

(xiii) Except as could not reasonably be expected to have a Material Adverse Effect, the Company and the Subsidiaries possess such certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now conducted by them in the manner described in the Registration Statement, and neither the Company nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(xiv) This Agreement, the Custody Agreement and the International Purchase Agreement have been, and, at the U.S. Representation Date, the U.S. Pricing Agreement and the International Pricing Agreement will have been, duly authorized, executed and delivered by the Company.

(xv) There are no persons with registration or other similar rights to have any securities registered pursuant to the Registration Statement by the Company under the 1933 Act, except such as have been waived in writing or complied with by the inclusion of such persons as Selling Stockholders.

(xvi) Except as disclosed in the Registration Statement, there is no claim pending or to the knowledge of the Company threatened under any Environmental Law (as defined below) against the Company or any of the Subsidiaries which could reasonably be expected, singly or in the aggregate, to result in a Material Adverse Effect; to the knowledge of the Company there are no past or present actions, conditions, events, circumstances or practices, including, without limitation, the release of any Hazardous Material (as defined below) that could reasonably be expected to form the basis of any such claim under any Environmental Law against the Company or any of the Subsidiaries which would, singly or in the aggregate, result in a Material Adverse Effect. The term "Environmental Law" means the common law and any federal, state, local or foreign law, rule or regulation, code, order, decree, judgment or injunction, issued, promulgated, approved or entered thereunder relating to pollution or protection of

public or employee health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, as amended, the Toxic Substance Control Act, as amended, the Clean Air Act, as amended, and the Federal Water Pollution Act, as amended, and their foreign, state and local counterparts or equivalents and any other laws relating to (i) releases of any Hazardous Material into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, presence or handling of any Hazardous Material, or (iii) underground storage tanks and related piping, and releases therefrom. The term "Hazardous Material" means any pollutant, contaminant, chemical, hazardous material, or industrial, toxic or hazardous substance or waste (including, without limitation, petroleum, including crude oil or any fraction thereof or any petroleum product) regulated by or the subject of any Environmental Law.

(xvii) The Securities are listed on the New York Stock Exchange and have been registered under Section 12(b) of the 1934 Act.

(xviii) The documents incorporated or deemed to be incorporated by reference in the Prospectuses, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission under the 1934 Act (the "1934 Act Regulations"), and, when read together with the other information in the Prospectuses, at the time the Registration Statement and any amendments thereto become effective and at the Closing Time, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xix) Except as set forth on the inside front cover page of the Prospectuses, the Company has not and is not presently doing business with the government of Cuba or with any person or any affiliate located in Cuba.

(b) Each of the Selling Stockholders severally, and not jointly, represents and warrants to, and agrees with, each U.S. Underwriter as of the date hereof, as of the U.S. Representation Date and as of the Closing Time as follows:

(i) Such Seller Stockholder has reviewed and is familiar with the Registration Statement and the Prospectuses contained therein or filed as supplements thereto and such Selling Stockholder has no reason to believe that the Prospectuses (and any amendment, supplement or term sheet thereto) include (or, as of the Closing Time, as defined in Section 2 below, will include) an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and such Selling Stockholder is not prompted to sell the Securities to be sold by such Selling Stockholder by any information concerning the Company that is not set forth in the Prospectuses.

(ii) On the date the U.S. Pricing Agreement is executed and at the Closing Time, as defined in Section 2 below (and if any Option Securities are purchased, at the Date of Delivery, as defined in Section 2 below), and, unless the Company has notified you as provided in Section 3(e) below, at all times between the first delivery of the U.S. Prospectus to the U.S. Underwriters for their use and the Closing Time, as defined in Section 2 below (and, if any Option Securities are purchased, the Date of Delivery, as defined in Section 2 below), such parts of the Registration Statement and any amendments and supplements thereto as specifically refer to such Selling Stockholder will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and such parts of the U.S. Prospectus as specifically refer to such Selling Stockholder will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) Certificates for all of the Securities to be sold by such Selling Stockholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed have been

deposited with the Company, as custodian (the "Custodian") pursuant to a Custody Agreement dated as of May___, 1996, for the purpose of effecting delivery pursuant to this Agreement.

(iv) The execution and delivery of this Agreement, the U.S. Pricing Agreement, the Custody Agreement, the International Purchase Agreement and the International Pricing Agreement by such Selling Stockholder and the consummation of the transactions herein and therein contemplated will not (A) result in the creation or imposition of any lien, charge or encumbrance upon the U.S. Securities to be sold by such Selling Stockholder or (B) result in a breach by such Selling Stockholder of, or constitute a default by such Selling Stockholder under, any material indenture, deed of trust, contract or other agreement or instrument or any decree, judgment or order to which such Selling Stockholder is a party or by which such Selling Stockholder may be bound, in each case that would have a Material Adverse Effect or (C) result in any violation of the provisions of the certificate or articles of incorporation or by-laws, trust agreement or other organizational documents, if any, of such Selling Stockholder.

(v) Such Selling Stockholder has and will have, at the Closing Time, good and marketable title to the U.S. Securities to be sold by such Selling Stockholder under this Agreement, free and clear of any pledge, lien, security interest, encumbrance, equity, community property rights, restriction on transfer or claim whatsoever other than pursuant to this Agreement and such Selling Stockholder's Custody Agreement; such Selling Stockholder has full right, power and authority and all authorizations and approvals required by law to sell, transfer and deliver the U.S. Securities to be sold by such Selling Stockholder under this Agreement and upon delivery of such U.S. Securities and payment of the purchase price therefor as contemplated in this Agreement, each of the U.S. Underwriters will receive good and marketable title to the U.S. Securities purchased by it from such Selling Stockholder, free and clear of any pledge, lien, security interest, encumbrance, equity, restriction on transfer or claim whatsoever.

(vi) All authorizations, approvals, consents and orders necessary for the execution and delivery by such Selling Stockholder of this Agreement, the U.S. Pricing

Agreement, the Custody Agreement, the International Purchase Agreement and the International Pricing Agreement and the sale and delivery of the Securities to be sold by such Selling Stockholder under this Agreement and the International Purchase Agreement (other than, at the time of execution hereof, the issuance of the order of the Commission declaring the Registration Statement effective and such authorizations, approvals or consents as may be necessary under state securities laws) have been obtained and are in full force and effect, and such Selling Stockholder has full right, power and authority to enter into and perform its obligations under this Agreement, the U.S. Pricing Agreement, the Custody Agreement, the International Purchase Agreement and the International Pricing Agreement, and to sell, transfer and deliver the Securities to be sold by such Selling Stockholder under this Agreement, the U.S. Pricing Agreement, the Custody Agreement, the International Purchase Agreement and the International Pricing Agreement.

(vii) Such Selling Stockholder has not taken, and will not take, directly or indirectly, any action which is designed to or which might reasonably be expected to cause or result in or which has constituted stabilization or manipulation of the price of any security of the Company to facilitate the distribution of the Securities.

[(viii) Except as otherwise permitted under the relevant lock-up agreement, such Selling Stockholder will not, directly or indirectly, for a period of 90 days from the date of the Pricing Agreement, except with the prior written consent of Merrill Lynch, offer, sell, contract to sell or otherwise dispose of shares of common stock of the Company, or any interests therein, or any securities convertible into or exchangeable for shares of common stock of the Company.]

(c) Any certificate signed by any officer of the Company and delivered to the U.S. Underwriters or to the International Underwriters or to counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby, and any certificate signed by any officer or partner, as the case may be, of a Selling Stockholder and delivered to the U.S. Underwriters or to the International Underwriters or counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation

and warranty by such Selling Stockholder to each U.S. Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to the U.S. Underwriters; Closing.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Selling Stockholders, acting severally and not jointly, agree to sell to each U.S. Underwriter, acting severally and not jointly, and each U.S. Underwriter, acting severally and not jointly, agrees to purchase from the Selling Stockholders, acting severally and not jointly, at the purchase price per share set forth in the U.S. Pricing Agreement (subject to subparagraph (b) hereof), (i) the number of Initial U.S. Securities from the Selling Stockholders set forth in Schedule A opposite the name of such U.S. Underwriter, plus (ii) any additional number of Initial U.S. Securities which such U.S. Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(1) If the Company has elected not to rely upon Rule 430A under the 1933 Act Regulations, the public offering price and the purchase price per share to be paid by the several U.S. Underwriters for the U.S. Securities have each been determined and set forth in the U.S. Pricing Agreement, dated the date hereof, and an amendment to the Registration Statement and the Prospectuses containing such information will be filed before the Registration Statement becomes effective.

(2) If the Company has elected to rely upon Rule 430A under the 1933 Act Regulations, the purchase price per share to be paid by the several U.S. Underwriters for the U.S. Securities shall be an amount equal to the public offering price, less an amount per share to be determined by agreement between the U.S. Underwriters, Air Canada and the Selling Stockholders (or any Attorney-in-Fact (as defined in the Custody Agreement) appointed by a Selling Stockholder). The public offering price per share of the U.S. Securities shall be a fixed price to be determined by agreement between the U.S. Underwriters, Air Canada and the Selling Stockholders (or any Attorney-in-Fact appointed by a Selling Stockholder). The public offering price and the purchase price shall be set forth in paragraph 2 of the U.S. Pricing

Agreement. In the event that such prices have not been agreed upon and the U.S. Pricing Agreement has not been executed and delivered by all parties thereto by the close of business on the fourth business day following the date of this Agreement, this Agreement shall terminate forthwith, without liability of any party to any other party, unless otherwise agreed to by the Company, Air Canada, the Selling Stockholders (or any Attorney-in-Fact appointed by a Selling Stockholder) and the Representatives.

(b) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, Air Canada hereby grants an option to the U.S. Underwriters, severally and not jointly, to purchase up to 200,000 additional shares of Class B Common Stock (the "Option Securities") at the price per share set forth in the U.S. Pricing Agreement. The option hereby granted will expire 30 days after (i) the date the Registration Statement becomes effective, if the Company has elected not to rely on Rule 430A under the 1933 Act Regulations, or (ii) the U.S. Representation Date, if the Company has elected to rely on Rule 430A under the 1933 Act Regulations, and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial U.S. Securities upon notice by the Representatives to the Company and Air Canada, setting forth the number of Option Securities as to which the several U.S. Underwriters are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the Representatives, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined, unless otherwise agreed by the Representatives and Air Canada. If the option is exercised as to all or any portion of the Option Securities, each of the U.S. Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Securities then being purchased which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter bears to the total number of Initial U.S. Securities (except as otherwise provided in the U.S. Pricing Agreement), subject in each case to such adjustments as the Representatives in their discretion shall make to eliminate any sales or purchases of fractional shares.

(c) Payment of the purchase price for, and delivery of certificates for, the Initial U.S. Securities shall be made

at the world headquarters of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated at the address stated above, or at such other place as shall be agreed upon by the Representatives and the Company, at 10:00 A.M. on the third or fourth business day (unless postponed in accordance with the provisions of Section 10) following the date the Registration Statement becomes effective (or, if the Company has elected to rely upon Rule 430A of the 1933 Act Regulations, the third or fourth business day after execution of the U.S. Pricing Agreement), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives, Air Canada and the Selling Stockholders (or any Attorney-in-Fact appointed by a Selling Stockholder) (such time and date of payment and delivery being herein called "Closing Time"). In addition, in the event that any or all of the Option Securities are purchased by the U.S. Underwriters, payment of the purchase price for and delivery of certificates for such Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Representatives and Air Canada, on each Date of Delivery as specified in the notice from the Representatives to the Company and Air Canada. Payment for Initial U.S. Securities shall be made to Air Canada and to the Custodian on behalf of the other Selling Stockholders by certified or official bank check or checks drawn in New York Clearing House funds or similar next day funds, or by wire transfer to an account to be designated by the Custodian at least one business day prior to the Closing Time of immediately available funds (net of the cost to Merrill Lynch of obtaining such immediately available funds), payable to the order of the respective Selling Stockholders, against delivery to the Representatives for the respective accounts of the U.S. Underwriters of certificates for the U.S. Securities to be purchased by them. Payment for Option Securities, if any, shall be made to Air Canada in accordance with the preceding sentence. Certificates for the Initial U.S. Securities and the Option Securities, if any, shall be in such denominations and registered in such names as the Representatives may request in writing to the transfer agent at least two business days before Closing Time or the relevant Date of Delivery, as the case may be. It is understood that each U.S. Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial U.S. Securities and the Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the U.S. Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial U.S. Securities or the Option Securities, if any, to be

purchased by any U.S. Underwriter whose check has not been received by Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such U.S. Underwriter from its obligations hereunder. The certificates for the Initial U.S. Securities and the Option Securities, if any, will be made available by the transfer agent for examination and packaging by the Representatives not later than 10:00 A.M. on the last business day prior to Closing Time or the relevant Date of Delivery, as the case may be.

(d) Each Selling Stockholder will pay all applicable stock transfer taxes which are required to be paid in connection with the sale and transfer of the U.S. Securities by such Selling Stockholder to the U.S. Underwriters hereunder or will have fully provided for payment of such taxes and all laws imposing such taxes will have been fully complied with.

SECTION 3. Covenants of the Company. The Company covenants with each U.S. Underwriter as follows:

(a) The Company will, for so long as the Underwriters are required to deliver a prospectus in connection with the offer and sale of the Securities, notify the Representatives promptly, and confirm the notice in writing, (i) of the effectiveness of the Registration Statement and any amendment thereto (including any post-effective amendment), (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment. The obligations of the Company pursuant to this Section 3(a) shall be deemed to terminate 90 days after the date of the U.S. Pricing Agreement unless the Representatives shall notify the Company in writing that the Underwriters continue to be subject to prospectus delivery requirements with respect to offers and sales of the Securities, and in the event of any such notice the obligations of the Company under this Section 3(a) shall be deemed to terminate 60 days after the date of such notice unless a further notice to such effect is so provided.

(b) The Company will, for so long as the Underwriters are required to deliver a prospectus in connection with the offer and sale of the Securities, give the Representatives notice of its intention to file or prepare any amendment to the Registration Statement (including any post-effective amendment) or any amendment or supplement to the Prospectuses (including any revised prospectus which the Company proposes for use by the Underwriters in connection with the offering of the Securities which differs from the prospectuses on file at the Commission at the time the Registration Statement becomes effective, whether or not such revised prospectuses are required to be filed pursuant to Rule 424(b) of the 1933 Act Regulations), whether pursuant to the 1933 Act, the 1934 Act or otherwise, will furnish the Representatives with copies of any such amendment or supplement a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file any such amendment or supplement or use any such prospectus to which the Representatives or counsel for the Underwriters shall reasonably object. In the event (a) the Underwriters shall object to any such amendment, supplement or prospectus and (b) the Company shall have determined (based upon the written opinion of outside counsel) that the failure to file with the Commission, or use in connection with the sale of the securities included in the Registration Statement, any such amendment, supplement or prospectus would make the Prospectus include a material misstatement or omit to state a material fact in light of the circumstances existing at the time it is delivered to a purchaser, then the Company may file with the Commission any such amendment, supplement or prospectus. The obligations of the Company pursuant to this Section 3(b) shall be deemed to terminate 90 days after the date of the U.S. Pricing Agreement unless the Representatives shall notify the Company in writing that the Underwriters continue to be subject to prospectus delivery requirements with respect to offers and sales of the Securities, and in the event of any such notice the obligations of the Company under this Section 3(b) shall be deemed to terminate 60 days after the date of such notice unless a further notice to such effect is so provided.

(c) The Company will deliver to the Representatives as many signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference

therein and documents incorporated or deemed to be incorporated by reference therein) as the Representatives may reasonably request and will also deliver to the Representatives a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the U.S. Underwriters.

(d) The Company will furnish to each U.S. Underwriter, from time to time during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the U.S. Prospectus (as amended or supplemented) as such U.S. Underwriter may reasonably request for the purposes contemplated by the 1933 Act or the 1934 Act or the respective applicable rules and regulations of the Commission thereunder.

(e) During the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the 1934 Act, if any event shall occur as a result of which it is necessary, in the reasonable opinion of counsel for the Representatives or counsel to the Company, to amend or supplement the U.S. Prospectus in order that the U.S. Prospectus, as then amended or supplemented, will not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading or, in the reasonable opinion of the Representatives or counsel to the Representatives, such amendment or supplement is necessary to comply with applicable law, the Company will, subject to paragraph (b) of this Section 3, promptly prepare such amendment or supplement as may be necessary to correct such untrue statement or omission or to effect such compliance (in form and substance reasonably satisfactory to counsel for the Representatives), so that, as so amended or supplemented, the U.S. Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading, or so that such Prospectus as so amended or supplemented will comply with applicable law, as the case may be, and the Company will furnish to the U.S. Underwriters such number of copies of such amendment or supplement as the U.S. Underwriters may reasonably request. The Company agrees to notify the Underwriters in writing to suspend use of

the Prospectuses as promptly as practicable after the occurrence of an event specified in this paragraph (e), and the Underwriters hereby agree upon receipt of such notice from the Company to suspend use of the Prospectuses until the Company has amended or supplemented the Prospectuses to correct such misstatement or omission or to effect such compliance.

