

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number 0-9781

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction  
of incorporation or organization)

74-2099724

(I.R.S. Employer  
Identification No.)

2929 Allen Parkway, Suite 2010  
Houston, Texas 77019

(Address of principal executive offices)  
(Zip Code)

713-834-2950

(Registrant's telephone number, including area code)

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

As of August 11, 1998, 11,418,632 shares of Class A common stock and 49,002,863 shares of Class B common stock were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended June 30, 1998      1997 (Unaudited)		Six Months Ended June 30, 1998      1997 (Unaudited)	
Operating Revenue:				
Passenger . . . . .	\$1,888	\$1,646	\$3,602	\$3,210
Cargo and mail. . . . .	68	63	136	123
Other . . . . .	80	77	152	151
	2,036	1,786	3,890	3,484
Operating Expenses:				
Wages, salaries and related costs. . . . .	521	429	1,018	843
Aircraft fuel . . . . .	183	210	373	439
Aircraft rentals. . . . .	162	128	318	259
Commissions . . . . .	152	147	293	285
Maintenance, materials				

and repairs . . . . .	152	128	305	253
Other rentals and landing fees . . . . .	99	98	200	195
Depreciation and amortization . . . . .	72	62	140	122
Other . . . . .	415	353	813	711
	1,756	1,555	3,460	3,107
Operating Income . . . . .	280	231	430	377
Nonoperating Income (Expense):				
Interest expense . . . . .	(44)	(42)	(84)	(84)
Interest capitalized . . . . .	15	8	28	14
Interest income . . . . .	14	14	26	27
Other, net . . . . .	10	(3)	12	(2)
	(5)	(23)	(18)	(45)
Income before Income Taxes and Extraordinary Charge . . . . .	275	208	412	332
Income Tax Provision . . . . .	(105)	(77)	(157)	(123)

(continued on next page)

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

	Three Months Ended June 30, 1998      1997 (Unaudited)		Six Months Ended June 30, 1998      1997 (Unaudited)	
Distributions on Preferred Securities of Trust, Net of Applicable Income Taxes of \$2, \$2, \$4 and \$4, respectively. . .	\$ (3)	\$ (3)	\$ (7)	\$ (7)
Income before Extraordinary Charge . . . . .	167	128	248	202
Extraordinary Charge, Net of Applicable Income Taxes of \$2. . . . .	(4)	-	(4)	-
Net Income . . . . .	163	128	244	202
Preferred Dividend Requirements. . . . .	-	-	-	(2)
Income Applicable to Common Shares . . . . .	\$ 163	\$ 128	\$ 244	\$ 200
Earnings per Common Share:				
Income Before Extraordinary Charge . . . . .	\$ 2.74	\$ 2.22	\$ 4.13	\$ 3.50
Extraordinary Charge . . . . .	(0.06)	-	(0.05)	-
Net Income . . . . .	\$ 2.68	\$ 2.22	\$ 4.08	\$ 3.50
Earnings per Common Share Assuming Dilution:				
Income Before Extraordinary Charge . . . . .	\$ 2.11	\$ 1.63	\$ 3.16	\$ 2.58
Extraordinary Charge . . . . .	(0.05)	-	(0.04)	-
Net Income . . . . .	\$ 2.06	\$ 1.63	\$ 3.12	\$ 2.58

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

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

ASSETS	June 30, 1998 (Unaudited)	December 31, 1997
Current Assets:		
Cash and cash equivalents, including restricted cash and cash equivalents of \$14 and \$15, respectively . . . . .	\$1,067	\$1,025
Short-term investments . . . . .	117	-
Accounts receivable, net . . . . .	492	361
Spare parts and supplies, net . . . . .	145	128
Deferred income taxes . . . . .	111	111
Prepayments and other . . . . .	125	103
Total current assets . . . . .	2,057	1,728
Property and Equipment:		
Owned property and equipment:		
Flight equipment . . . . .	2,170	1,636
Other . . . . .	494	456
	2,664	2,092
Less: Accumulated depreciation . . . . .	549	473
	2,115	1,619
Purchase deposits for flight equipment	483	437
Capital leases:		
Flight equipment . . . . .	356	274
Other . . . . .	40	40
	396	314
Less: Accumulated amortization . . . . .	160	145
	236	169
Total property and equipment . . . . .	2,834	2,225
Other Assets:		
Routes, gates and slots, net . . . . .	1,396	1,425
Reorganization value in excess of amounts allocable to identifiable assets, net . . . . .	-	164
Investments . . . . .	153	104
Other assets, net . . . . .	215	184
Total other assets . . . . .	1,764	1,877
Total Assets . . . . .	\$6,655	\$5,830