(f) The Company, during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to Section 13, 14 or 15 of the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

(g) The Company will endeavor, in cooperation with the U.S. Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Representatives may reasonably designate; provided, however, that the Company shall not be obligated to (i) qualify as a foreign corporation in any jurisdiction in which it is not so qualified, (ii) file any general consent to service of process in any jurisdiction where it is not at the Closing Time then so subject or (iii) subject itself to taxation in any such jurisdiction if it is not so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement or such shorter period that will terminate when all Initial Securities and any Option Securities to be sold subject to such qualification have been sold or withdrawn. The Company shall promptly advise the Representatives and counsel to the Representatives of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of the Securities for offering or sale in any jurisdiction or the institution of any proceeding for such purpose. The Company will inform the Florida Department of Banking and Finance if prior to the completion of the distribution of the Securities by the Underwriters the Company commences engaging, other than as set forth in the Registration Statement, in business with the government of Cuba or with any person or affiliate located in Cuba. Such information will be provided within

90 days of the commencement thereof or after a change to any such previously reported information.

(h) The Company will make generally available to its security holders as soon as practicable, but not later than 90 days after the close of the period covered thereby, an earning statement (in form complying with the provisions of Rule 158 of the 1933 Act Regulations) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in said Rule 158) of the Registration Statement.

(i) If, at the time that the Registration Statement becomes effective, any information shall have been omitted therefrom in reliance upon Rule 430A of the 1933 Act Regulations, then immediately following the execution of the U.S. Pricing Agreement, the Company will prepare, and file or transmit for filing with the Commission in accordance with such Rule 430A and Rule 424(b) of the 1933 Act Regulations, copies of an amended U.S. Prospectus and an amended International Prospectus, or, if required by such Rule 430A, a post-effective amendment to the Registration Statement (including amended Prospectuses), containing all information so omitted.

(j) The Company will use its commercially reasonable best efforts to cause the continued listing of the Securities on the New York Stock Exchange.

(k) The Company will not, directly or indirectly, for a period of 90 days from the U.S. Representation Date, except with the prior written consent of Merrill Lynch, offer, sell, contract to sell, or otherwise dispose of any shares of common stock of the Company or any interests therein, or any securities that are convertible into or exchangeable for shares of common stock or other equity interests of the Company, except that the Company may issue shares of common stock or other equity interests of the Company (i) pursuant to the exercise or conversion of options, warrants or other securities outstanding on the date hereof, (ii) pursuant to the grant of stock options or other stock-based awards (and the exercise thereof) to directors, officers, and employees of the Company or its subsidiaries, and (iii) as may be required pursuant to the certificate of incorporation of the Company and may cause to be registered with the Commission (x) a resale shelf

registration statement for the shares of Class B Common Stock to be issued upon the conversion of the Company's outstanding 6 3/4% Convertible Subordinated Notes Due April 15, 2006 and 8 1/2% Convertible Trust Originated Preferred Securities (Convertible TOPrS) and (y) a registration statement for the sale (only after the expiration of the 90 day period referred to above) of up to $50 million of Class B Common Stock.

(l) Immediately following the execution of the U.S. Pricing Agreement, the Company will prepare, and file or transmit for filing with the Commission in accordance with Rules 434 and 424(b) of the 1933 Act Regulations, copies of amended Prospectus supplements and term sheet, if any, to the Registration Statement, containing all omitted information.

(m) If the Company uses Rule 434 of the 1933 Act Regulations, it will comply with the requirements of Rule 434 of such regulations and the U.S. Prospectus will not be "materially different," as such term is used in Rule 434 of the 1933 Act Regulations, from the U.S. Prospectus first given to the U.S. Underwriters for their use.

SECTION 4. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the preparation and delivery of the certificates for the Securities to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(g) hereof, including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey, (v) the printing and delivery to the Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto (excluding exhibits, except to the Representatives), of each preliminary prospectus, and of the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey, (vii) the fee of the National Association of Securities Dealers, Inc. and (ix) the fees and expenses of continuing the listing of the Securities on the New York Stock Exchange, Inc.

Notwithstanding the foregoing, each Selling Stockholder will pay and bear any stock transfer taxes, underwriting discounts or commissions payable upon, or with respect to the sale of Securities sold by such Selling Stockholder to the Underwriters, and any fees and disbursements of counsel to the Selling Stockholders. The Company will pay the amount of the Commission filing fee attributable to Securities sold by each Selling Stockholder hereunder.

If after the execution of a U.S. Pricing Agreement this Agreement is terminated by the Representatives in accordance with the provisions of Section 5 or Section 9(a)(i) hereof, the Company shall reimburse the Underwriters for all of their reasonable out-of-pocket expenses that shall have been incurred by them in connection with the proposed purchase and sale of the Securities, including the reasonable fees and disbursements of counsel for the Underwriters [unless such termination occurs by reason of the failure to satisfy the conditions contained in Sections 5(b)(3), 5(g) insofar as it relates to deliveries by the Selling Stockholders, and 5(h)(2)(c), in which case such fees and expenses shall be paid by the Selling Stockholder or Selling Stockholders as to which such failure of condition relates].

SECTION 5. Conditions of U.S. Underwriters' Obligations. The obligations of the U.S. Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders herein contained, to the performance by the Company and the Selling Stockholders of their respective several obligations hereunder, and to the following further conditions:

(a) The Registration Statement shall have become effective not later than 5:30 P.M. on the date hereof, or with the consent of the Representatives, at a later time and date, not later, however, than 5:30 P.M. on the first business day following the date hereof, or at such later time and date as may be approved by a majority in interest of the U.S. Underwriters; and at Closing Time, no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission. If the Company has elected to rely upon Rule 430A of the 1933 Act Regulations, the price of the Securities and any price-related information previously omitted from the effective Registration Statement pursuant to such Rule 430A shall have been transmitted to the Commission

for filing pursuant to Rule 424(b) of the 1933 Act Regulations within the prescribed time period and, prior to Closing Time, the Company shall have provided evidence satisfactory to the Representatives of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirements of Rule 430A of the 1933 Act Regulations.

(b) At Closing Time the Representatives, as representatives of the U.S. Underwriters, shall have received:

(1) The favorable opinion, dated as of Closing Time, of Cleary, Gottlieb, Steen & Hamilton, special counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Company is validly existing as a corporation in good standing under the laws of the State of Delaware.

(ii) The Company has corporate power to own its properties and conduct its business as described in the Registration Statement and to enter into and perform its obligations under this Agreement, the U.S. Pricing Agreement, the Custody Agreement, the International Purchase Agreement and the International Pricing Agreement.

(iii) The issuance and sale of the Securities was not subject, at the date of issue, to preemptive or other similar rights arising under the certificate of incorporation or by-laws of the Company or under the Delaware General Corporation Law.

(iv) The execution and delivery of this Agreement, the U.S. Pricing Agreement, the International Purchase Agreement and the International Pricing Agreement have each been duly authorized by all necessary corporate action of the Company.

[(v) The Registration Statement is effective under the 1933 Act and, to the best of

their knowledge and information, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission.]

(vi) The Class B Common Stock and each other class of authorized capital stock of the Company conform in all material respects to the description thereof contained in the Prospectuses under the heading "Description of Capital Stock."

(vii) The statements set forth under the headings "Description of Capital Stock" and "Principal and Selling Stockholders -- Stockholders' Agreement" in the Prospectuses, insofar as such statements purport to summarize certain provisions of the Certificate of Incorporation of the Company and that certain Stockholders' Agreement, and any amendments thereto, provide a fair summary of such provisions; the statements set forth under the headings "Certain U.S. Tax Consequences to Non-U.S. Holders" and "Risk Factors -- Certain Tax Matters," insofar as such statements purport to summarize certain federal tax laws of the United States referred to thereunder, provide a fair [and accurate] summary of such laws.

(viii) No authorization, approval, consent or order of any governmental authority of the United States or the State of New York is required as of the date of such opinion in connection with the offering and sale of the Securities to the Underwriters in the United States pursuant to the U.S. Purchase Agreement, except such as may have been obtained under the 1933 Act or the 1933 Act Regulations or the 1934 Act.

(2) The favorable opinion, dated as of Closing Time, of Jeffery A. Smisek, Esq., Senior Vice President and General Counsel of the Company, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) To the best of his knowledge, the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in the United States which such qualification is required, except in jurisdictions where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect.

(ii) Each of the Subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and, to the best of his knowledge, is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in the United States in which such qualification is required, except as could not reasonably be expected to have a Material Adverse Effect; all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and nonassessable and, except as disclosed in the Prospectuses or except as would not have a Material Adverse Effect, is owned beneficially and of record by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(iii) To the best of his knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or any Subsidiary is a party or to which the assets of the Company or any Subsidiary are subject which are required to be disclosed in the Registration Statement, other than those disclosed therein, or those which individually or in the aggregate would have a Material Adverse Effect.

(iv) To the best of his knowledge, none of the Company or any of the Subsidiaries is in default (or, with notice or lapse of time or both, would be in default) in the performance or

observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan agreement, note, lease or other instrument to which it is a party or by which it is bound, or to which any of its respective assets is subject, or in violation of any law, statute, judgment, decree, order rule or regulation of any domestic or foreign court with jurisdiction over the Company or any of the Subsidiaries or any of their respective assets, or other governmental or regulatory authority, agency or other body, other than such defaults or violations which, individually or in the aggregate, would not have a Material Adverse Effect.

(v) To the best of his knowledge, the execution, delivery and performance of this Agreement, the U.S. Pricing Agreement, the Custody Agreement, the International Purchase Agreement and the International Pricing Agreement and the consummation of the transactions contemplated herein and therein and compliance by the Company with its obligations hereunder and thereunder will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries pursuant to, any material contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which it or any of them is bound, or to which any of the property or assets of the Company or any of the Subsidiaries is subject, except as would not, individually or in the aggregate, have a Material Adverse Effect, nor will such action result in any violation of the provisions of the charter or by-laws of the Company, or any applicable law, administrative regulation or administrative or court decree.

(vi) To the best of his knowledge, there are no contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement other than those

described or referred to therein. The descriptions thereof or references thereto are correct in all material respects, and to his actual knowledge no default exists in the due performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument so described, referred to or filed as an exhibit to a document filed under the 1934 Act or the 1934 Act Regulations, except as could not reasonably be expected to have a Material Adverse Effect.

(vii) At the time the Registration Statement became effective and at the Representation Date, the Registration Statement (other than the financial statements and supporting schedules included therein and the Exhibits thereto, as to which no opinion need be rendered) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations. Each document filed pursuant to the 1934 Act (other than the financial statements and supporting schedules included therein, as to which no opinion need be rendered) and incorporated or deemed to be incorporated by reference in the Prospectuses complied when so filed as to form in all material respects with the 1934 Act and the 1934 Act Regulations.

(viii) The shares of issued and outstanding Class A Common Stock and Class B Common Stock, including the Securities to be sold by the Selling Stockholders, have been duly authorized by all necessary corporate action and validly issued and are fully paid and nonassessable.

(3) The favorable opinion, dated as of Closing Time, of counsel for each of the Selling Stockholders, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) This Agreement, the U.S. Pricing Agreement, the International Purchase Agreement and the International Pricing Agreement have been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(ii) The Custody Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder and constitute the valid and binding obligations of such Selling Stockholder, enforceable in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles.

(iii) To the best of its knowledge and information, such Selling Stockholder has good and marketable title to the Securities to be sold by such Selling Stockholder under this Agreement and the International Purchase Agreement, free and clear of any pledge, lien, security interest, encumbrance, claim or equity, other than pursuant to this Agreement, the International Purchase Agreement and the Custody Agreement, and has full right, power and authority to sell the U.S. Securities to be sold by such Selling Stockholder under this Agreement; and upon the delivery of and payment for the U.S. Securities as contemplated in this Agreement, assuming that each such U.S. Underwriter is without notice of any "adverse claim" (as such term is defined in the Uniform Commercial Code) each of the U.S. Underwriters will acquire all of such Selling Stockholder's rights and interests to the Securities sold by such Selling Stockholder, free and clear of any pledge, lien, security interest, encumbrance, claim or equity.

(4) The favorable opinion, dated as of Closing Time, of Cahill Gordon & Reindel, counsel for the Underwriters, with respect to the matters set forth in (i), (iv), (v) and (vi) of subsection (b)(1) of this Section.

(5) In giving their opinions required by subsections (b)(1) and (b)(4), respectively, of this Section, Cleary, Gottlieb, Steen & Hamilton and Cahill Gordon & Reindel shall each additionally state that they have participated in conferences with officers and other representatives of the Company,

representatives of the independent public accountants for the Company and representatives of the Underwriters at which the contents of the Registration Statement and the Prospectuses and related matters were discussed and, although they are not passing upon, have not made any independent verification of and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and the Prospectuses (except to the extent expressly set forth in their opinion), on the basis of the foregoing (relying as to materiality to a large extent upon the opinions of officers and other representatives of the Company), no facts have come to their attention that lead them to believe that the Registration Statement at the time it became effective or at the U.S. Representation Date contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein not misleading, or that the Prospectuses, as of their dates and as of the date of such opinion, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (it being specifically understood that they have not been requested to and do not express any statement with respect to the financial statements and schedules and other financial and statistical data included or incorporated by reference in the Registration Statement).

(c) At Closing Time there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Prospectus except as stated therein, any Material Adverse Change or any development resulting in a prospective Material Adverse Change, and the Representatives shall have received a certificate of the President or a Vice President of the Company and of the principal financial or principal accounting officer of the Company, dated as of Closing Time, addressed to the Representatives, as representatives of the U.S. Underwriters, and each Selling Stockholder to the effect that (i) there has been no such Material Adverse Change or development resulting in a prospective Material Adverse Change, (ii) the representations and warranties of the Company in this Agreement are true and correct with the same force and effect as though

expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or threatened by the Commission.

(d) At the time that this Agreement is signed, Ernst & Young LLP shall have furnished to the Representatives a letter addressed to the Representatives, as representatives of the U.S. Underwriters, and the Company, dated as of the date of this Agreement, in form and substance satisfactory to the Representatives, confirming that they are independent auditors with respect to the Company and its subsidiaries within the meaning of the 1933 Act and the 1933 Act Regulations and stating in effect that:

(i) in their opinion the audited financial statements and supporting schedules included in the Registration Statement or incorporated or deemed to be incorporated by reference therein comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations;

(ii) on the basis of a reading of the latest unaudited financial statements made available by the Company; carrying out certain procedures specified in such letter (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comment set forth in such letter; a reading of the minutes of the meetings of the stockholders, the board of directors and committees thereof of the Company; and inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company as to transactions and events subsequent to March 31, 1996, and such other inquiries and procedures as may be specified in such letter, nothing has come to their attention which causes them to believe that:

(A) the unaudited financial statements of the Company and its subsidiaries included in the Registration Statement or incorporated or deemed to be incorporated by reference therein do not

comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations or are not presented in conformity with generally accepted accounting principles applied on a basis substantially consistent with the audited financial statements incorporated by reference therein; or

(B) the unaudited amounts of revenues, net income and net income per share set forth under "Selected Financial Data" in the Prospectuses were not determined on a basis substantially consistent with what is used in determining the corresponding amounts in the audited financial statements incorporated by reference in the Registration Statement; or

(C) with respect to the period subsequent to March 31, 1996, that at a specified date not more than five days prior to the date of this Agreement, there has been any change in the capital stock of the Company or any increase in the consolidated long term debt or consolidated net current liabilities of the Company and its subsidiaries or any decrease in common stockholders' equity as compared with the amounts shown in the March 31, 1996 balance sheet incorporated by reference in the Registration Statement and Prospectuses, or for the period from March 31, 1996 to such specified date, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated operating revenues, net income or primary or fully diluted income per common share or any increases in net loss or primary or fully diluted loss per common share of the Company and its subsidiaries, except in all instances for changes, increases or decreases that are described in such letter or that the Registration Statement and the Prospectus disclose have occurred or may occur; and

(iii) in addition to the examination referred to in their opinion and the limited procedures referred to in clause (ii) above, they have performed certain other specified procedures, not constituting an audit, with respect to certain amounts, percentages

and financial information that are derived from the general accounting records of the Company and are included in the Registration Statement and Prospectus, and have compared such amounts, percentages and financial information with such records of the Company and with information derived from such records and have found such amounts, percentages and financial information to be in agreement with the relevant accounting, financial and other records of the Company and its subsidiaries identified in such letter.

(e) At Closing Time the Representatives shall have received from Ernst & Young a letter addressed to the Representatives, as representatives of the U.S. Underwriters and each Selling Stockholder, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (d) of this Section, except that the specified date referred to shall be a date not more than five days prior to Closing Time and, if the Company has elected to rely on Rule 430A of the 1933 Act Regulations, to the further effect that they have carried out procedures as specified in clause (iii) of subsection (d) of this Section with respect to certain amounts, percentages and financial information specified by the Representatives and deemed to be a part of the Registration Statement pursuant to Rule 430A(b) and have found such amounts, percentages and financial information to be in agreement with the records specified in such clause (iii).

(f) At Closing Time, and at each Date of Delivery, the Securities shall continue to be listed on the New York Stock Exchange.

(g) At Closing Time and at each Date of Delivery, if any, counsel for the Underwriters shall have been furnished with such documents as they may reasonably require and have specifically requested prior to such time for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Stockholders in connection with the sale of the U.S. Securities as herein contemplated shall be satisfactory in form and

substance to the Representatives and counsel for the Underwriters.

(h) In the event that the U.S. Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the obligations of the several U.S. Underwriters to consummate such purchase are subject to the further conditions that the representations and warranties of the Company and the Selling Stockholders contained herein and the statements in any certificates furnished by the Company and the Selling Stockholders hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representatives shall have received:

(1) A certificate, dated such Date of Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company addressed to the Representatives as representatives of the U.S. Underwriters and each Selling Stockholder confirming that the certificate delivered at the Closing Time pursuant to Section 5(c) hereof remains true and correct as of such Date of Delivery.

(2) The favorable opinions of (A) Cleary, Gottlieb, Steen & Hamilton, counsel for the Company, (B) Jeffery A. Smisek, Esq., General Counsel of the Company and (C) counsel to Air Canada in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinions required by Sections 5(b)(1), 5(b)(2), 5(b)(3) and 5(b)(5), as the case may be, hereof.

(3) The favorable opinion of Cahill Gordon & Reindel, counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Sections 5(b)(4) and 5(b)(5) hereof.

(4) A letter from Ernst & Young, in form and substance satisfactory to the Representatives and

dated such Date of Delivery, substantially the same in form and substance as the letter furnished to the Representatives pursuant to Section 5(e) hereof, except that the "specified date" in the letter furnished pursuant to this Section 5(h)(4) shall be a date not more than five days prior to such Date of Delivery.

(i) Each Selling Stockholder shall have executed and delivered to the Underwriters a 90-day lock-up agreement in the forms attached hereto as Exhibit A.

(j) The Selling Stockholders shall have furnished to the Underwriters such other documents, certificates and opinions as the Underwriters shall have reasonably and specifically requested prior to the Closing Time.

If any condition specified in this Section shall not have been fulfilled in all material respects when and as required to be fulfilled, this Agreement may be terminated by the Representatives by notice to the Company and each Selling Stockholder at any time at or prior to Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof.

SECTION 6. Indemnification.

(a) The Company agrees to indemnify and hold harmless each U.S. Underwriter, each Selling Stockholder and each person, if any, who controls any U.S. Underwriter or any Selling Stockholder within the meaning of Section 15 of the 1933 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, including any amounts paid in settlement of any investigation, litigation, proceeding or claim, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the information deemed to be part of the Registration Statement pursuant to Rule 430A(b) of the 1933 Act Regulations, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectus (or any

amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided, that the Company shall not be liable under this clause (i) for any settlement of any action effected without its written consent, which consent shall not be unreasonably withheld; and

(ii) against any and all expense whatsoever, as incurred (including, subject to Section 6(d) hereof, the reasonable fees and disbursements of counsel chosen by Merrill Lynch to represent the Underwriters, which counsel shall also represent any Selling Stockholder seeking indemnity from the Company pursuant to this Section 6(a) based upon similar claims, provided, that, if such Selling Stockholders, on the one hand, and the Company on the other hand, reasonably determine that there may be legal defenses available to such other Selling Stockholders which are different from or in addition to those available to you, then the Selling Stockholders shall be entitled to retain separate counsel to conduct the defense of such Selling Stockholders), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) above; provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto). The foregoing indemnification with respect to any preliminary prospectus shall not inure to the benefit of any U.S. Underwriter, or any person who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act, from whom the person asserting any such losses, claims, damages or liabilities purchased U.S. Securities if a copy of the U.S. Prospectus (as then amended or supplemented if the Company shall have furnished to the U.S. Underwriters for their use any amendments or supplements thereto) was not

sent or given by or on behalf of such U.S. Underwriter to such person, if such is required by law, at or prior to the written confirmation of the sale of such U.S. Securities to such person and to the extent that delivery of the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(b) Each U.S. Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, each Selling Stockholder, and each person, if any, who controls the Company or a Selling Stockholder within the meaning of Section 15 of the 1933 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or any preliminary prospectuses or the Prospectuses (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such U.S. Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectuses or the Prospectuses (or any amendment or supplement thereto).

(c) Each Selling Stockholder severally, and not jointly, agrees to indemnify and hold harmless each U.S. Underwriter, the Company, its directors and each of its officers who signed the Registration Statement, and each other Selling Stockholder, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the 1933 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 6(a), as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), or any preliminary prospectus or the Prospectus (or any supplement thereto) in reliance upon and in conformity with public documents, or oral or written information pertaining to such Selling Stockholder furnished to the Company by or on behalf of such Selling Stockholder expressly for use in the Registration Statement (or any amendment thereto), or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); provided, however, that each Selling Stockholder's maximum aggregate liability under this Section 6(c) [and for any breach of the representations and warranties of such

Selling Stockholder set forth in Section 1(b)(i) of this Agreement (together with any liability of such Selling Stockholder for any breach or alleged breach of the representations and warranties of such Selling Stockholder set forth in Section 1(b)(i) of the International Purchase Agreement)] shall be limited to the aggregate amount of the net proceeds (after deducting the Underwriters' discount but before deducting expenses) received by such Selling Stockholder from the sale of such Selling Stockholder's Securities pursuant to this Agreement and the International Purchase Agreement; provided, further, that each Selling Stockholder agrees to indemnify and hold harmless each U.S. Underwriter, the Company, its directors and each of its officers who signed the Registration Statement, each other Selling Stockholder, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the 1933 Act, against any all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of a breach or alleged breach of such Selling Stockholder's representation and warranties set forth in Section 1(b)(i).

[In making a claim for indemnification under this Section 6 or contribution under Section 7, in each case, with respect to a breach or alleged breach by a Selling Stockholder of its representation and warranty set forth in Section 1(b)(i), the indemnified parties may proceed against either (i) both the Company (in respect of claims under Section 6(a) or Section 7) and such Selling Stockholder or (ii) the Company only, but may not proceed solely against such Selling Stockholder. In the event that the indemnified parties are entitled to seek indemnity or contribution hereunder against any loss, liability, claim, damage and expense incurred with respect to a final judgment from a trial court then, as a precondition to any indemnified party obtaining indemnification or contribution from a Selling Stockholder in respect of a breach or alleged breach of its representation and warranty set forth in Section 1(b)(i), the indemnified parties shall first obtain a final judgment from a trial court that such indemnified parties are entitled to indemnity or contribution under this Agreement with respect to such loss, liability, claim, damage or expense (the "Final Judgment") from the Company (in respect of claims under Section 6(a) or Section 7) and such Selling Stockholder and shall seek to satisfy such Final Judgment in full from the Company by making a written demand upon the Company for such satisfaction. Only in the event such Final Judgment shall remain unsatisfied in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to take

action to satisfy such Final Judgment by making demand directly on such Selling Stockholder (but only if and to the extent the Company has not already satisfied such Final Judgment, whether by settlement, release or otherwise). The indemnified parties may exercise this right to first seek to obtain payment from the Company and thereafter obtain payment from a Selling Stockholder without regard to the pursuit by any party of its rights to the appeal of such Final Judgment. The indemnified parties shall, however, be relieved of their obligation to first obtain a Final Judgment, seek to obtain payment from the Company with respect to such Final Judgment or, having sought such payment, to wait such 45 days after failure by the Company to immediately satisfy any such Final Judgment if (i) the Company files a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), (ii) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (iii) the Company makes an assignment for the benefit of its creditors or (iv) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets. The foregoing provisions of this paragraph are not intended to require any indemnified party to obtain a Final Judgment against the Company or a Selling Stockholder before obtaining reimbursement of expenses pursuant to clause (a)(i), (a)(ii) or (c) of this Section 6. However, the indemnified parties shall first seek to obtain such reimbursement in full from the Company by making a written demand upon the Company for such reimbursement. Only in the event such expenses shall remain unreimbursed in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to receive reimbursement of such expenses from a Selling Stockholder by making written demand directly on a Selling Stockholder (but only if and to the extent the Company has not already satisfied the demand for reimbursement, whether by settlement, release or otherwise). The indemnified parties shall, however, be relieved of their obligation to first seek to obtain such reimbursement in full from the Company or, having made written demand therefor, to wait such 45 days after failure by the Company to immediately reimburse such expenses if (i) the Company files a petition for relief under the Bankruptcy Code, (ii) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (iii) the Company makes an assignment for the benefit of its creditors or (iv) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets.]

(d) Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity or contribution may be sought hereunder, but failure to so notify an indemnifying party shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of such action. If it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and approved by the indemnified parties defendant in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them which are different from or in addition to those available to such indemnifying party. If an indemnifying party assumes the defense of such action, the indemnifying parties shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action. In no event shall the indemnifying party be liable for the fees and expenses of more than one counsel (separate from its own counsel) for each of the U.S. Underwriters, the Company and the Selling Stockholders, as applicable, in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

SECTION 7. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 6 hereof is for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Company, the U.S. Underwriters and the Selling Stockholders shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company, the Selling Stockholders and one or more of the U.S. Underwriters, in such proportion that the U.S. Underwriters are responsible for that portion represented by the percentage that the underwriting discount appearing on the cover page of the Prospectus bears to the public offering price appearing thereon and the Company and the Selling Stockholders are responsible for the balance; provided, however, that each Selling Stockholder shall only be responsible in an amount equal to that portion of the balance that is in the same proportion to such balance as the net proceeds to such Selling Stockholder bears to the net proceeds of the offerings, up to an amount equal to the net proceeds realized

by such Selling Stockholder; provided, further, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation; and provided, further, that the contribution provisions of this Section 7 shall not inure to the benefit of any U.S. Underwriter to the extent that the aggregate losses, liabilities, claims, damages and expenses result from the circumstances described in the first proviso in Section 6(a)(ii). For purposes of this Section, each person, if any, who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such U.S. Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company or any Selling Stockholder within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company or such Selling Stockholder, as the case may be. No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its written consent.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement and the U.S. Pricing Agreement, or contained in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any U.S. Underwriter or controlling person, or by or on behalf of the Company, and shall survive delivery of the U.S. Securities to the U.S. Underwriters.

SECTION 9. Termination of Agreement.

(a) The Representatives may terminate this Agreement, by notice to the Company and each Selling Stockholder, at any time at or prior to Closing Time (i) if there has been, since the date of this Agreement or since the respective dates as of which information is given in the Registration Statement, except as stated therein, any Material Adverse Change or any development resulting in a prospective Material Adverse Change or (ii) if there has occurred any material adverse change in, the financial markets in the United States or elsewhere or any outbreak of hostilities or escalation thereof or other calamity or crisis the effect of which is such as to make it, in the judgment of the Representatives, impracticable to market the U.S. Securities or to enforce contracts for the sale of the U.S. Securities, or (iii) if trading in the Common Stock has

been suspended by the Commission or if trading generally on either the American Stock Exchange or the New York Stock Exchange has been suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, by either of said exchanges or by order of the Commission or any other governmental authority, or if a banking moratorium has been declared by either Federal, New York or Texas authorities.

(b) If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof. Notwithstanding any such termination, the provisions of Sections 6 and 7 shall remain in effect.

SECTION 10. Default by One or More of the U.S. Underwriters. If one or more of the U.S. Underwriters shall fail at Closing Time to purchase the Initial U.S. Securities which it or they are obligated to purchase under this Agreement and the U.S. Pricing Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting U.S. Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of Initial U.S. Securities, each of the non-defaulting U.S. Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting U.S. Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of Initial U.S. Securities, this Agreement shall terminate without liability on the part of any non-defaulting U.S. Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representatives or the Company or the Selling Stockholders acting unanimously shall have the right to postpone Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectuses or in any other documents or arrangements.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the U.S. Underwriters shall be directed to the Representatives at Merrill Lynch World Headquarters, North Tower, World Financial Center, New York, New York 10281-1201, attention of Mark J. Schulte, Managing Director; notices to the Company shall be directed to it at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019-4607, attention of Chief Financial Officer, with a copy to the attention of General Counsel, and notices to each Selling Stockholder shall be directed to it at the address set forth in Schedule B hereto.

SECTION 12. Information Supplied by the U.S. Underwriters. The Statements set forth in the last paragraph on the front cover page and under the heading "Underwriting" in the U.S. Prospectus, the International Prospectus or the Registration Statement (to the extent such statements relate to the Underwriters) constitute the only information furnished by Merrill Lynch to the Company for the purposes of Sections 1 and 6 hereof.

SECTION 13. Parties. This Agreement, the U.S. Pricing Agreement, the International Purchase Agreement and the International Pricing Agreement shall each inure to the benefit of and be binding upon the Underwriters, the Company and the Selling Stockholders and their respective successors. Nothing expressed or mentioned in this Agreement, the U.S. Pricing Agreement, the International Purchase Agreement and the International Pricing Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and the Selling Stockholders and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement, the U.S. Pricing Agreement, the International Purchase Agreement and the International Pricing Agreement or any provision herein or therein

contained. This Agreement, the U.S. Pricing Agreement, the International Purchase Agreement and the International Pricing Agreement and all conditions and provisions hereof and thereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and the Selling Stockholders and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. Governing Law and Time. This Agreement and the U.S. Pricing Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Specified times of day refer to New York City time.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the Selling Stockholders and the Company in accordance with its terms.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By: _____
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
GOLDMAN, SACHS & CO.
LEHMAN BROTHERS INC.
MORGAN STANLEY & CO. INCORPORATED

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: _____
Authorized Signatory

For themselves and as Representatives of the other U.S.
Underwriters named in Schedule A to the U.S. Pricing Agreement.

[Selling Stockholders Counterpart Signature Page]

AIR CANADA

By: _____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

_____
DAVID BONDERMAN

BONDERMAN FAMILY LIMITED
PARTNERSHIP

By:_____
Name: David Bonderman,
as General Partner

1992 AIR, INC.

By:_____
Name: David Bonderman
Title:

AIR II GENERAL, INC.

By:_____
Name: David Bonderman
Title:

BONDO AIR, L.P.

By: 1992 AIR, INC.

By:_____
Name: David Bonderman
Title:

[Selling Stockholders Counterpart Signature Page]

AMERICAN GENERAL CORPORATION

By:_____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

SUNAMERICA INC.

By:_____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

_____
ELI BROAD

[Selling Stockholders Counterpart Signature Page]

ESTATE OF LARRY L. HILLBLOM

DHL MANAGEMENT, INC.

DONALD STURM

CONAIR LIMITED PARTNERS, L.P.

AIR SAIPAN, INC.

By:_____
Name:
Title: Attorney-in-Fact

3,416,812 Shares

CONTINENTAL AIRLINES, INC.

(a Delaware corporation)

Class B Common Stock

(Par Value $.01 Per Share)

U.S. PRICING AGREEMENT

May __, 1996

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
GOLDMAN, SACHS & CO.
LEHMAN BROTHERS INC.
MORGAN STANLEY & CO. INCORPORATED
as Representatives of the several Underwriters
c/o MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281

Dear Sirs:

Reference is made to the U.S. Purchase Agreement dated May __, 1996 (the "U.S. Purchase Agreement") relating to the purchase by the several U.S. Underwriters named in Schedule A hereto, for whom Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated are acting as representatives (the "Representatives"), of the above shares of Class B Common Stock (the "Securities") of Continental Airlines, Inc., a Delaware corporation (the "Company"), to be sold by certain stockholders named in Schedule B thereto (the "Selling Stockholders"). Capitalized terms used herein have the meanings provided in the U.S. Purchase Agreement.