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

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 1998 (Unaudited)	December 31, 1997
Current Liabilities:		
Current maturities of long-term debt. . .	\$ 177	\$ 243
Current maturities of capital leases. . .	47	40
Accounts payable. . . . .	778	781
Air traffic liability . . . . .	961	746
Accrued payroll and pensions. . . . .	167	158
Accrued other liabilities . . . . .	370	317
Total current liabilities. . . . .	2,500	2,285
Long-Term Debt . . . . .	1,866	1,426
Capital Leases . . . . .	223	142
Deferred Credits and Other Long-Term Liabilities:		
Deferred income taxes . . . . .	416	435
Accruals for aircraft retirements and excess facilities. . . . .	84	123
Other . . . . .	241	261
Total deferred credits and other long-term liabilities . . . . .	741	819
Commitments and Contingencies		
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures (A). . . . .		
	242	242

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

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

	June 30, 1998 (Unaudited)	December 31, 1997
Common Stockholders' Equity:		
Class A common stock - \$.01 par, 50,000,000 shares authorized; 11,418,932 and 8,379,464 shares issued and outstanding, respectively. . . . .	\$ -	\$ -
Class B common stock - \$.01 par, 200,000,000 shares authorized; 51,066,488 and 50,512,010 shares issued and outstanding, respectively . .	1	1
Additional paid-in capital . . . . .	662	639
Retained earnings . . . . .	520	276
Treasury stock - 1,704,997 Class B shares in 1998. . . . .	(100)	-
Total common stockholders' equity. . . .	1,083	916
Total Liabilities and Stockholders' Equity . . . . .	\$6,655	\$5,830

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

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

	Six Months Ended June 30,	
	1998	1997
	(Unaudited)	
Net Cash Provided by Operating Activities. . . . .	\$ 549	\$414
Cash Flows from Investing Activities:		
Purchase deposits paid in connection with future aircraft deliveries. . . . .	(361)	(116)
Capital expenditures. . . . .	(311)	(176)
Purchase deposits refunded in connection with aircraft delivered . . . . .	287	16
Purchase of short-term investments. . . . .	(117)	-
Investment in partner airlines. . . . .	(53)	-
Purchase of warrants. . . . .	-	(94)
Other . . . . .	3	-
Net cash used by investing activities. . . . .	(552)	(370)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net. . . . .	395	155
Payments on long-term debt and capital lease obligations. . . . .	(301)	(219)
Purchase of Class B treasury stock. . . . .	(120)	-
Proceeds from issuance of common stock. . . . .	44	14
Dividends paid on preferred securities of trust . . . . .	(11)	(11)
Redemption of preferred stock . . . . .	-	(48)
Other . . . . .	39	-
Net cash provided (used) by financing activities. . . . .	46	(109)
Net Increase (Decrease) in Cash and Cash Equivalents. . . . .	43	(65)
Cash and Cash Equivalents - Beginning of Period (A) . . . . .	1,010	985
Cash and Cash Equivalents - End of Period (A). . . . .	\$1,053	\$920

(A) Excludes restricted cash of \$15 million and \$76 million at January 1, 1998 and 1997, respectively, and \$14 million and \$74 million at June 30, 1998 and 1997, respectively.

(continued on next page)

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

Six Months  
Ended June 30,  
1998                  1997  
(Unaudited)

Supplemental Cash Flow Information:

Interest paid . . . . .	\$ 72	\$ 75
Income taxes paid . . . . .	\$ 4	\$ 5

Investing and Financing Activities

Not Affecting Cash:		
Property and equipment acquired		
through the issuance of debt . . . . .	\$263	\$183
Capital lease obligations incurred. . .	\$109	\$ -
Reduction of capital lease		
obligations in connection with		
refinanced aircraft. . . . .	\$ -	\$ 97
Financed purchase deposits for		
flight equipment, net. . . . .	\$ -	\$ 13

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



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

In the opinion of management, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Such adjustments are of a normal, recurring nature. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Annual Report of Continental Airlines, Inc. (the "Company" or "Continental") on Form 10-K for the year ended December 31, 1997.

NOTE 1 - SHORT-TERM INVESTMENTS

During 1998, the Company began investing in commercial paper with original maturities in excess of 90 days but less than 270 days. These investments are classified as short-term investments in the consolidated balance sheet. Short-term investments are stated at cost, which approximates market value.

NOTE 2 - REORGANIZATION VALUE IN EXCESS OF AMOUNTS ALLOCABLE TO IDENTIFIABLE ASSETS

During 1998, the Company determined that it would be able to recognize additional net operating losses ("NOLs") attributable to the Company's predecessor as a result of the completion of several transactions resulting in recognition of built-in gains for federal income tax purposes. This benefit was used to reduce to zero reorganization value in excess of amounts allocable to identifiable assets. See Note 4.