Pursuant to Section 2 of the U.S. Purchase Agreement, the Company, Air Canada and the Selling Stockholders, severally and not jointly, agree with each U.S. Underwriter as follows:

1. The initial public offering price per share for the U.S. Securities, determined as provided in said Section 2, shall be $.

2. The purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters shall be $, being an amount equal to the initial public offering price set forth above less $ per share; provided that the purchase price per share for any Option Securities (as defined in the U.S. Purchase Agreement) purchased upon exercise of the over-allotment option described in Section 2(b) of the U.S. Purchase Agreement shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Initial U.S. Securities (as defined in the U.S. Purchase Agreement) but not payable on the Option Securities.

3. The number of shares to be sold by the Selling Stockholders, as determined by whether the initial public offering price per share set forth in paragraph 1 above is equal to or greater than the designated minimum initial public offering price per share as set forth on Schedule B of the Purchase Agreement, is as follows:

Name of Selling Stockholder	Number of Shares of Class B Common Stock to be Sold

4. The number of Option Shares is 200,000 shares of Class B Common Stock.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the Selling Stockholders and the Company in accordance with its terms.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By: _____
Name:
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
GOLDMAN, SACHS & CO.
LEHMAN BROTHERS INC.
MORGAN STANLEY & CO INCORPORATED

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: _____
Authorized Signatory

For themselves and as Representatives of the other U.S.
Underwriters named in the U.S. Purchase Agreement.

[Selling Stockholders Counterpart Signature Page]

AIR CANADA

By: _____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

_____
DAVID BONDERMAN

BONDERMAN FAMILY LIMITED
PARTNERSHIP

By:_____
Name: David Bonderman,
as General Partner

1992 AIR, INC.

By:_____
Name: David Bonderman
Title:

AIR II GENERAL, INC.

By:_____
Name: David Bonderman
Title:

BONDO AIR, L.P.

By: 1992 AIR, INC

By:_____
Name: David Bonderman
Title:

[Selling Stockholders Counterpart Signature Page]

AMERICAN GENERAL CORPORATION

By:_____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

SUNAMERICA INC.

By:_____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

_____
ELI BROAD

[Selling Stockholders Counterpart Signature Page]

ESTATE OF LARRY L. HILLBLOM

DHL MANAGEMENT, INC.

DONALD STURM

CONAIR LIMITED PARTNERS, L.P.

AIR SAIPAN, INC.

By:_____
Name:
Title: Attorney-in-Fact

SCHEDULE A

Name of U.S. Underwriter	Number of Securities
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co	
Lehman Brothers Inc	
Morgan Stanley & Co. Incorporated	
[Smith Barney Shearson Inc	
Donaldson, Lufkin & Jenrette Securities Corporation	
Dean Witter Reynolds Inc	
CS First Boston Corporation	
PaineWebber Incorporated	
Salomon Brothers	
BT Securities	
S.G. Warburg]	

SCHEDULE B

Name and Address of Selling Stockholder	Number of Shares of Class B Common Stock to Be Sold	Minimum Initial Public Offering Price Per Share
Air Canada Air Canada Center Montreal Int'l Airport (Dorval) P.O. Box 14000 Postal Station, St. Laurent Canada H4Y 1H4	2,000,000	$
American General Corporation 2929 Allen Parkway Houston, TX 77019	382,074	
David Bonderman	114,586	
Bonderman Family Limited Partnership	33,219	
Estate of Larry L. Hillblom c/o William I. Webster Special Administrator for the Estate of Larry Lee Hillblom AAA-305,, Box 10001 Saipan, MP 96950	319,800	
DHL Management, Inc.	322,970	
DHL Airways, Inc. 333 Twin Dolphin Dr. Redwood City, CA 94065 Attn: Bill Roure, Asst. Treas. and Bill Smart, CFO		
Sun America Inc. SunAmerica Inc. 1 SunAmerica Center Century City Los Angeles, CA 90067-6022 Attn: Lynn Hopton (Corp. Finance)	143,152	

Name and Address of Selling Stockholder	Number of Shares of Class B Common Stock to Be Sold	Minimum Initial Public Offering Price Per Share
Eli Broad c/o SunAmerica Inc. 1 SunAmerica Center Century City Los Angeles, CA 90067-6022 Attn: Jay S. Wintrob and Cindy Qunne	66,488	
Donald Sturm	120,000	
Conair, L.P.	38,282	
Bondo Air, L.P.	412,499	
Air Saipan, Inc.	10,086	
1992 Air, Inc.	305,456	
Air II General, Inc.	2,403	

SCHEDULE B

Name and Address of Selling Stockholder	Number of Shares of Class B Common Stock to be Sold	Minimum Initial Public Offering Price Per Share

854,203 Shares

CONTINENTAL AIRLINES, INC.

(a Delaware corporation)

Class B Common Stock

(Par Value $.01 Per Share)

INTERNATIONAL PURCHASE AGREEMENT

London, England
May __, 1996

MERRILL LYNCH INTERNATIONAL
GOLDMAN SACHS INTERNATIONAL
LEHMAN BROTHERS INTERNATIONAL (EUROPE)
MORGAN STANLEY & CO. INTERNATIONAL LIMITED
as Representatives of the several
International Underwriters
c/o MERRILL LYNCH INTERNATIONAL
Ropemaker Place
25 Ropemaker Street
London EC 2Y 9LY

Ladies and Gentlemen:

Continental Airlines, Inc., a Delaware corporation (the "Company"), Air Canada, a Canada corporation ("Air Canada"), and each of the stockholders named in Schedule B hereto (together with Air Canada, the "Selling Stockholders"), in all instances acting severally and not jointly, confirm their agreement with Merrill Lynch International ("MLI") and each of the other Underwriters named in Schedule A to the International Pricing Agreement (as defined below) (collectively, the "International Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch International, Goldman Sachs International, Lehman Brothers International (Europe) and Morgan Stanley & Co. International Limited are acting as managers (in such capacity, the "Lead Managers"), with respect to (a) the sale by the Selling Stockholders, acting severally and

not jointly, of the respective numbers of shares of Class B common stock, par value $.01 per share of the Company (the "Class B Common Stock") reflected in Schedule B hereto (the shares to be so sold by the Selling Stockholders being referred to herein as the "International Securities") except as may otherwise be provided in the International Pricing Agreement.

It is understood that the Company and the Selling Stockholders are concurrently entering into an agreement dated the date hereof (the "U.S. Purchase Agreement") which provides (a) for the sale by the Selling Stockholders of 3,416,812 shares of Class B Common Stock (the "Initial U.S. Securities") through arrangements with certain underwriters in the United States and Canada (the "U.S. Underwriters"), for whom Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Goldman, Sachs & Co., Lehman Brothers, Inc. and Morgan Stanley & Co. are acting as representatives and (b) for the grant by Air Canada to the U.S. Underwriters, acting severally and not jointly, of the option described in Section 2(b) of the U.S. Purchase Agreement to purchase all or any part of the Option Securities (as defined therein) to cover over-allotments.

The International Underwriters and the U.S. Underwriters are hereinafter collectively called the "Underwriters," the International Securities and the Initial U.S. Securities are hereinafter called the "Initial Securities" and the Initial Securities and the Option Securities are hereinafter called the "Securities."

The Underwriters are concurrently entering into an Intersyndicate Agreement of even date herewith (the "Inter-syndicate Agreement") providing for the coordination of certain transactions among the International Underwriters and the U.S. Underwriters.

Each International Underwriter shall purchase the number of shares of the International Securities set forth opposite such International Underwriter's name in Schedule A to the International Pricing Agreement. To the extent that the public offering price per share set forth in the International Pricing Agreement is less than the minimum public offering price per share set forth as to any Selling Stockholder on the signature page of the power of attorney, which forms a part of the custody agreement dated as of _____, 1996 (including such power-of-attorney, the "Custody Agreement") between the Company and such Selling Stockholder, such Selling Stockholder shall

not sell any shares pursuant to this Agreement and shall no longer be deemed to be a Selling Stockholder under this Agreement.

Prior to the purchase and public offering of the International Securities by the several International Underwriters, the Company, the Selling Stockholders and the Lead Managers, acting on behalf of the several International Underwriters, shall enter into an agreement substantially in the form of Exhibit A hereto (the "International Pricing Agreement"). The International Pricing Agreement may take the form of an exchange of any standard form of written telecommunication between the Company, the Selling Stockholders and the Lead Managers and shall specify such information as is required by Exhibit A hereto. The sale to the several International Underwriters of the International Securities by the Selling Stockholders will be governed by this Agreement, as supplemented by the International Pricing Agreement. From and after the date of the execution and delivery of the International Pricing Agreement, this Agreement shall be deemed to incorporate the International Pricing Agreement.

The public offering price and the purchase price per share with respect to the U.S. Securities shall be set forth in a separate instrument (the "U.S. Pricing Agreement"), the form of which is attached to the U.S. Purchase Agreement. The U.S. dollar price per share for the Securities to be purchased by the International Underwriters pursuant to this Agreement and by the U.S. Underwriters pursuant to the U.S. Purchase Agreement shall be identical.

The Company has filed with the United States Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-02701) and related preliminary prospectuses for the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), has filed such amendments thereto and such amended preliminary prospectuses as may have been required to the date hereof and will file such additional amendments thereto and such amended prospectuses as may hereafter be required.* Such registration

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* Two forms of prospectuses are to be used in connection with the offering and sale of the Securities: one relating to the International Securities (the "International Prospectus") and one relating to the U.S. Securities (the "U.S. Prospectus").

statement (as amended) and the International prospectus and the U.S. prospectus constituting a part thereof (including in each case all documents incorporated or deemed to be incorporated by reference therein and the information, if any, deemed to be part thereof pursuant to Rule 430A(b) or Rule 434 of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations")), as such International prospectus or U.S. prospectus may from time to time be amended or supplemented pursuant to the 1933 Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), are hereinafter referred to as the "Registration Statement," the "International Prospectus" and the "U.S. Prospectus," respectively, and the International Prospectus and the U.S. Prospectus are hereinafter together called the "Prospectuses" and, each individually, a "Prospectus," except that if any revised prospectus shall be provided to the International Underwriters or the U.S. Underwriters by the Company for use in connection with the offering of the Securities which differs from the Prospectuses on file at the Commission at the time the Registration Statement becomes effective (whether or not such revised prospectus is required to be filed by the Company pursuant to Rule 424(b) of the 1933 Act Regulations), the terms "International Prospectus" and "U.S. Prospectus" shall refer to such revised prospectuses from and after the time they are first provided to the International Underwriters or the U.S. Underwriters, as the case may be, for such use. Additionally, if the Company has elected to rely upon Rule 434 of the 1933 Act Regulations, the Company will prepare and file a term sheet (a "term sheet"), in accordance with the provisions of Rules 434 and 424(b) of such Regulations, promptly after execution of the International Pricing Agreement. All references in this Agreement to financial statements and schedules or other information which is "contained," "included" or "stated" in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules or other information which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement or the Prospectus shall be deemed to mean and include the filing of any document under the 1934 Act which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be.

The Company and the Selling Stockholders understand that the International Underwriters propose to make a public offering of the International Securities as soon as the Lead

Managers deem advisable after the Registration Statement becomes effective and the International Pricing Agreement has been executed and delivered.

SECTION 1. Representations and Warranties.

(a) The Company represents and warrants to each International Underwriter as of the date hereof and as of the date of the International Pricing Agreement (such latter date being hereinafter referred to as the "International Representation Date") as follows:

(i) At the time the Registration Statement becomes effective and at the International Representation Date, the Registration Statement will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The International Prospectus, at the International Representation Date (unless the term "International Prospectus" refers to a prospectus which has been provided to the International Underwriters by the Company for use in connection with the offering of the Securities which differs from the International Prospectus on file at the Commission at the time the Registration Statement becomes effective, in which case at the time it is first provided to the International Underwriters for such use) and at Closing Time referred to in Section 2 hereof, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and if Rule 434 is used, the International Prospectus shall not be "materially different," as such term is used in Rule 434 of the 1933 Act Regulations, from the International Prospectus first provided to the International Underwriters for their use; provided, however, that the representations and warranties in this subsection shall not apply to statements contained in or omissions from the Registration Statement or International Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any International Underwriter through Merrill Lynch or by or on behalf of any Selling Stockholder expressly for use in the Registration Statement or International Prospectus.

(ii) The accountants that examined and certified the audited consolidated financial statements and supporting schedules of the Company included or incorporated or deemed to be incorporated in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) The audited and unaudited financial statements included or incorporated or deemed to be incorporated in the Registration Statement and the Prospectuses, together with the related notes thereto, present fairly in all material respects the financial position, results of operations and cash flows of the Company and its consolidated subsidiaries as at the dates and for the periods to which they relate; except as otherwise stated in the Registration Statement, said financial statements have been prepared in conformity with United States generally accepted accounting principles applied on a consistent basis; and the supporting schedules, if any, included or incorporated or deemed to be incorporated in the Registration Statement present fairly in all material respects the information required to be stated therein.

(iv) Since the respective dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein, (A) there has been no material adverse change in the business, financial condition, assets or results of operations of the Company and its consolidated subsidiaries, taken as a whole, whether or not arising in the ordinary course of business (a "Material Adverse Change"), (B) there has been no transaction entered into by the Company or any of its consolidated subsidiaries, other than those in the ordinary course of business, that is material to the Company and its consolidated subsidiaries, taken as a whole, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on its capital stock (other than declarations or scheduled payments of dividends on the Company's outstanding preferred stock in additional shares of such preferred stock).

(v) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with corporate power and authority to own, lease and operate its properties and to conduct its business as now conducted and as described in the Prospectuses and to enter into and perform its

obligations under this Agreement, the Custody Agreement, the International Pricing Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, financial condition, assets or results of operations of the Company and its consolidated subsidiaries, taken as a whole (a "Material Adverse Effect").

(vi) The only subsidiaries of the Company that are "significant subsidiaries" within the meaning of Rule 1-02(w) of Regulation S-X under the 1933 Act as of the date hereof are Air Micronesia, Inc. and Continental Micronesia, Inc., each a Delaware corporation (collectively, together with Continental Express, Inc., a Delaware corporation, the "Subsidiaries"). Each Subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a Material Adverse Effect. Except as set forth in the Registration Statement, all of the outstanding capital stock of each Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and except as set forth in the Registration Statement is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(vii) All of the outstanding capital stock of the Company has been duly authorized and validly issued and is fully paid and nonassessable; the authorized capital stock of the Company conforms in all material respects to all statements relating thereto in the Prospectuses.

(viii) Neither the Company nor any of the Subsidiaries is in violation of its charter or in default (or, with

notice or lapse of time or both, would be in default) in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which it or any of them is bound, or to which any of the property or assets of the Company or any of the Subsidiaries is subject, which violation or default would have a Material Adverse Effect; and the execution, delivery and performance of this Agreement, the International Pricing Agreement, the Custody Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement and the consummation of the transactions contemplated herein and therein and compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate action and will not conflict with or constitute or result in a breach or violation by the Company or any of the Subsidiaries of (A) any of the terms or provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) by the Company or any of the Subsidiaries, or give rise to any right to accelerate the maturity or require the prepayment of any indebtedness under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries under, any contract, indenture, mortgage, deed of trust, loan agreement, note, lease, or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them may be bound, or to which any of them or any of their respective assets or properties is subject, which individually or in the aggregate would (1) have or result in a Material Adverse Effect, or (2) materially affect the consummation of the transactions contemplated hereby; (B) the respective charters or by-laws of the Company and the Subsidiaries or (C) any applicable law, administrative regulation or administrative or court decree which would have or result in a Material Adverse Effect, or materially affect the consummation of the transactions contemplated hereby.

(ix) Except as disclosed in the Registration Statement, to the knowledge of the Company, no material labor problem, dispute or disturbance with the employees of the Company or any of the Subsidiaries exists or is threatened.

(x) Except as disclosed in the Registration Statement, there is no legal action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against the Company or any of the Subsidiaries, which is required to be disclosed in the Registration Statement, or which would, individually or in the aggregate, have a Material Adverse Effect, or which could reasonably be expected to materially and adversely affect the consummation of the transactions contemplated by this Agreement, the International Pricing Agreement, the Custody Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement. Except as disclosed in the Registration Statement, neither the Company nor any of the Subsidiaries has received any notice or claim of any default (or event which with notice or lapse of time or both would result in a default) under any of its respective material contracts or has knowledge of any breach of any of such contracts by the other party or parties thereto, except such defaults or breaches as would not result in a Material Adverse Effect. There are no contracts or documents of the Company or any of its subsidiaries which are required to be filed as exhibits to the Registration Statement by the 1933 Act or by the 1933 Act Regulations which have not been so filed.

(xi) No authorization, approval or consent of any court or governmental authority or agency of the United States is necessary in connection with the offering or sale of the Securities hereunder or under the U.S. Purchase Agreement, except such as may be required and have been obtained under the 1933 Act, the 1933 Act Regulations, the 1934 Act, the 1934 Act Regulations or as may be required by the National Association of Securities Dealers, Inc. ("NASD") or under state securities laws.

(xii) The Company (i) has been subject to the requirements of Section 12 of the 1934 Act for a period of at least 12 calendar months, (ii) has filed in a timely manner all reports required to be filed during the 12 calendar months preceding the International Representation Date, and (iii) the aggregate market value of the voting stock held by non-affiliates of the Company is $75 million or more.

(xiii) Except as could not reasonably be expected to have a Material Adverse Effect, the Company and the

Subsidiaries possess such certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now conducted by them in the manner described in the Registration Statement, and neither the Company nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(xiv) This Agreement, the Custody Agreement and the U.S. Purchase Agreement have been, and, at the International Representation Date, the International Pricing Agreement and the U.S. Pricing Agreement will have been, duly authorized, executed and delivered by the Company.

(xv) There are no persons with registration or other similar rights to have any securities registered pursuant to the Registration Statement by the Company under the 1933 Act, except such as have been waived in writing or complied with by the inclusion of such persons as Selling Stockholders.

(xvi) Except as disclosed in the Registration Statement, there is no claim pending or to the knowledge of the Company threatened under any Environmental Law (as defined below) against the Company or any of the Subsidiaries which could reasonably be expected, singly or in the aggregate, to result in a Material Adverse Effect; to the knowledge of the Company there are no past or present actions, conditions, events, circumstances or practices, including, without limitation, the release of any Hazardous Material (as defined below) that could reasonably be expected to form the basis of any such claim under any Environmental Law against the Company or any of the Subsidiaries which would, singly or in the aggregate, result in a Material Adverse Effect. The term "Environmental Law" means the common law and any federal, state, local or foreign law, rule or regulation, code, order, decree, judgment or injunction, issued, promulgated, approved or entered thereunder relating to pollution or protection of public or employee health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, as amended, the Toxic Substance Control Act, as amended, the

Clean Air Act, as amended, and the Federal Water Pollution Act, as amended, and their foreign, state and local counterparts or equivalents and any other laws relating to (i) releases of any Hazardous Material into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, presence or handling of any Hazardous Material, or (iii) underground storage tanks and related piping, and releases therefrom. The term "Hazardous Material" means any pollutant, contaminant, chemical, hazardous material, or industrial, toxic or hazardous substance or waste (including, without limitation, petroleum, including crude oil or any fraction thereof or any petroleum product) regulated by or the subject of any Environmental Law.

(xvii) The Securities are listed on the New York Stock Exchange and have been registered under Section 12(b) of the 1934 Act.

(xviii) The documents incorporated or deemed to be incorporated by reference in the Prospectuses, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission under the 1934 Act (the "1934 Act Regulations"), and, when read together with the other information in the Prospectuses, at the time the Registration Statement and any amendments thereto become effective and at the Closing Time, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xix) Except as set forth on the inside front cover page of the Prospectuses, the Company has not and is not presently doing business with the government of Cuba or with any person or any affiliate located in Cuba.

(b) Each of the Selling Stockholders severally, and not jointly, represents and warrants to, and agrees with, each International Underwriter as of the date hereof, as of the International Representation Date and as of the Closing Time as follows:

(i) Such Seller Stockholder has reviewed and is familiar with the Registration Statement and the Prospectuses contained therein or filed as supplements thereto and such Selling Stockholder has no reason to believe that the Prospectuses (and any amendment, supplement or term sheet thereto) include (or, as of the Closing Time, as defined in Section 2 below, will include) an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and such Selling Stockholder is not prompted to sell the Securities to be sold by such Selling Stockholder by any information concerning the Company that is not set forth in the Prospectuses.

(ii) On the date the International Pricing Agreement is executed and at the Closing Time, as defined in Section 2 below, and, unless the Company has notified you as provided in Section 3(e) below, at all times between the first delivery of the International Prospectus to the International Underwriters for their use and the Closing Time, as defined in Section 2 below, such parts of the Registration Statement and any amendments and supplements thereto as specifically refer to such Selling Stockholder will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and such parts of the International Prospectus as specifically refer to such Selling Stockholder will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) Certificates for all of the Securities to be sold by such Selling Stockholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed have been deposited with the Company, as custodian (the "Custodian") pursuant to a Custody Agreement dated as of May , 1996, for the purpose of effecting delivery pursuant to this Agreement.

(iv) The execution and delivery of this Agreement, the International Pricing Agreement, the Custody Agreement, the U.S. Purchase Agreement and the U.S. Pricing

Agreement by such Selling Stockholder and the consummation of the transactions herein and therein contemplated will not (A) result in the creation or imposition of any lien, charge or encumbrance upon the International Securities to be sold by such Selling Stockholder or (B) result in a breach by such Selling Stockholder of, or constitute a default by such Selling Stockholder under, any material indenture, deed of trust, contract or other agreement or instrument or any decree, judgment or order to which such Selling Stockholder is a party or by which such Selling Stockholder may be bound, in each case that would have a Material Adverse Effect or (C) result in any violation of the provisions of the certificate or articles of incorporation or by-laws, trust agreement or other organizational documents, if any, of such Selling Stockholder.

(v) Such Selling Stockholder has and will have, at the Closing Time, good and marketable title to the International Securities to be sold by such Selling Stockholder under this Agreement, free and clear of any pledge, lien, security interest, encumbrance, equity, community property rights, restriction on transfer or claim whatsoever other than pursuant to this Agreement and such Selling Stockholder's Custody Agreement; such Selling Stockholder has full right, power and authority and all authorizations and approvals required by law to sell, transfer and deliver the International Securities to be sold by such Selling Stockholder under this Agreement and upon delivery of such International Securities and payment of the purchase price therefor as contemplated in this Agreement, each of the International Underwriters will receive good and marketable title to the International Securities purchased by it from such Selling Stockholder, free and clear of any pledge, lien, security interest, encumbrance, equity, restriction on transfer or claim whatsoever.

(vi) All authorizations, approvals, consents and orders necessary for the execution and delivery by such Selling Stockholder of this Agreement, the International Pricing Agreement, the Custody Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement and the sale and delivery of the Securities to be sold by such Selling Stockholder under this Agreement and the U.S. Purchase Agreement (other than, at the time of execution hereof, the issuance of the order of the Commission declaring the Registration Statement effective and such authorizations, approvals or consents as may be necessary

under state securities laws) have been obtained and are in full force and effect, and such Selling Stockholder has full right, power and authority to enter into and perform its obligations under this Agreement, the International Pricing Agreement, the Custody Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement, and to sell, transfer and deliver the Securities to be sold by such Selling Stockholder under this Agreement, the International Pricing Agreement, the Custody Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement.

(vii) Such Selling Stockholder has not taken, and will not take, directly or indirectly, any action which is designed to or which might reasonably be expected to cause or result in or which has constituted stabilization or manipulation of the price of any security of the Company to facilitate the distribution of the Securities.

[(viii) Except as otherwise permitted under the relevant lock-up agreement, such Selling Stockholder will not, directly or indirectly, for a period of 90 days from the date of the Pricing Agreement, except with the prior written consent of Merrill Lynch, offer, sell, contract to sell or otherwise dispose of shares of common stock of the Company, or any interests therein, or any securities convertible into or exchangeable for shares of common stock of the Company.]

(c) Any certificate signed by any officer of the Company and delivered to the International Underwriters or to the U.S. Underwriters or to counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby, and any certificate signed by any officer or partner, as the case may be, of a Selling Stockholder and delivered to the International Underwriters or to the U.S. Underwriters or counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by such Selling Stockholder to each International Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to the International Underwriters; Closing.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Selling Stockholders, acting severally

and not jointly, agree to sell to each International Underwriter, acting severally and not jointly, and each International Underwriter, acting severally and not jointly, agrees to purchase from the Selling Stockholders, acting severally and not jointly, at the purchase price per share set forth in the International Pricing Agreement (subject to subparagraph (b) hereof), (i) the number of International Securities from the Selling Stockholders set forth in Schedule A opposite the name of such International Underwriter, plus (ii) any additional number of International Securities which such International Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(1) If the Company has elected not to rely upon Rule 430A under the 1933 Act Regulations, the public offering price and the purchase price per share to be paid by the several International Underwriters for the International Securities have each been determined and set forth in the International Pricing Agreement, dated the date hereof, and an amendment to the Registration Statement and the Prospectuses containing such information will be filed before the Registration Statement becomes effective.

(2) If the Company has elected to rely upon Rule 430A under the 1933 Act Regulations, the purchase price per share to be paid by the several International Underwriters for the International Securities shall be an amount equal to the public offering price, less an amount per share to be determined by agreement between the International Underwriters, Air Canada and the Selling Stockholders (or any Attorney-in-Fact (as defined in the Custody Agreement) appointed by a Selling Stockholder). The public offering price per share of the International Securities shall be a fixed price to be determined by agreement between the International Underwriters, Air Canada and the Selling Stockholders (or any Attorney-in-Fact appointed by a Selling Stockholder). The public offering price and the purchase price shall be set forth in paragraph 2 of the International Pricing Agreement. In the event that such prices have not been agreed upon and the International Pricing Agreement has not been executed and delivered by all parties thereto by the close of business on the fourth business day following the date of this Agreement, this Agreement shall terminate forthwith, without liability of any party to any other party, unless otherwise agreed to by the Company, Air Canada, the

Selling Stockholders (or any Attorney-in-Fact appointed by a Selling Stockholder) and the Lead Managers.

(b) Payment of the purchase price for, and delivery of certificates for, the International Securities shall be made at the world headquarters of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, North Tower, World Financial Center, New York, New York 10281 or at such other place as shall be agreed upon by the Representatives and the Company, at 10:00 A.M. on the third or fourth business day (unless postponed in accordance with the provisions of Section 10) following the date the Registration Statement becomes effective (or, if the Company has elected to rely upon Rule 430A of the 1933 Act Regulations, the third or fourth business day after execution of the International Pricing Agreement), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives, Air Canada and the Selling Stockholders (or any Attorney-in-Fact appointed by a Selling Stockholder) (such time and date of payment and delivery being herein called "Closing Time"). Payment for International Securities shall be made to Air Canada and to the Custodian on behalf of the other Selling Stockholders by certified or official bank check or checks drawn in New York Clearing House funds or similar next day funds, or by wire transfer to an account to be designated by the Custodian at least one business day prior to the Closing Time of immediately available funds (net of the cost to Merrill Lynch of obtaining such immediately available funds), payable to the order of the respective Selling Stockholders, against delivery to the Lead Managers for the respective accounts of the International Underwriters of certificates for the International Securities to be purchased by them. Certificates for the International Securities shall be in such denominations and registered in such names as the Lead Managers may request in writing to the transfer agent at least two business days before Closing Time. It is understood that each International Underwriter has authorized the Lead Managers, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the International Securities which it has agreed to purchase. MLI, individually and not as representative of the International Underwriters, may (but shall not be obligated to) make payment of the purchase price for the International Securities to be purchased by any International Underwriter whose check has not been received by Closing Time, but such payment shall not relieve such International Underwriter from its obligations hereunder. The certificates for the International Securities will be made available by the transfer agent for examination

and packaging by the Lead Managers not later than 10:00 A.M. on the last business day prior to Closing Time.

(c) Each Selling Stockholder will pay all applicable stock transfer taxes which are required to be paid in connection with the sale and transfer of the International Securities by such Selling Stockholder to the International Underwriters hereunder or will have fully provided for payment of such taxes and all laws imposing such taxes will have been fully complied with.

SECTION 3. Covenants of the Company. The Company covenants with each International Underwriter as follows:

(a) The Company will, for so long as the Underwriters are required to deliver a prospectus in connection with the offer and sale of the Securities, notify the Lead Managers promptly, and confirm the notice in writing, (i) of the effectiveness of the Registration Statement and any amendment thereto (including any post-effective amendment), (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment. The obligations of the Company pursuant to this Section 3(a) shall be deemed to terminate 90 days after the date of the International Pricing Agreement unless the Lead Managers shall notify the Company in writing that the Underwriters continue to be subject to prospectus delivery requirements with respect to offers and sales of the Securities, and in the event of any such notice the obligations of the Company under this Section 3(a) shall be deemed to terminate 60 days after the date of such notice unless a further notice to such effect is so provided.

(b) The Company will, for so long as the Underwriters are required to deliver a prospectus in connection with the offer and sale of the Securities, give the Lead Managers notice of its intention to file or prepare any amendment to the Registration Statement (including any

post-effective amendment) or any amendment or supplement to the Prospectuses (including any revised prospectus which the Company proposes for use by the Underwriters in connection with the offering of the Securities which differs from the prospectuses on file at the Commission at the time the Registration Statement becomes effective, whether or not such revised prospectuses are required to be filed pursuant to Rule 424(b) of the 1933 Act Regulations), whether pursuant to the 1933 Act, the 1934 Act or otherwise, will furnish the Lead Managers with copies of any such amendment or supplement a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file any such amendment or supplement or use any such prospectus to which the Lead Managers or counsel for the Underwriters shall reasonably object. In the event (a) the Underwriters shall object to any such amendment, supplement or prospectus and (b) the Company shall have determined (based upon the written opinion of outside counsel) that the failure to file with the Commission, or use in connection with the sale of the securities included in the Registration Statement, any such amendment, supplement or prospectus would make the Prospectus include a material misstatement or omit to state a material fact in light of the circumstances existing at the time it is delivered to a purchaser, then the Company may file with the Commission any such amendment, supplement or prospectus. The obligations of the Company pursuant to this Section 3(b) shall be deemed to terminate 90 days after the date of the International Pricing Agreement unless the Lead Managers shall notify the Company in writing that the Underwriters continue to be subject to prospectus delivery requirements with respect to offers and sales of the Securities, and in the event of any such notice the obligations of the Company under this Section 3 (b) shall be deemed to terminate 60 days after the date of such notice unless a further notice to such effect is so provided.

(c) The Company will deliver to the Lead Managers as many signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) as the Lead Managers may reasonably request and will also deliver to the Lead Managers a conformed copy of the Registration Statement as

originally filed and of each amendment thereto (without exhibits) for each of the International Underwriters.

(d) The Company will furnish to each International Underwriter, from time to time during the period when the International Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the International Prospectus (as amended or supplemented) as such International Underwriter may reasonably request for the purposes contemplated by the 1933 Act or the 1934 Act or the respective applicable rules and regulations of the Commission thereunder.

(e) During the period when the International Prospectus is required to be delivered under the 1933 Act or the 1934 Act, if any event shall occur as a result of which it is necessary, in the reasonable opinion of counsel for the Lead Managers or counsel to the Company, to amend or supplement the International Prospectus in order that the International Prospectus, as then amended or supplemented, will not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading or, in the reasonable opinion of the Lead Managers or counsel to the Lead Managers, such amendment or supplement is necessary to comply with applicable law, the Company will, subject to paragraph (b) of this Section 3, promptly prepare such amendment or supplement as may be necessary to correct such untrue statement or omission or to effect such compliance (in form and substance reasonably satisfactory to counsel for the Lead Managers), so that, as so amended or supplemented, the International Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading, or so that such Prospectus as so amended or supplemented will comply with applicable law, as the case may be, and the Company will furnish to the International Underwriters such number of copies of such amendment or supplement as the International Underwriters may reasonably request. The Company agrees to notify the Underwriters in writing to suspend use of the Prospectuses as promptly as practicable after the occurrence of an event specified in this paragraph (e), and the Underwriters hereby agree upon receipt of

such notice from the Company to suspend use of the Prospectuses until the Company has amended or supplemented the Prospectuses to correct such misstatement or omission or to effect such compliance.