NOTE 3 - EARNINGS PER SHARE

The following table sets forth the computations of basic and diluted earnings per share (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Numerator:				
Income before extraordinary charge . . . . .	\$167	\$128	\$248	\$202
Extraordinary charge, net of applicable income taxes . . . . .	(4)	-	(4)	-
Net income . . . . .	163	128	244	202
Preferred stock dividends . . . . .	-	-	-	(2)
Numerator for basic earnings per share - income available to common stockholders . . . . .	163	128	244	200
Effect of dilutive securities:				
Preferred Securities of Trust . . . . .	3	3	6	6
6-3/4% convertible subordinated notes . . . . .	2	2	4	4
	5	5	10	10
Numerator for diluted earnings per share - income available to common stockholders after assumed conversions . . . . .	\$168	\$133	\$254	\$210
Denominator:				
Denominator for basic earnings per share - weighted-average shares . . . . .	60.7	57.4	59.9	57.1
Effect of dilutive securities:				
Employee stock options . . . . .	2.0	1.4	2.0	1.4
Warrants . . . . .	0.7	4.2	1.7	4.5
Restricted Class B common stock . . . . .	-	0.4	-	0.4
Preferred Securities of Trust . . . . .	10.3	10.3	10.3	10.3
6-3/4% convertible subordinated notes . . . . .	7.6	7.6	7.6	7.6
Dilutive potential common shares . . . . .	20.6	23.9	21.6	24.2
Denominator for diluted earnings per share - adjusted weighted-average and assumed conversions . . . . .	81.3	81.3	81.5	81.3

#### NOTE 4 - INCOME TAXES

Income taxes for the three and six months ended June 30, 1998 and 1997 were provided at the estimated annual effective tax rate. Such rate differs from the federal statutory rate of 35%, primarily due to state income taxes and the effect of certain expenses that are not deductible for income tax purposes.

At December 31, 1997, the Company had estimated NOL carryforwards of \$1.7 billion for federal income tax purposes that will expire through 2009 and federal investment tax credit carryforwards of \$45 million that will expire through 2001. As a result of the change in ownership of the Company on April 27, 1993, the ultimate utilization of the Company's NOLs and investment tax credits will be limited. Reflecting this limitation, the Company recorded a valuation allowance of \$617 million at December 31, 1997.

Realization of a substantial portion of the Company's remaining NOLs required the completion by April 27, 1998 of transactions resulting in recognition of built-in gains for federal income tax purposes. The Company consummated several such transactions resulting in the elimination of reorganization value in excess of amounts allocable to identifiable assets. In addition, the deferred tax asset related to these NOLs and the related valuation allowance (each totaling \$164 million) were eliminated in the first quarter of 1998. To the extent the Company were to determine in the future that additional NOLs of the Company's predecessor could be recognized in the accompanying consolidated financial statements, such benefit would reduce routes, gates and slots.

#### NOTE 5 - COMPREHENSIVE INCOME

As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 - "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of SFAS 130 had no impact on the Company's net income or shareholders' equity. SFAS 130 requires unrealized gains or losses on the Company's available-for-sale securities and changes in minimum pension liabilities, which prior to adoption were reported separately in shareholders' equity, to be included in other comprehensive income.

During the second quarter of 1998 and 1997, total comprehensive income amounted to \$158 million and \$127 million, respectively. For the six months ended June 30, 1998 and 1997, total comprehensive income totaled \$243 million and \$201 million, respectively.

#### NOTE 6 - OTHER

On January 26, 1998, the Company announced that, in connection with an agreement by Air Partners, L.P. ("Air Partners") to dispose of its interest in the Company to an affiliate of Northwest Airlines, Inc. ("Northwest"), the Company had entered into a long-term global alliance with Northwest (the "Northwest Alliance") involving schedule coordination, frequent flyer reciprocity, executive lounge access, airport facility coordination, code-sharing, the formation of a joint venture among the two carriers and KLM Royal Dutch Airlines with respect to their trans-Atlantic services, cooperation regarding other alliance partners of the two carriers and regional alliance development, certain coordinated sales programs, preferred reservations displays and other activities. At August 11, 1998, the alliance between Continental and Northwest continues to be reviewed by the Department of Justice and the Department of Transportation, and the parties have provided additional information to both reviewing agencies. Continental cannot predict the timing or outcome of these governmental processes.

In February 1998, the Company completed an offering of \$773 million of pass-through certificates to be used to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 24 aircraft scheduled to be delivered through December 1998.

In addition, during the first quarter of 1998, Continental completed several offerings totaling approximately \$98 million aggregate principal amount of tax-exempt special facilities revenue bonds to finance certain airport facility projects. These bonds

are guaranteed by Continental and are payable solely from rentals paid by Continental under long-term lease agreements with the respective governing bodies.

In April 1998, the Company completed an offering of \$187 million of pass-through certificates to be used to refinance the debt related to 14 aircraft currently owned by Continental. In connection with this refinancing, Continental recorded a \$4 million after tax extraordinary charge to consolidated earnings in the second quarter of 1998.

On April 24, 1998 Air Partners exercised warrants to purchase 2,298,134 shares of Class A common stock with an exercise price of \$7.50 per share and warrants to purchase 741,334 shares of Class A common stock with an exercise price of \$15.00 per share. The Company no longer has any warrants outstanding.

In May 1998, Continental Express, Inc. ("Express"), the Company's wholly owned regional carrier subsidiary, signed a letter of intent to purchase 25 Embraer ERJ-135 ("ERJ-135") 37-seat regional jets, deliverable through the third quarter of 1999, with options for an additional 50 aircraft exercisable through 2005. The Company currently plans on financing the new aircraft using lease financing and expects to account for all of these aircraft as operating leases.

On May 21, 1998, the stockholders of the Company approved the Continental Airlines, Inc. 1998 Stock Incentive Plan (the "Incentive Plan"). The Incentive Plan provides that the Company may issue shares of restricted Class B common stock or grant options to purchase shares of Class B common stock to non-employee directors of the Company or employees of the Company or its subsidiaries. Subject to adjustment as provided in the Incentive Plan, the aggregate number of shares of Class B common stock that may be issued under the Incentive Plan may not exceed 5,500,000 shares, which may be originally issued or treasury shares or a combination thereof. As of June 30, 1998, employee stock options relating to approximately 2,850,000 shares had been issued under the Incentive Plan.

In June 1998, a new five-year collective bargaining agreement, retroactive to October 1997, was ratified by Continental's pilots, who are represented by the Independent Association of Continental Pilots ("IACP"). The agreement becomes amendable in October 2002. The Company began accruing for the increased costs of the new agreement in the fourth quarter of 1997. The Company estimates that the increased costs will be approximately \$113 million for 1998. Also in June 1998, the pilots at Express, who are also represented by the IACP, rejected a new five-year agreement which had been submitted to them for ratification. The parties will resume bargaining with respect to a revised Express contract with the assistance of the National Mediation Board ("NMB") in the third quarter of 1998. While it is not possible to predict the outcome of those negotiations, the Company does not believe it will have a material financial impact on the Company. The Company's dispatchers, represented by the Transport Workers' Union ("TWU"), ratified a new five-year collective bargaining agreement in June 1998. The agreement becomes amendable in October 2003. Collective bargaining negotiations, which began in the fall of 1997, are ongoing with the International Brotherhood of Teamsters (the "Teamsters") for an initial collective bargaining agreement covering the Company's mechanics and related employees. While it is not possible to predict the outcome of these negotiations, the Company does not believe they will have a material financial impact on the Company.

Also in June 1998, the Company sold its remaining 317,140 shares of its America West Holding Corporation ("America West") Class B common stock realizing net proceeds of approximately \$8.9 million and recognizing a gain of \$6 million.

In 1998, the Company's Board of Directors authorized the expenditure of up to \$200 million to repurchase shares of the Company's common stock or convertible securities. No time limit was placed on the duration of the repurchase program. Subject to applicable securities laws, such purchases occur at times and in amounts that the Company deems appropriate. As of August 11, 1998, 2,600,000 shares had been repurchased for a total of \$152 million.

#### NOTE 7 - SEGMENTS DISCLOSURE

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 131 - "Disclosure About Segments of an Enterprise and Related Information" ("SFAS 131"). Although SFAS 131 is effective beginning the first quarter of 1998, Continental has elected not to report segment information in interim financial statements in the first year of application consistent with the provisions of the statement.

#### NOTE 8 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133 - Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), which is required to be adopted in years beginning after June 15, 1999. Management does not anticipate that the adoption of SFAS 133 will have a significant effect on earnings or the financial position of the Company.

#### NOTE 9 - SUBSEQUENT EVENTS

On August 11, 1998, the Company announced that Continental Micronesia, Inc. ("CMI"), a wholly owned subsidiary of the Company, plans to accelerate the retirement of its four 747 aircraft in April 1999 and its remaining thirteen 727 aircraft by December 2000. The 747s will be replaced by DC-10-30s and the 727s will be replaced with a reduced number of 737s. In addition, Express will accelerate the retirement of certain turboprop aircraft by December 2000, including its fleet of 32 EMB-120 aircraft, as regional jets are brought in to replace turboprops. CMI's fleet retirement decisions will result in a nonrecurring charge of \$65 million (\$41 million after tax) and Express' fleet retirement decisions will result in a nonrecurring charge of \$57 million (\$36 million after tax). The combined charge will be \$122 million (\$77 million after tax) and will be recorded in the third quarter of 1998.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS.

The following discussion may contain forward-looking statements. In connection therewith, please see the risk factors set forth in the Company's Form 10-K for the year ended December 31, 1997 which identify important factors that could cause actual results to differ materially from those in the forward-looking statements.

Continental's results of operations are impacted by seasonality (the second and third quarters are generally stronger than the first and fourth quarters) as well as numerous other factors that are not necessarily seasonal, including the extent and nature of competition from other airlines, fare sale activities, excise and similar taxes, changing levels of operations, fuel prices, foreign currency exchange rates and general economic conditions.