(f) The Company, during the period when the International Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to Section 13, 14 or 15 of the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

(g) The Company will endeavor, in cooperation with the International Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Representatives may reasonably designate; provided, however, that the Company shall not be obligated to (i) qualify as a foreign corporation in any jurisdiction in which it is not so qualified, (ii) file any general consent to service of process in any jurisdiction where it is not at the Closing Time then so subject or (iii) subject itself to taxation in any such jurisdiction if it is not so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement or such shorter period that will terminate when all Initial Securities and any Option Securities to be sold subject to such qualification have been sold or withdrawn. The Company shall promptly advise the Lead Managers and counsel to the Lead Managers of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of the Securities for offering or sale in any jurisdiction or the institution of any proceeding for such purpose. The Company will inform the Florida Department of Banking and Finance if prior to the completion of the distribution of the Securities by the Underwriters the Company commences engaging, other than as set forth in the Registration Statement, in business with the government of Cuba or with any person or affiliate located in Cuba. Such information will be provided within 90 days of the commencement thereof or after a change to any such previously reported information.

(h) The Company will make generally available to its security holders as soon as practicable, but not later than 90 days after the close of the period covered thereby, an earning statement (in form complying with the provisions of Rule 158 of the 1933 Act Regulations) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in said Rule 158) of the Registration Statement.

(i) If, at the time that the Registration Statement becomes effective, any information shall have been omitted therefrom in reliance upon Rule 430A of the 1933 Act Regulations, then immediately following the execution of the International Pricing Agreement, the Company will prepare, and file or transmit for filing with the Commission in accordance with such Rule 430A and Rule 424(b) of the 1933 Act Regulations, copies of an amended International Prospectus and an amended U.S. Prospectus, or, if required by such Rule 430A, a post-effective amendment to the Registration Statement (including amended Prospectuses), containing all information so omitted.

(j) The Company will use its commercially reasonable best efforts to cause the continued listing of the Securities on the New York Stock Exchange.

(k) The Company will not, directly or indirectly, for a period of 90 days from the International Representation Date, except with the prior written consent of Merrill Lynch, offer, sell, contract to sell, or otherwise dispose of any shares of common stock of the Company or any interests therein, or any securities that are convertible into or exchangeable for shares of common stock or other equity interests of the Company, except that the Company may issue shares of common stock or other equity interests of the Company (i) pursuant to the exercise or conversion of options, warrants or other securities outstanding on the date hereof, (ii) pursuant to the grant of stock options or other stock-based awards (and the exercise thereof) to directors, officers, and employees of the Company or its subsidiaries, and (iii) as may be required pursuant to the certificate of incorporation of the Company and may cause to be registered with the Commission (y) a resale shelf registration statement for the shares of Class B Common Stock to be issued upon the conversion of the Company's outstanding 6 3/4% Convertible

Subordinated Notes Due April 15, 2006 and 8 1/2% Convertible Trust Originated Preferred Securities (Convertible TOPrS) and (z) a registration statement for the sale (only after the expiration of the 90-day period referred to above) of up to $50 million of Class B Common Stock.

(l) Immediately following the execution of the International Pricing Agreement, the Company will prepare, and file or transmit for filing with the Commission in accordance with Rules 434 and 424(b) of the 1933 Act Regulations, copies of amended Prospectus supplements and term sheet, if any, to the Registration Statement, containing all omitted information.

(m) If the Company uses Rule 434 of the 1933 Act Regulations, it will comply with the requirements of Rule 434 of such regulations and the International Prospectus will not be "materially different," as such term is used in Rule 434 of the 1933 Act Regulations, from the International Prospectus first given to the International Underwriters for their use.

SECTION 4. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the preparation and delivery of the certificates for the Securities to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(g) hereof, including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey, (v) the printing and delivery to the Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto (excluding exhibits, except to the Representatives), of each preliminary prospectus, and of the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey, (vii) the fee of the National Association of Securities Dealers, Inc. and (ix) the fees and expenses of continuing the listing of the Securities on the New York Stock Exchange, Inc.

Notwithstanding the foregoing, each Selling Stockholder will pay and bear any stock transfer taxes, underwriting discounts or commissions payable upon, or with respect to the

sale of Securities sold by such Selling Stockholder to the Underwriters, and any fees and disbursements of counsel to the Selling Stockholders. The Company will pay the amount of the Commission filing fee attributable to Securities sold by each Selling Stockholder hereunder.

If after the execution of an International Pricing Agreement this Agreement is terminated by the Lead Managers in accordance with the provisions of Section 5 or Section 9(a)(i) hereof, the Company shall reimburse the Underwriters for all of their reasonable out-of-pocket expenses that shall have been incurred by them in connection with the proposed purchase and sale of the Securities, including the reasonable fees and disbursements of counsel for the Underwriters [unless such termination occurs by reason of the failure to satisfy the conditions contained in Section 5(b)(3) and 5(g) insofar as it relates to deliveries by the Selling Stockholders, in which case such fees and expenses shall be paid by the Selling Stockholder or Selling Stockholders as to which such failure of condition relates].

SECTION 5. Conditions of International Underwriters' Obligations. The obligations of the International Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders herein contained, to the performance by the Company and the Selling Stockholders of their respective several obligations hereunder, and to the following further conditions:

(a) The Registration Statement shall have become effective not later than 5:30 P.M. on the date hereof, or with the consent of the Lead Managers, at a later time and date, not later, however, than 5:30 P.M. on the first business day following the date hereof, or at such later time and date as may be approved by a majority in interest of the International Underwriters; and at Closing Time, no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission. If the Company has elected to rely upon Rule 430A of the 1933 Act Regulations, the price of the Securities and any price-related information previously omitted from the effective Registration Statement pursuant to such Rule 430A shall have been transmitted to the Commission for filing pursuant to Rule 424(b) of the 1933 Act Regulations within the prescribed time period and, prior to Closing Time, the Company shall have provided evidence

satisfactory to the Lead Managers of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirements of Rule 430A of the 1933 Act Regulations.

(b) At Closing Time the Lead Managers, as representatives of the International Underwriters, shall have received:

(1) The favorable opinion, dated as of Closing Time, of Cleary, Gottlieb, Steen & Hamilton, special counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Company is validly existing as a corporation in good standing under the laws of the State of Delaware.

(ii) The Company has corporate power to own its properties and conduct its business as described in the Registration Statement and to enter into and perform its obligations under this Agreement, the International Pricing Agreement, the Custody Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement.

(iii) The issuance and sale of the Securities was not subject, at the date of issue, to preemptive or other similar rights arising under the certificate of incorporation or by-laws of the Company or under the Delaware General Corporation Law.

(iv) The execution and delivery of this Agreement, the International Pricing Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement have each been duly authorized by all necessary corporate action of the Company.

[(v) The Registration Statement is effective under the 1933 Act and, to the best of their knowledge and information, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act or

proceedings therefor initiated or threatened by the Commission.]

(vi) The Class B Common Stock and each other class of authorized capital stock of the Company conform in all material respects to the description thereof contained in the Prospectuses under the heading "Description of Capital Stock."

(vii) The statements set forth under the headings "Description of Capital Stock" and "Principal and Selling Stockholders -- Stockholders' Agreement" in the Prospectuses, insofar as such statements purport to summarize certain provisions of the Certificate of Incorporation of the Company and that certain Stockholders' Agreement, and any amendments thereto, provide a fair summary of such provisions; the statements set forth under the headings "Certain U.S. Tax Consequences to Non-U.S. Holders" and "Risk Factors -- Certain Tax Matters," insofar as such statements purport to summarize certain federal tax laws of the United States referred to thereunder, provide a fair [and accurate] summary of such laws.

(viii) No authorization, approval, consent or order of any governmental authority of the United States or the State of New York is required as of the date of such opinion in connection with the offering and sale of the Securities to the Underwriters in the United States pursuant to the U.S. Purchase Agreement, except such as may have been obtained under the 1933 Act or the 1933 Act Regulations or the 1934 Act.

(2) The favorable opinion, dated as of Closing Time, of Jeffery A. Smisek, Esq., Senior Vice President and General Counsel of the Company, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) To the best of his knowledge, the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in the United States which

such qualification is required, except in jurisdictions where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect.

(ii) Each of the Subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and, to the best of his knowledge, is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in the United States in which such qualification is required, except as could not reasonably be expected to have a Material Adverse Effect; all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and nonassessable and, except as disclosed in the Prospectuses or except as would not have a Material Adverse Effect, is owned beneficially and of record by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(iii) To the best of his knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or any Subsidiary is a party or to which the assets of the Company or any Subsidiary are subject which are required to be disclosed in the Registration Statement, other than those disclosed therein, or those which individually or in the aggregate would have a Material Adverse Effect.

(iv) To the best of his knowledge, none of the Company or any of the Subsidiaries is in default (or, with notice or lapse of time or both, would be in default) in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan agreement, note, lease or other instrument

to which it is a party or by which it is bound, or to which any of its respective assets is subject, or in violation of any law, statute, judgment, decree, order rule or regulation of any domestic or foreign court with jurisdiction over the Company or any of the Subsidiaries or any of their respective assets, or other governmental or regulatory authority, agency or other body, other than such defaults or violations which, individually or in the aggregate, would not have a Material Adverse Effect.

(v) To the best of his knowledge, the execution, delivery and performance of this Agreement, the International Pricing Agreement, the Custody Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement and the consummation of the transactions contemplated herein and therein and compliance by the Company with its obligations hereunder and thereunder will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries pursuant to, any material contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which it or any of them is bound, or to which any of the property or assets of the Company or any of the Subsidiaries is subject, except as would not, individually or in the aggregate, have a Material Adverse Effect, nor will such action result in any violation of the provisions of the charter or by-laws of the Company, or any applicable law, administrative regulation or administrative or court decree.

(vi) To the best of his knowledge, there are no contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement other than those described or referred to therein. The descriptions thereof or references thereto are correct in all material respects, and to his actual knowledge no default exists in the due

performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument so described, referred to or filed as an exhibit to a document filed under the 1934 Act or the 1934 Act Regulation, except as could not reasonably be expected to have a Material Adverse Effect.

(vii) At the time the Registration Statement became effective and at the Representation Date, the Registration Statement (other than the financial statements and supporting schedules included therein and the Exhibits thereto, as to which no opinion need be rendered) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations. Each document filed pursuant to the 1934 Act (other than the financial statements and supporting schedules included therein, as to which no opinion need be rendered) and incorporated or deemed to be incorporated by reference in the Prospectuses complied when so filed as to form in all material respects with the 1934 Act and the 1934 Act Regulations.

(viii) The shares of issued and outstanding Class A Common Stock and Class B Common Stock, including the Securities to be sold by the Selling Stockholders, have been duly authorized by all necessary corporate action and validly issued and are fully paid and nonassessable.

(3) The favorable opinion, dated as of Closing Time, of counsel for each of the Selling Stockholders, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) This Agreement, the International Pricing Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement have been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(ii) The Custody Agreement has been duly authorized, executed and delivered by or on

behalf of such Selling Stockholder and constitute the valid and binding obligations of such Selling Stockholder, enforceable in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles.

(iii) To the best of its knowledge and information, such Selling Stockholder has good and marketable title to the Securities to be sold by such Selling Stockholder under this Agreement and the U.S. Purchase Agreement, free and clear of any pledge, lien, security interest, encumbrance, claim or equity, other than pursuant to this Agreement, the U.S. Purchase Agreement and the Custody Agreement, and has full right, power and authority to sell the International Securities to be sold by such Selling Stockholder under this Agreement; and upon the delivery of and payment for the International Securities as contemplated in this Agreement, assuming that each such International Underwriter is without notice of any "adverse claim" (as such term is defined in the Uniform Commercial Code), each of the International Underwriters will acquire all of such Selling Stockholder's rights and interests to the Securities sold by such Selling Stockholder, free and clear of any pledge, lien, security interest, encumbrance, claim or equity.

(4) The favorable opinion, dated as of Closing Time, of Cahill Gordon & Reindel, counsel for the Underwriters, with respect to the matters set forth in (i), (iv), (v) and (vi) of subsection (b)(1) of this Section.

(5) In giving their opinions required by subsections (b)(1) and (b)(4), respectively, of this Section, Cleary, Gottlieb, Steen & Hamilton and Cahill Gordon & Reindel shall each additionally state that they have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants

for the Company and representatives of the Underwriters at which the contents of the Registration Statement and the Prospectuses and related matters were discussed and, although they are not passing upon, have not made any independent verification of and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and the Prospectuses (except to the extent expressly set forth in their opinion), on the basis of the foregoing (relying as to materiality to a large extent upon the opinions of officers and other representatives of the Company), no facts have come to their attention that lead them to believe that the Registration Statement at the time it became effective or at the International Representation Date contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein not misleading, or that the Prospectuses, as of their dates and as of the date of such opinion, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (it being specifically understood that they have not been requested to and do not express any statement with respect to the financial statements and schedules and other financial and statistical data included or incorporated by reference in the Registration Statement).

(c) At Closing Time there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Prospectus except as stated therein, any Material Adverse Change or any development resulting in a prospective Material Adverse Change, and the Lead Managers shall have received a certificate of the President or a Vice President of the Company and of the principal financial or principal accounting officer of the Company, dated as of Closing Time, addressed to the Lead Managers, as representatives of the International Underwriters, and each Selling Stockholder to the effect that (i) there has been no such Material Adverse Change or development resulting in a prospective Material Adverse Change, (ii) the representations and warranties of the Company in this Agreement are true and correct with the same force and effect as though

expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or threatened by the Commission.

(d) At the time that this Agreement is signed, Ernst & Young LLP shall have furnished to the Lead Managers, as representatives of the International Underwriters, a letter addressed to the Lead Managers, as representatives of the International Underwriters, and the Company, dated as of the date of this Agreement, in form and substance satisfactory to the Lead Managers, confirming that they are independent auditors with respect to the Company and its subsidiaries within the meaning of the 1933 Act and the 1933 Act Regulations and stating in effect that:

(i) in their opinion the audited financial statements and supporting schedules included in the Registration Statement or incorporated or deemed to be incorporated by reference therein comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations;

(ii) on the basis of a reading of the latest unaudited financial statements made available by the Company; carrying out certain procedures specified in such letter (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comment set forth in such letter; a reading of the minutes of the meetings of the stockholders, the board of directors and committees thereof of the Company; and inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company as to transactions and events subsequent to March 31, 1996, and such other inquiries and procedures as may be specified in such letter, nothing has come to their attention which causes them to believe that:

(A) the unaudited financial statements of the Company and its subsidiaries included in the

Registration Statement or incorporated or deemed to be incorporated by reference therein do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations or are not presented in conformity with generally accepted accounting principles applied on a basis substantially consistent with the audited financial statements incorporated by reference therein; or

(B) the unaudited amounts of revenues, net income and net income per share set forth under "Selected Financial Data" in the Prospectuses were not determined on a basis substantially consistent with what is used in determining the corresponding amounts in the audited financial statements incorporated by reference in the Registration Statement; or

(C) with respect to the period subsequent to March 31, 1996, that at a specified date not more than five days prior to the date of this Agreement, there has been any change in the capital stock of the Company or any increase in the consolidated long term debt or consolidated net current liabilities of the Company and its subsidiaries or any decrease in common stockholders' equity as compared with the amounts shown in the March 31, 1996 balance sheet incorporated by reference in the Registration Statement and Prospectuses, or for the period from March 31, 1996 to such specified date, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated operating revenues, net income or primary or fully diluted income per common share or any increases in net loss or primary or fully diluted loss per common share of the Company and its subsidiaries, except in all instances for changes, increases or decreases that are described in such letter or that the Registration Statement and the Prospectus disclose have occurred or may occur; and

(iii) in addition to the examination referred to in their opinion and the limited procedures referred to in clause (ii) above, they have performed certain

other specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information that are derived from the general accounting records of the Company and are included in the Registration Statement and Prospectuses, and have compared such amounts, percentages and financial information with such records of the Company and with information derived from such records and have found such amounts, percentages and financial information to be in agreement with the relevant accounting, financial and other records of the Company and its subsidiaries identified in such letter.

(e) At Closing Time the Lead Managers shall have received from Ernst & Young a letter addressed to the Lead Managers, as representatives of the International Underwriters, and each Selling Stockholder, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (d) of this Section, except that the specified date referred to shall be a date not more than five days prior to Closing Time and, if the Company has elected to rely on Rule 430A of the 1933 Act Regulations, to the further effect that they have carried out procedures as specified in clause (iii) of subsection (d) of this Section with respect to certain amounts, percentages and financial information specified by the Lead Managers and deemed to be a part of the Registration Statement pursuant to Rule 430A(b) and have found such amounts, percentages and financial information to be in agreement with the records specified in such clause (iii).

(f) At Closing Time, and at each Date of Delivery, the Securities shall continue to be listed on the New York Stock Exchange.

(g) At Closing Time and at each Date of Delivery, if any, counsel for the Underwriters shall have been furnished with such documents as they may reasonably require and have specifically requested prior to such time for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Stockholders

in connection with the sale of the International Securities as herein contemplated shall be satisfactory in form and substance to the Lead Managers and counsel for the Underwriters.

(h) Each Selling Stockholder shall have executed and delivered to the Underwriters a 90-day lock-up agreement in the forms attached hereto as Exhibit A.

(i) The Selling Stockholders shall have furnished to the Underwriters such other documents, certificates and opinions as the Underwriters shall have reasonably and specifically requested prior to the Closing Time.

If any condition specified in this Section shall not have been fulfilled in all material respects when and as required to be fulfilled, this Agreement may be terminated by the Lead Managers by notice to the Company and each Selling Stockholder at any time at or prior to Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof.

SECTION 6. Indemnification.

(a) The Company agrees to indemnify and hold harmless each International Underwriter, each Selling Stockholder and each person, if any, who controls any International Underwriter or any Selling Stockholder within the meaning of Section 15 of the 1933 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, including any amounts paid in settlement of any investigation, litigation, proceeding or claim, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the information deemed to be part of the Registration Statement pursuant to Rule 430A(b) of the 1933 Act Regulations, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the

circumstances under which they were made, not misleading, provided, that the Company shall not be liable under this clause (i) for any settlement of any action effected without its written consent, which consent shall not be unreasonably withheld; and

(ii) against any and all expense whatsoever, as incurred (including, subject to Section 6(d) hereof, the reasonable fees and disbursements of counsel chosen by Merrill Lynch to represent the Underwriters, which counsel shall also represent any Selling Stockholder seeking indemnity from the Company pursuant to this Section 6(a) based upon similar claims, provided, that, if such Selling Stockholders, on the one hand, and the Company on the other hand, reasonably determine that there may be legal defenses available to such Selling Stockholders which are different from or in addition to those available to you, then the Selling Stockholders shall be entitled to retain separate counsel to conduct the defense of such Selling Stockholders), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) above; provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto). The foregoing indemnification with respect to any preliminary prospectus shall not inure to the benefit of any International Underwriter, or any person who controls a International Underwriter within the meaning of Section 15 of the 1933 Act, from whom the person asserting any such losses, claims, damages or liabilities purchased International Securities if a copy of the International Prospectus (as then amended or supplemented if the Company shall have furnished to the International Underwriters for their use any amendments or supplements thereto) was not sent or given by or on behalf of such International Underwriter to such person, if such is required by law, at or prior to

the written confirmation of the sale of such International Securities to such person and to the extent that delivery of the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(b) Each International Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, each Selling Stockholder, and each person, if any, who controls the Company or a Selling Stockholder within the meaning of Section 15 of the 1933 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or any preliminary prospectuses or the Prospectuses (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such International Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectuses or the Prospectuses (or any amendment or supplement thereto).

(c) Each Selling Stockholder severally, and not jointly, agrees to indemnify and hold harmless each International Underwriter, the Company, its directors and each of its officers who signed the Registration Statement, and each other Selling Stockholder, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the 1933 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 6(a), as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), or any preliminary prospectus or the Prospectus (or any supplement thereto) in reliance upon and in conformity with public documents, or oral or written information pertaining to such Selling Stockholder furnished to the Company by or on behalf of such Selling Stockholder expressly for use in the Registration Statement (or any amendment thereto), or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); provided, however, that each Selling Stockholder's maximum aggregate liability under this Section 6(c) [and for any breach of the representations and warranties of such Selling Stockholder set forth in Section 1(b)(i) of this Agreement (together with any liability of such Selling Stockholder for

any breach or alleged breach of the representations and warranties of such Selling Stockholder set forth in Section 1(b)(i) of the U.S. Purchase Agreement)] shall be limited to the aggregate amount of the net proceeds (after deducting the Underwriters' discount but before deducting expenses) received by such Selling Stockholder from the sale of such Selling Stockholder's Securities pursuant to this Agreement and the U.S. Purchase Agreement; provided, further, that each Selling Stockholder agrees to indemnify and hold harmless each International Underwriter, the Company, its directors and each of its officers who signed the Registration Statement, each other Selling Stockholder, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the 1933 Act, against any all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of a breach or alleged breach of such Selling Stockholder's representation and warranties set forth in Section 1(b)(i).

[In making a claim for indemnification under this Section 6 or contribution under Section 7 in each case, with respect to a breach or alleged breach by a Selling Shareholder of its representation and warranty set forth in Section 1(b)(i), the indemnified parties may proceed against either (i) both the Company (in respect of claims under Section 6(a) or Section 7) and such Selling Stockholder or (ii) the Company only, but may not proceed solely against such Selling Stockholder. In the event that the indemnified parties are entitled to seek indemnity or contribution hereunder against any loss, liability, claim, damage and expense incurred with respect to a final judgment from a trial court then, as a precondition to any indemnified party obtaining indemnification or contribution from a Selling Stockholder in respect of a breach or alleged breach of its representation and warranty set forth in Section 1(b)(i), the indemnified parties shall first obtain a final judgment from a trial court that such indemnified parties are entitled to indemnity or contribution under this Agreement with respect to such loss, liability, claim, damage or expense (the "Final Judgment") from the Company (in respect of claims under Section 6(a) or Section 7) and such Selling Stockholder and shall seek to satisfy such Final Judgment in full from the Company by making a written demand upon the Company for such satisfaction. Only in the event such Final Judgment shall remain unsatisfied in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to take action to satisfy such Final Judgment by making demand directly on such Selling Stockholder (but only if and to the extent the Company has not already satisfied

such Final Judgment, whether by settlement, release or otherwise). The indemnified parties may exercise this right to first seek to obtain payment from the Company and thereafter obtain payment from a Selling Stockholder without regard to the pursuit by any party of its rights to the appeal of such Final Judgment. The indemnified parties shall, however, be relieved of their obligation to first obtain a Final Judgment, seek to obtain payment from the Company with respect to such Final Judgment or, having sought such payment, to wait such 45 days after failure by the Company to immediately satisfy any such Final Judgment if (i) the Company files a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), (ii) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (iii) the Company makes an assignment for the benefit of its creditors or (iv) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets. The foregoing provisions of this paragraph are not intended to require any indemnified party to obtain a Final Judgment against the Company or a Selling Stockholder before obtaining reimbursement of expenses pursuant to clause (a)(i), (a)(ii) or (c) of this Section 6. However, the indemnified parties shall first seek to obtain such reimbursement in full from the Company by making a written demand upon the Company for such reimbursement. Only in the event such expenses shall remain unreimbursed in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to receive reimbursement of such expenses from a Selling Stockholder by making written demand directly on a Selling Stockholder (but only if and to the extent the Company has not already satisfied the demand for reimbursement, whether by settlement, release or otherwise). The indemnified parties shall, however, be relieved of their obligation to first seek to obtain such reimbursement in full from the Company or, having made written demand therefor, to wait such 45 days after failure by the Company to immediately reimburse such expenses if (i) the Company files a petition for relief under the Bankruptcy Code, (ii) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (iii) the Company makes an assignment for the benefit of its creditors or (iv) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets.]

(d) Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity or contribution may be sought

hereunder, but failure to so notify an indemnifying party shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of such action. If it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and approved by the indemnified parties defendant in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them which are different from or in addition to those available to such indemnifying party. If an indemnifying party assumes the defense of such action, the indemnifying parties shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action. In no event shall the indemnifying party be liable for the fees and expenses of more than one counsel (separate from its own counsel) for each of the U.S. Underwriters, the Company and the Selling Stockholders, as applicable, in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

SECTION 7. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 6 hereof is for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Company, the International Underwriters and the Selling Stockholders shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company, the Selling Stockholders and one or more of the International Underwriters, in such proportion that the International Underwriters are responsible for that portion represented by the percentage that the underwriting discount appearing on the cover page of the Prospectus bears to the public offering price appearing thereon and the Company and the Selling Stockholders are responsible for the balance; provided, however, that each Selling Stockholder shall only be responsible in an amount equal to that portion of the balance that is in the same proportion to such balance as the net proceeds to such Selling Stockholder bears to the net proceeds of the offerings, up to an amount equal to the net proceeds realized by such Selling Stockholder; provided, further, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled

to contribution from any person who was not guilty of such fraudulent misrepresentation; and provided, further, that the contribution provisions of this Section 7 shall not inure to the benefit of any U.S. Underwriter to the extent that the aggregate losses, liabilities, claims, damages and expenses result from the circumstances described in the first proviso in Section 6(a) (ii). For purposes of this Section, each person, if any, who controls an International Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such International Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company or any Selling Stockholder within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company or such Selling Stockholder, as the case may be. No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its written consent.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement and the International Pricing Agreement, or contained in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any International Underwriter or controlling person, or by or on behalf of the Company, and shall survive delivery of the International Securities to the International Underwriters.

SECTION 9. Termination of Agreement.

(a) The Lead Managers may terminate this Agreement, by notice to the Company and each Selling Stockholder, at any time at or prior to Closing Time (i) if there has been, since the date of this Agreement or since the respective dates as of which information is given in the Registration Statement, except as stated therein, any Material Adverse Change or any development resulting in a prospective Material Adverse Change or (ii) if there has occurred any material adverse change in, the financial markets in the United States or elsewhere or any outbreak of hostilities or escalation thereof or other calamity or crisis the effect of which is such as to make it, in the judgment of the Lead Managers, impracticable to market the International Securities or to enforce contracts for the sale of the International Securities, or (iii) if trading in the Common Stock has been suspended by the Commission, or if

trading generally on either the American Stock Exchange or the New York Stock Exchange has been suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, by either of said exchanges or by order of the Commission or any other governmental authority, or if a banking moratorium has been declared by either Federal, New York or Texas authorities.

(b) If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof. Notwithstanding any such termination, the provisions of Sections 6 and 7 shall remain in effect.

SECTION 10. Default by One or More of the International Underwriters. If one or more of the International Underwriters shall fail at Closing Time to purchase the International Securities which it or they are obligated to purchase under this Agreement and the International Pricing Agreement (the "Defaulted Securities"), the Lead Managers shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting International Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Lead Managers shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of International Securities, each of the non-defaulting International Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting International Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of International Securities, this Agreement shall terminate without liability on the part of any non-defaulting International Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Lead Managers or the Company or the Selling Stockholders acting unanimously shall have the right to postpone Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectuses or in any other documents or arrangements.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the International Underwriters shall be directed to the Lead Managers at Merrill Lynch International, Ropemaker Place, 25 Ropemaker Street, London EC 2Y 9LY, attention of Equity Syndicate; notices to the Company shall be directed to it at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019-4607, attention of Chief Financial Officer, with a copy to the attention of General Counsel, and notices to each Selling Stockholder shall be directed to it at the address set forth in Schedule B hereto.

SECTION 12. Information Supplied by the U.S. Underwriters. The Statements set forth in the last paragraph on the front cover page and under the heading "Underwriting" in the U.S. Prospectus, the International Prospectus or the Registration Statement (to the extent such statements relate to the Underwriters) constitute the only information furnished by Merrill Lynch to the Company for the purposes of Sections 1 and 6 hereof.

SECTION 13. Parties. This Agreement, the International Pricing Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement shall each inure to the benefit of and be binding upon the Underwriters, the Company and the Selling Stockholders and their respective successors. Nothing expressed or mentioned in this Agreement, the International Pricing Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and the Selling Stockholders and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement, the International Pricing Agreement, the U.S. Purchase Agreement and the U.S. Pricing Agreement or any provision herein or therein contained. This Agreement, the International Pricing Agreement, the U.S.

Purchase Agreement and the U.S. Pricing Agreement and all conditions and provisions hereof and thereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and the Selling Stockholders and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. Governing Law and Time. This Agreement and the International Pricing Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Specified times of day refer to New York City time.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the Selling Stockholders and the Company in accordance with its terms.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By: _____
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH INTERNATIONAL
GOLDMAN SACHS INTERNATIONAL
LEHMAN BROTHERS INTERNATIONAL (EUROPE)
MORGAN STANLEY & CO. INTERNATIONAL LIMITED

By: MERRILL LYNCH INTERNATIONAL

By: _____
Authorized Signatory

For themselves and as Lead Managers of the other International Underwriters named in Schedule A to the International Pricing Agreement.

[Selling Stockholders Counterpart Signature Page]

AIR CANADA

By: _____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

_____
DAVID BONDERMAN

BONDERMAN FAMILY LIMITED
PARTNERSHIP

By:_____
Name: David Bonderman,
as General Partner

1992 AIR, INC.

By:_____
Name: David Bonderman
Title:

AIR II GENERAL, INC.

By:_____
Name: David Bonderman
Title:

BONDO AIR, L.P.

By: 1992 AIR, INC

By:_____
Name: David Bonderman
Title:

[Selling Stockholders Counterpart Signature Page]

AMERICAN GENERAL CORPORATION

By:_____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

SUNAMERICA INC.

By:_____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

_____
ELI BROAD

[Selling Stockholders Counterpart Signature Page]

ESTATE OF LARRY L. HILLBLOM

DHL MANAGEMENT, INC.

DONALD STURM

CONAIR LIMITED PARTNERS, L.P.

AIR SAIPAN, INC.

By:_____
Name:
Title: Attorney-in-Fact

854,203 Shares

CONTINENTAL AIRLINES, INC.

(a Delaware corporation)

Class B Common Stock

(Par Value $.01 Per Share)

INTERNATIONAL PRICING AGREEMENT

London, England
May __, 1996

MERRILL LYNCH INTERNATIONAL
GOLDMAN SACHS INTERNATIONAL
LEHMAN BROTHERS INTERNATIONAL (EUROPE)
MORGAN STANLEY & CO. INTERNATIONAL LIMITED
as Representatives of the several
International Underwriters
c/o MERRILL LYNCH INTERNATIONAL
Ropemaker Place
25 Ropemaker Street
London EC 2Y 9LY

Dear Sirs:

Reference is made to the International Purchase Agreement dated May __, 1996 (the "International Purchase Agreement") relating to the purchase by the several International Underwriters named in Schedule A hereto, for whom Merrill Lynch International, Goldman Sachs International, Lehman Brothers International (Europe) and Morgan Stanley & Co. International Limited are acting as representatives (the "Lead Managers"), of the above shares of Class B Common Stock (the "Securities") of Continental Airlines, Inc., a Delaware corporation (the "Company"), to be sold by certain stockholders named in Schedule B thereto (the "Selling Stockholders"). Capitalized terms used herein have the meanings provided in the International Purchase Agreement.

Pursuant to Section 2 of the International Purchase Agreement, the Company, Air Canada and the Selling Stockholders, severally and not jointly, agree with each International Underwriter as follows:

1. The initial public offering price per share for the International Securities, determined as provided in said Section 2, shall be $.

2. The purchase price per share for the International Securities to be paid by the several International Underwriters shall be $, being an amount equal to the public offering price set forth above less $ per share.

3. The number of shares to be sold by the Selling Stockholders, as determined by whether the initial public offering price per share set forth in paragraph 1 above is equal to or greater than the designated minimum initial public offering price per share as set forth on Schedule B of the Purchase Agreement, is as follows:

Name of Selling Stockholder	Number of Shares of Class B Common Stock to be Sold

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the International Underwriters, the Selling Stockholders and the Company in accordance with its terms.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By: _____
Name:
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH INTERNATIONAL
GOLDMAN SACHS INTERNATIONAL
LEHMAN BROTHERS INTERNATIONAL (EUROPE)
MORGAN STANLEY & CO. INTERNATIONAL LIMITED

By: MERRILL LYNCH INTERNATIONAL

By: _____ _____
Authorized Signatory

For themselves and as Representatives of the other
International Underwriters named in the International Purchase
Agreement.

[Selling Stockholders Counterpart Signature Page]

AIR CANADA

By: _____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

_____
DAVID BONDERMAN

BONDERMAN FAMILY LIMITED
PARTNERSHIP

By:_____
Name: David Bonderman,
as General Partner

1992 AIR, INC.

By:_____
Name: David Bonderman
Title:

AIR II GENERAL, INC.

By:_____
Name: David Bonderman
Title:

BONDO AIR, L.P.

By: 1992 AIR, INC

By:_____
Name: David Bonderman
Title:

[Selling Stockholders Counterpart Signature Page]

AMERICAN GENERAL CORPORATION

By:_____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

SUNAMERICA INC.

By:_____
Name:
Title:

[Selling Stockholders Counterpart Signature Page]

_____
ELI BROAD

[Selling Stockholders Counterpart Signature Page]

ESTATE OF LARRY L. HILLBLOM

DHL MANAGEMENT, INC.

DONALD STURM

CONAIR LIMITED PARTNERS, L.P.

AIR SAIPAN, INC.