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 and six months ended June 30, 1998 as compared to the corresponding periods ended June 30, 1997.

Comparison of Three Months Ended June 30, 1998 to Three Months  
Ended June 30, 1997

The Company recorded consolidated net income of \$163 million for the three months ended June 30, 1998 as compared to consolidated net income of \$128 million for the three months ended June 30, 1997.

Passenger revenue increased 14.7%, \$242 million, during the quarter ended June 30, 1998 as compared to the same period in 1997, which was principally due to a 14.7% increase in revenue passenger miles.

Wages, salaries and related costs increased 21.4%, \$92 million, during the quarter ended June 30, 1998 as compared to the same period in 1997, primarily due to an 11.6% increase in average full-time equivalent employees and higher wage rates resulting from the Company's decision to increase employee wages to industry standards by the year 2000.

Aircraft fuel expense decreased 12.9%, \$27 million, in the three months ended June 30, 1998 as compared to the same period in the prior year. The average price per gallon decreased 23.2% from 61.17 cents in the second quarter of 1997 to 46.96 cents in the second quarter of 1998. This reduction was partially offset by a 13.0% increase in the quantity of jet fuel used principally reflecting increased capacity.

Aircraft rentals increased \$34 million or 26.6% due to the delivery of new aircraft.

Maintenance, materials and repairs increased 18.8%, \$24 million, during the quarter ended June 30, 1998 as compared to the same period in 1997. Aircraft maintenance expense in the second quarter of 1997 was reduced by \$16 million due to the reversal of reserves that were no longer required as a result of the acquisition of 10 aircraft previously leased by the Company. In addition, maintenance expense increased due to the volume and timing of engine overhauls and routine maintenance as part of the Company's ongoing maintenance program.

Depreciation and amortization expense increased 16.1%, \$10 million, in the second quarter of 1998 compared to the second quarter of 1997 primarily due to the addition of new aircraft and related spare parts. These increases were partially offset by a reduction in the amortization of reorganization value in excess of amounts allocable to identifiable assets. See Note 2.

Other operating expense increased 17.6%, \$62 million, in the three months ended June 30, 1998 as compared to the same period in the prior year, as a result of increases in passenger servicing expense, aircraft servicing expense, reservations and sales expense and other miscellaneous expense, primarily due to the 12.7% increase in available seat miles.

The Company's other nonoperating income (expense) in the quarter ended June 30, 1998 included a \$6 million gain on the sale of America West stock. Other nonoperating income (expense) in the second quarter of 1997 included foreign exchange losses primarily related to the Japanese yen.

Comparison of Six Months Ended June 30, 1998 to Six Months Ended June 30, 1997

The Company recorded consolidated net income of \$244 million and \$202 million for the six months ended June 30, 1998 and 1997, respectively. Management believes that the Company benefitted in the first quarter of 1997 from the expiration of the aviation trust fund tax (the "ticket tax"). The ticket tax was reinstated on March 7, 1997. Management believes that the ticket tax has a negative impact on the Company, although neither the amount of such negative impact directly resulting from the reimposition of the ticket tax, nor the benefit realized by its previous expiration, can be precisely determined.

The operating results of CMI declined during 1996, 1997 and the first half of 1998 as a result of the continued weakness of the yen against the dollar, a weak Japanese economy and increased fuel costs in 1996 and 1997. CMI's operating results are not expected to improve materially absent a significant improvement in the Japanese economy or a significant strengthening of the yen.

Passenger revenue increased 12.2%, \$392 million, during the six months ended June 30, 1998 as compared to the same period in 1997. The increase was due to a 12.9% increase in revenue passenger miles, partially offset by a 1.4% decrease in yield.

Cargo and mail revenue increased 10.6%, \$13 million, during the six months ended June 30, 1998 as compared to the same period in 1997, due to an increase in cargo capacity primarily in international markets.

Wages, salaries and related costs increased 20.8%, \$175 million, during the six months ended June 30, 1998 as compared to the same period in 1997, primarily due to an 11.4% increase in average full-time equivalent employees and higher wage rates resulting from the Company's decision to increase employee wages to industry standards by the year 2000.

Aircraft fuel expense decreased 15.0%, \$66 million, in the six months ended June 30, 1998 as compared to the same period in the prior year. The average price per gallon decreased 24.4% from 65.20 cents in the first six months of 1997 to 49.30 cents in the first six months of 1998. This reduction was partially offset by an 11.5% increase in the quantity of jet fuel used principally reflecting increased capacity.

Aircraft rentals increased 22.8%, \$59 million, during the six months ended June 30, 1998 as compared to the same period in 1997, due primarily to the delivery of new aircraft.

Maintenance, materials and repairs increased 20.6%, \$52 million, during the six months ended June 30, 1998 as compared to the same period in 1997. Aircraft maintenance expense in the second quarter of 1997 was reduced by \$16 million due to the reversal of reserves that were no longer required as a result of the acquisition of 10 aircraft previously leased by the Company. In addition, maintenance expense increased due to the volume and timing of engine overhauls as part of the Company's ongoing maintenance program.

Depreciation and amortization expense increased 14.8%, \$18 million, in the first six months of 1998 compared to the same period in 1997 primarily due to the addition of new aircraft and related spare parts. These increases were partially offset by a reduction in the amortization of reorganization value in excess of amounts allocable to identifiable assets. See Note 2.

Other operating expense increased 14.3%, \$102 million, in the six months ended June 30, 1998 as compared to the same period in the prior year, primarily as a result of increases in passenger servicing expense, aircraft servicing expense, reservations and sales expense and other miscellaneous expense, primarily due to the 11.7% increase in available seat miles.

The Company's other nonoperating income (expense) in the six months ended June 30, 1998 included a \$6 million gain on the sale of America West stock. Other nonoperating income (expense) in the first six months of 1997 included foreign currency losses primarily related to the Japanese yen.



Certain Statistical Information

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

	Three Months Ended June 30,		Net
	1998	1997	Increase/ (Decrease)
Revenue passenger miles (millions) (1) . . . . .	13,675	11,922	14.7 %
Available seat miles (millions) (2) . . . . .	18,574	16,486	12.7 %
Passenger load factor (3) . . . . .	73.6%	72.3%	1.3 pts.
Breakeven passenger load factor (4) . . . . .	59.0%	57.7%	1.3 pts.
Passenger revenue per available seat mile (cents) . . . . .	9.39	9.31	0.9 %
Total revenue per available seat mile (cents) . . . . .	10.27	10.24	0.3 %
Operating cost per available seat mile (cents) . . . . .	8.85	8.90	(0.6)%
Average yield per revenue passenger mile (cents) (5) . . .	12.75	12.87	(0.9)%
Average fare per revenue passenger . . . . .	\$154.80	\$146.66	5.6 %
Revenue passengers (thousands) .	11,261	10,462	7.6 %
Average length of aircraft flight (miles) . . . . .	1,038	944	10.0 %
Average daily utilization of each aircraft (hours) (6) . . . .	10:19	10:09	1.6 %
Actual aircraft in fleet at end of period (7) . . . . .	353	325	8.6 %

	Six Months Ended		Net Increase/ (Decrease)
	1998	June 30, 1997	
Revenue passenger miles (millions) (1) . . . . .	25,747	22,813	12.9 %
Available seat miles (millions) (2) . . . . .	36,097	32,318	11.7 %
Passenger load factor (3) . . . . .	71.3%	70.6%	0.7 pts.
Breakeven passenger load factor (4) . . . . .	59.8%	58.3%	1.5 pts.
Passenger revenue per available seat mile (cents) . . . . .	9.25	9.30	(0.5)%
Total revenue per available seat mile (cents) . . . . .	10.15	10.23	(0.8)%
Operating cost per available seat mile (cents) . . . . .	8.99	9.08	(1.0)%
Average yield per revenue passenger mile (cents) (5) . . . . .	12.98	13.17	(1.4)%
Average fare per revenue passenger . . . . .	\$156.60	\$148.78	5.3 %
Revenue passengers (thousands) . . . . .	21,333	20,201	5.6 %
Average length of aircraft flight (miles) . . . . .	1,026	935	9.7 %
Average daily utilization of each aircraft (hours) (6) . . . . .	10:16	10:12	0.7 %
Actual aircraft in fleet at end of period (7) . . . . .	353	325	8.6 %

Continental has entered into block-space arrangements with certain other carriers whereby one or both of the carriers is obligated to purchase capacity on the other. One such arrangement began in June 1997 and another began in February 1998. For the three months ended June 30, 1998, the table above excludes 346 million available seat miles, and related revenue passenger miles and enplanements, operated by Continental but purchased and marketed by the carrier, and includes 43 million available seat miles, and related revenue passenger miles and enplanements, operated by other carriers but purchased and marketed by Continental. For the six months ended June 30, 1998, the table above excludes 676 million available seat miles, and related revenue passenger miles and enplanements, operated by Continental but purchased and marketed by the other carrier, and includes 65 million available seat miles, and related revenue passenger miles and enplanements, operated by other carriers but purchased and marketed by Continental.

- (1) The number of scheduled miles flown by revenue passengers.
- (2) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
- (3) Revenue passenger miles divided by available seat miles.
- (4) The percentage of seats that must be occupied by revenue passengers in order for the airline to break even on an income before income taxes basis, excluding nonrecurring charges, nonoperating items and other special items.
- (5) The average revenue received for each mile a revenue passenger is carried.
- (6) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).
- (7) Excludes all-cargo 727 aircraft (six in 1998 and four in 1997) at CMI. During the first six months of 1998, the Company took delivery of 27 aircraft and removed 11 aircraft from service.

#### LIQUIDITY AND CAPITAL COMMITMENTS

In the first six months of 1998, the Company completed several transactions intended to strengthen its long-term financial position and enhance earnings.

In February 1998, the Company completed an offering of \$773 million of pass-through certificates to be used to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of up to 24 aircraft scheduled to be delivered through December 1998.

In addition, during the first quarter of 1998 Continental completed

several offerings totaling approximately \$98 million aggregate principal amount of tax-exempt special facilities revenue bonds to finance certain airport facility projects. These bonds are guaranteed by Continental and are payable solely from rentals paid by Continental under long-term lease agreements with the respective governing bodies.

In April 1998, the Company completed an offering of \$187 million of pass-through certificates used to refinance the debt related to 14 aircraft currently owned by Continental.

As of June 30, 1998, the Company had \$1.1 billion in cash and cash equivalents (excluding restricted cash of \$14 million) and \$117 million of short-term investments, compared to \$1 billion in cash and cash equivalents (excluding restricted cash of \$15 million) as of December 31, 1997. Net cash provided by operating activities increased \$135 million during the six months ended June 30, 1998 compared to the same period in the prior year primarily due to an improvement in operating income. Net cash used by investing activities increased \$182 million for the six months ending June 30, 1998 compared to the same period in the prior year, primarily as a result of higher capital and fleet-related expenditures and the purchase of short-term investments. Net cash provided by financing activities for the three months ended June 30, 1998 compared to the same period in the prior year increased \$155 million primarily due to an increase in proceeds from issuance of long-term debt, partially offset by an increase in payments on long-term debt and capital lease obligations.

Deferred Tax Assets. The Company had, as of December 31, 1997, deferred tax assets aggregating \$1.1 billion, including \$631 million of NOLs. Realization of a substantial portion of the Company's remaining NOLs required the completion by April 27, 1998 of transactions resulting in recognition of built-in gains for federal income tax purposes. The Company consummated several such transactions resulting in the elimination of reorganization value in excess of amounts allocable to identifiable assets. To the extent the Company were to determine in the future that additional NOLs of the Company's predecessor could be recognized in the accompanying consolidated financial statements, such benefit would reduce routes, gates and slots.

As a result of NOLs, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional \$515 million of taxable income following December 31, 1997. Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. Based on information currently available, the Company does not believe that the Air Partners agreement to dispose of its interest in the Company to an affiliate of Northwest will result in an ownership change for purposes of Section 382.

Purchase Commitments. As of July 17, 1998, Continental had firm commitments with The Boeing Company ("Boeing") to take delivery of a total of 132 jet aircraft during the years 1998 through 2005 with options for an additional 61 aircraft (exercisable subject to certain conditions). These new aircraft will replace older, less efficient Stage 2 aircraft and allow for growth of operations. The estimated aggregate cost of the Company's firm commitments for the Boeing aircraft is approximately \$5.9 billion. As of July 17, 1998, Continental had completed or had third-party commitments for a total of approximately \$982 million in financing for its future Boeing deliveries, and had commitments or letters of intent from various sources for backstop financing for approximately one-third of the anticipated remaining acquisition cost of such Boeing deliveries. The Company currently plans on financing the new Boeing aircraft with a combination of enhanced equipment trust certificates, lease equity and other third-party financing, subject to availability and market conditions. However, further financing will be needed to satisfy the Company's capital commitments for other aircraft and aircraft-related expenditures such as engines, spare parts, simulators and related items. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments. Deliveries of new Boeing aircraft are expected to increase aircraft rental, depreciation and interest costs while generating cost savings in the areas of maintenance,

fuel and pilot training.

During the first six months of 1998, the Company took delivery of 27 aircraft of which 25 were financed through enhanced equipment trust certificates.

As of July 17, 1998, Express had firm commitments for 22 Embraer ERJ-145 ("ERJ-145") 50-seat regional jets and a letter of intent to purchase 25 ERJ-135 37-seat regional jets, with options for an additional 150 ERJ-145 and 50 ERJ-135 aircraft exercisable through 2008. Neither Express nor Continental will have any obligation to take any such aircraft that are not financed by a third party and leased to the Company. Express took delivery of 9 of the ERJ-145 firm aircraft in the first half of 1998 and will take delivery of the remaining 47 firm aircraft through the third quarter of 1999. The Company expects to account for all of these aircraft as operating leases.

Continental expects its cash outlays for 1998 capital expenditures, exclusive of fleet plan requirements, to aggregate \$229 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 six months ended June 30, 1998 aggregated \$85 million, exclusive of fleet plan requirements.

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

Year 2000 and Euro.

As described in its annual report on Form 10-K, the Company implemented a Year 2000 project in early 1997 to ensure that the Company's computer systems will function properly in the year 2000 and thereafter. The total cost for the project (excluding internal payroll costs) is currently expected to approximate \$12-15 million, which is being funded with cash from operations. As of June 30, 1998, the Company had incurred and expensed approximately \$7 million relating to its Year 2000 project.

The Company's Year 2000 project involves the review of a number of internal and third-party components. Each component is subjected to the project's five phases, which consist of inventory of systems, evaluation and analysis, modification implementation, user testing and integration compliance. The components are currently in various stages of completion; however, the Company's entire Year 2000 project is anticipated to be completed by early 1999. This should allow the Company sufficient time for any additional analysis, modification and testing which may be required. The Company's business, financial condition or results of operations could be materially adversely affected by the failure of its systems or those operated by third parties on which the Company's business relies (including those of the Federal Aviation Administration) to operate properly beyond 1999. There can be no assurance that such systems will be modified for Year 2000 operational requirements on a timely basis. Although the Company currently has day-to-day operational contingency plans, management is in the process of updating these plans for possible Year 2000 - specific operational requirements.

Effective January 1, 1999, eleven of the fifteen countries comprising the European Union will begin a transition to a single monetary unit, the "euro", which is scheduled to be completed by July 1, 2002. The Company has developed a plan designed to allow Continental to effectively operate in the euro. Management does not anticipate that the implementation of this single currency plan will have a material effect on the Company's operations or financial condition.

Bond Financings. In December 1997, Continental substantially completed construction of a new hangar and improvements to a cargo facility at Continental's hub at Newark International Airport. Continental completed the financing of these projects in April 1998 with \$23 million of tax-exempt bonds. Continental is also planning a major facility expansion at Newark which would require, among

other matters, agreements to be reached with the applicable airport authority.

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

Employees. In June 1998, a new five-year collective bargaining agreement, retroactive to October 1997, was ratified by Continental's pilots, who are represented by the IACP. The agreement becomes amendable in October 2002. The Company began accruing for the increased costs of the new agreement in the fourth quarter of 1997. The Company estimates that the increased costs will be approximately \$113 million for 1998. Also in June 1998, the pilots at Express, who are also represented by the IACP, rejected a new five-year agreement which had been submitted to them for ratification. The parties will resume bargaining with the assistance of the NMB in the third quarter of 1998. While it is not possible to predict the outcome of those negotiations, the Company does not believe they will have a material financial impact on the Company. The Company's dispatchers, represented by the TWU, ratified a new five-year collective bargaining agreement in June 1998. The agreement becomes amendable in October 2003. Collective bargaining negotiations, which began in the fall of 1997, are ongoing with the Teamsters for an initial collective bargaining agreement covering the Company's mechanics and related employees. While it is not possible to predict the outcome of these negotiations, the Company does not believe they will have a material financial impact on the Company.

In September 1997, Continental announced that it intends to bring all employees to industry standard wages (the average of the top ten U.S. air carriers as ranked by the U.S. Department of Transportation excluding Continental) within 36 months. The announcement further stated that wage increases will be phased in over the 36-month period as revenue, interest rates and rental rates reached industry standards. Continental estimates that the increased wages will aggregate approximately \$500 million over the 36-month period.

Other. On January 26, 1998, the Company announced that, in connection with an agreement by Air Partners to dispose of its interest in the Company to an affiliate of Northwest, the Company had entered into a long-term global alliance with Northwest. The Company estimated at the time of the announcement that the alliance with Northwest, when fully phased in over a three-year period, would generate in excess of \$500 million in additional annual pre-tax operating income for the carriers, and anticipated that approximately 45% of such pre-tax operating income would accrue to the Company. Recently, United Airlines and Delta Air Lines, and American Airlines and US Airways, respectively, announced plans to form alliances, subject in certain cases to approval of such companies' respective pilots' unions. If either or both planned alliances are implemented, the anticipated benefit from the Company's alliance with Northwest would be somewhat diminished. The Company cannot currently estimate the impact of any such alliances on its business or on the anticipated benefits from the Northwest Alliance.

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

In 1998, the Company's Board of Directors authorized the expenditure of up to \$200 million to repurchase shares of the Company's common stock or convertible securities. No time limit was placed on the duration of the repurchase program. Subject to applicable securities laws, such purchases occur at times and in amounts that the Company deems appropriate. As of August 11, 1998, 2,600,000 shares had been repurchased for a total of \$152 million.

Historically, the Company has entered into petroleum call options to provide some short-term protection against a sharp increase in jet fuel prices. In light of declining fuel prices and the high cost of call options with strike prices at spreads above current prices, which have typically been purchased by the Company, the Company's petroleum call option contracts currently provide protection only against significantly higher fuel prices with respect to approximately three months of the Company's fuel needs, in the event of a fuel supply shortage resulting from a disruption of oil imports or otherwise.

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

## PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS.

None.

## ITEM 2. CHANGES IN SECURITIES.

None.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

The Company's Annual Meeting of Stockholders was held on May 21, 1998. The following individuals were elected to the Company's