By:_____
Name:
Title: Attorney-in-Fact

SCHEDULE A

Name of International Underwriter	Number of Securities
Merrill Lynch International.....	
Goldman Sachs International.....	
Lehman Brothers International (Europe).....	
Morgan Stanley & Co. International Limited.....	

SCHEDULE B

Name and Address of Selling Stockholder	Number of Shares of Class B Common Stock to Be Sold	Minimum Initial Public Offering Price Per Share
Air Canada Air Canada Center Montreal Int'l Airport (Dorval) P.O. Box 14000 Postal Station, St. Laurent Canada H4Y 1H4	2,000,000	$
American General Corporation 2929 Allen Parkway Houston, TX 77019	382,074	
David Bonderman	114,586	
Bonderman Family Limited Partnership	33,219	
Estate of Larry L. Hillblom c/o William I. Webster Special Administrator for the Estate of Larry Lee Hillblom AAA-305,, Box 10001 Saipan, MP 96950	319,800	
DHL Management, Inc.	322,970	
DHL Airways, Inc. 333 Twin Dolphin Dr. Redwood City, CA 94065 Attn: Bill Roure, Asst. Treas. and Bill Smart, CFO		
Sun America Inc. SunAmerica Inc. 1 SunAmerica Center Century City Los Angeles, CA 90067-6022 Attn: Lynn Hopton (Corp. Finance)	143,152	

Name and Address of Selling Stockholder	Number of Shares of Class B Common Stock to Be Sold	Minimum Initial Public Offering Price Per Share
Eli Broad c/o SunAmerica Inc. 1 SunAmerica Center Century City Los Angeles, CA 90067-6022 Attn: Jay S. Wintrob and Cindy Qunne	66,488	
Donald Sturm	120,000	
Conair, L.P.	38,282	
Bondo Air, L.P.	412,499	
Air Saipan, Inc.	10,086	
1992 Air, Inc.	305,456	
Air II General, Inc.	2,403	

April 26, 1996

Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019

Ladies and Gentlemen:

I am Senior Vice President, General Counsel and Secretary of Continental Airlines, Inc., a Delaware corporation (the "Company"). You have requested my opinion in my capacity as General Counsel in connection with the Company's Registration Statement (File No. 333-02701) on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act") which has been filed with the Securities and Exchange Commission.

The Registration Statement relates to the offering of up to 4,471,015 shares (the "Shares") of the Company's Class B common stock, $.01 par value, by Air Canada, a Canadian corporation and by certain partners of Air Partners, L.P., a Texas limited partnership (collectively, the "Selling Stockholders").

It is my opinion that the Shares to be sold by the Selling Stockholders are duly authorized by all necessary corporate action on the part of the Company and are validly issued, fully paid and nonassessable.

In rendering the foregoing opinion, I have examined such records and documents and made such examination of law as I have deemed relevant.

The opinion expressed herein is rendered solely for the benefit of the Company in connection with the transaction described herein. This opinion may not be used or relied upon by any other person, nor may this letter or any copy thereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without my prior written consent.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to me under the caption "Legal Matters" therein. In so doing, I

do not admit that I am in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations thereunder.

Very truly yours,

/s/ Jeffery A. Smisek

WARRANT PURCHASE AGREEMENT

WARRANT PURCHASE AGREEMENT, dated as of May 2, 1996 (the "Agreement"), by and between Continental Airlines, Inc., a Delaware corporation ("Continental") and Air Partners, L.P., a Texas limited partnership ("Air Partners").

W I T N E S S E T H

WHEREAS, pursuant to the Stockholders' Agreement, the Investment Agreement and the Warrant Agreement (each as hereinafter defined), Continental issued to Air Partners warrants to purchase up to an aggregate of 2,557,600 shares of Class B common stock, par value $.01 per share, of Continental ("Class B Common Stock") at an initial exercise price of $15.00 per share and up to an aggregate of 825,032 shares of Class B Common Stock at an initial exercise price of $30.00 per share (collectively, the "Warrants");

WHEREAS, pursuant to the Amendment to Subscription and Stockholders' Agreement (the "Stockholders Agreement Amendment"), dated as of April 19, 1996, between Continental, Air Partners and Air Canada, a Canadian corporation ("Air Canada"), Air Partners has agreed not to make certain transfers or acquisitions of Continental securities (including Warrants) prior to December 16, 1996;

WHEREAS, Air Partners desires to have the right to require Continental to repurchase the Warrants, subject to certain specified limitations, and Continental desires to repurchase such Warrants, all on the terms and subject to the conditions as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants and obligations hereinafter set forth, the parties hereto agree as follows:

1. Definitions

The following terms used in the Agreement shall have the following meanings (all terms defined in the singular have the correlative meanings when used in the plural and vice versa).

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Agreement" shall mean this Agreement, as originally executed and as
modified, amended or supplemented from time to time.

"Blackout Period" shall have the meaning specified in Section 2(b)
hereof.

"Business Day" shall mean any day that is not a Saturday, Sunday or
other day on which banking institutions in New York, New York are authorized or
required by law or executive order to close.

"Class B Common Stock" shall have the meaning set forth in the
recitals hereto.

"Consent Fee" shall have the meaning specified in Section 5(a).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as
amended, and the rules and regulations promulgated thereunder.

"Earnings Release Date" shall have the meaning specified in
Section 2(b).

"GE" shall have the meaning specified in Section 5(a).

"GE Expenses" shall mean the Consent Fee together with any other
reasonable and documented out-of-pocket expenses incurred by Continental
(including reasonable fees and expenses of GE's counsel) in connection with the
actions taken by it pursuant to Section 5(a).

"Intrinsic Value" shall mean, on a per Warrant basis, the positive
difference between the Market Price Per Share and the Warrant Price, each as
determined on the Notification Date.

"Investment Agreement" shall mean the Investment Agreement, dated as
of November 9, 1992, as amended on January 13, 1993, among Air Partners, Air
Canada, Continental and Continental Holdings, Inc., as it may be further amended
from time to time.

"Loan Agreements" shall have the meaning specified in Section 5(a).

"Market Price Per Share" shall mean the per share closing price,
regular way, of Class B Common Stock on the NYSE on the Notification Date.

"Notification Date" shall mean the date on which a Repurchase Notice
is delivered by Air Partners to Continental in accordance with Section 2(a).

"NYSE" shall mean the New York Stock Exchange, Inc.

"Person" shall mean any natural person, corporation, division of a corporation, partnership, trust, joint venture association, limited liability company, company, estate, unincorporated organization or governmental entity.

"Preliminary Repurchase Notification" shall have the meaning set forth in Section 2(a).

"Put Date" shall mean the date which is the third Business Day following the Notification Date.

"Repurchase Notice" shall mean a written notice delivered to Continental by Air Partners specifying (i) that Air Partners is electing to exercise its put right in accordance with this Agreement, (ii) the number of Warrants Air Partners desires Continental to repurchase, (iii) the account or accounts to which the Repurchase Price should be paid and (iv) that Air Partners has all authority, consents and approvals necessary to sell the Warrants specified in such notice.

"Repurchase Price" shall mean the Intrinsic Value multiplied by the number of Warrants to be repurchased by Continental as set forth in the Repurchase Notice.

"Stockholders' Agreement" shall mean the Subscription and Stockholders' Agreement, dated as of April 27, 1993, among Continental, Air Partners and Air Canada.

"Stockholders Agreement Amendment" shall have the meaning specified in the recitals hereto.

"Warrant Agreement" shall mean the Warrant Agreement, dated as of April 27, 1993, between Continental in its corporate capacity and Continental in its capacity as warrant agent.

"Warrant Price" shall have the meaning specified in the Warrant Agreement and shall be subject to adjustment from time to time in accordance with Article IV thereof.

"Warrants" shall have the meaning specified in the recitals hereto.

2. Repurchase of Warrants

(a) In the event Air Partners desires to sell its Warrants to Continental pursuant to the terms hereof (i) it shall use good faith efforts to provide (including by telephone) to Continental's Chief Financial Officer or General Counsel, not later than 1 P.M. Eastern Time on the date of such intended sale, preliminary advance notice (a "Preliminary Repurchase Notification") of its intention to exercise its put right hereunder and (ii) shall deliver to Continental at its principal office not later than 7 P.M. Eastern Time on the date of such intended sale, a Repurchase Notice confirming (or, if a Preliminary Repurchase Notification was not delivered pursuant to clause (i) of this Section 2(a), notifying Continental of) the exercise by Air Partners of its put right hereunder, provided, that (x) the delivery of a Preliminary Repurchase Notification alone shall in no way obligate Air Partners to sell Warrants to Continental pursuant to the terms of this Agreement and (y) the failure to provide a Preliminary Repurchase Notification shall not preclude the delivery by Air Partners of a valid Repurchase Notice.

(b) Upon its receipt of a Repurchase Notice, Continental shall, upon the terms and subject to the conditions of this Agreement, be required to repurchase each Warrant specified in the Repurchase Notice at its Intrinsic Value, provided that (i) in no event shall Continental be required to repurchase during the term hereof Warrants with an aggregate Intrinsic Value of more than $50 million and (ii) Continental may, at its option, determine not to repurchase Warrants specified in any Repurchase Notice delivered by Air Partners during any five-Business Day period (the "Blackout Period") commencing on the Business Day following the date on which Continental releases quarterly and annual earnings reports (such date of release, the "Earnings Release Date") if Continental has notified Air Partners at least two Business Days prior to the relevant Earnings Release Date of its determination not to repurchase Warrants during the Blackout Period.

(c) Continental agrees that at any time after December 16, 1996, upon the written request of Air Partners, and provided Air Partners has complied with its obligations set forth in Section 12 of the Stockholders Agreement Amendment, it will agree to amend the terms of the Warrants and, to the extent necessary, the Warrant Agreement, to permit the "cashless exercise" of the Warrants, it being understood that a "cashless exercise" represents the exercise of Warrants by Air Partners, and the corresponding delivery by Air Partners to Continental of Warrants with an aggregate Intrinsic Value equal to the aggregate Warrant Price of the Warrants so exercised, in consideration therefor. The parties agree that the aforementioned method of "cashless exercise" may be modified (including, without limitation, to permit the transfer by Air Partners of shares of Class B Common Stock in payment of the exercise price of the Warrants so exercised) to the extent deemed necessary by Air Partners to

avoid adverse consequences to Air Partners under Section 16 of the Exchange Act that may arise in connection with any "cashless exercise."

3. Method of Repurchase. Upon the terms and subject to the conditions of this Agreement, at 11:00 a.m. (Eastern Standard Time) on any Put Date with respect to which Continental has received a Repurchase Notice, at the principal offices of Continental, or at such other time or place as Continental and Air Partners may agree (a) Air Partners shall transfer to Continental full right, title and interest in and to the Warrants specified in its' Repurchase Notice, free and clear of any and all mortgages, liens, pledges, charges, security interests, encumbrances or adverse claims of any kind and nature in respect of such Warrants, and shall deliver to Continental a certificate or certificates representing such Warrants, in each case duly endorsed for transfer or accompanied by appropriate stock transfer powers duly endorsed; and (b) Continental shall pay to Air Partners, in full payment of the Warrants specified in the Repurchase Notice, an amount equal to the Repurchase Price, less, except as otherwise provided in Section 5(a), any GE Expenses incurred by Continental pursuant to Section 5(a), by wire transfer of immediately available funds to the account or accounts specified in the Repurchase Notice.

4. Certain Conditions to Repurchase. Continental's obligation to repurchase any Warrants pursuant to Section 3 hereof shall be subject to the satisfaction, or the written waiver by Continental, of the following conditions: (i) the repurchase of Warrants shall not contravene any law, rule, order, rule, regulation or ordinance of any federal, state or local government or regulatory authority, including the Act or the Exchange Act, (ii) no preliminary or permanent injunction or other order against the repurchase of Warrants issued by any federal, state or other court of competent jurisdiction within or without the United States shall be in effect and (iii) Air Partners has, prior to the Put Date, complied with its obligations set forth in Section 12 of the Stockholders Agreement Amendment.

5. Additional Obligations of Continental.

(a) In order to comply with its obligations hereunder, and for so long as the Series B-1 Loan Agreement or the Series B-2 Loan Agreement, each as amended (the "Loan Agreements") between Continental and Global Project & Structured Finance Corporation remain in full force and effect, Continental agrees to take any and all actions necessary to obtain from Global Project & Structured Finance Corporation or its affiliates ("GE") the consents to the transactions contemplated by Section 3 hereof required pursuant to the terms of such Loan Agreements, including paying any amount to GE in exchange for such consent (the "Consent Fee"), provided, that the portion of the GE Expenses allocated to the Consent Fee shall not be deducted as specified in Section 3(b) hereof unless Continental shall have obtained the written consent of Air Partners prior to the payment of any Consent Fee to GE.

(b) Notwithstanding anything to the contrary contained in paragraph (a) of this Section 5, Continental shall use its best efforts to (i) refinance, prior to June 30, 1996, its remaining obligations under the Loan Agreements on the same or better terms to Continental so as to permit the transactions contemplated by Section 3 hereof and (ii) obtain any consent required from GE in connection with the performance of its obligations hereunder without paying a Consent Fee; provided, that Continental shall have no obligation to purchase
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Warrants under this Agreement if Continental has complied with this Section 5(b) and Air Partners does not consent to the payment of any applicable Consent Fee to GE.

6. Term and Termination. Unless earlier terminated by written
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agreement of the parties hereto, this Agreement shall be effective for a period of one year commencing August 15, 1996, provided, however, that (i) the
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obligations of Continental set forth in Section 5(b)(i) shall be in full force and effect as of the date hereof and (ii) the obligations of the parties hereto set forth in Section 2(c) shall continue in full force and effect until April 27, 1998.

7. Assignment.

(a) This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that, except as set forth in paragraph
----
(b) of this Section 7, neither this Agreement nor any of the rights or obligations hereunder shall be assigned by either party hereto without the prior written consent of the other party.

(b) Notwithstanding the foregoing, Air Partners may, at any time and from time to time, transfer Warrants to its partners and, in connection therewith, may assign the rights associated with such Warrants under Section 2(c) hereof to such partners.

8. Amendment; Severability. This Agreement may be altered or
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amended only with the written consent of each of the parties. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not be affected or impaired thereby.

9. Notices.

(a) Except for the Preliminary Repurchase Notification, all notices, requests, documents or other communications required or permitted hereunder shall be in writing and shall be delivered (i) by personal delivery or (ii) by sending a facsimile transmission of a copy of such writing, addressed as follows:

if to Continental:

Continental Airlines, Inc.
Suite 2010
2929 Allen Parkway
Houston, Texas 77019
Attention: Chief Financial Officer and General Counsel
Fax: (713) 523-2831

if to Air Partners:

Air Partners, L.P.
201 Main Street, Suite 2420
Fort Worth, Texas 76102
Attn.: James G. Coulter
Fax: (817) 871-4010

(b) Each party by written notice given to the other party in accordance with this Section 9 may change the name or address to which notices, requests, documents or other communications are to be sent to such party. All notices, requests, documents or other communications hereunder shall be deemed to have been given (i) upon actual delivery when given by personal delivery or (ii) upon receipt of facsimile confirmation when delivered by facsimile transmission.

10. Complete Agreement; Counterparts. This Agreement constitutes the entire agreement among the parties hereto relating to the subject matter hereof, and all prior agreements and understandings, written or oral, with respect thereto are superseded. This Agreement may be executed by the parties in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11. Headings. The section headings herein are for convenience of reference only and in no way define, limit or extend the scope or intent of this Agreement or any provisions hereof.

12. Choice of Law; Submission to Jurisdiction.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) Each of the parties hereto irrevocably consents and submits (i) to the exclusive jurisdiction of the State and Federal courts located in the County of New York in

the State of New York in connection with any suits, actions or other proceedings arising between or among such parties under this Agreement and (ii) to the laying of venue in any such court in any such suit, action or proceeding. Each of such parties irrevocably agrees that such suits, actions or proceedings may only be commenced or prosecuted in such courts, and each irrevocably waives any claim that any such court constitutes an inconvenient forum for the prosecution of such suit, action or proceeding. Each of the parties irrevocably agrees not to seek the transfer to any court located outside the County of New York of any such suit, action or proceeding.

13. Third-Party Rights. Except as specifically provided herein, this Agreement is not intended to confer any benefits upon, or create any rights in favor of, any Person other than the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CONTINENTAL AIRLINES, INC.

By:_____

Name:
Title:

AIR PARTNERS, L.P.

By: 1992 Air GP, as General Partner

By: 1992 Air, Inc., as General Partner

By:_____
Name:
Title: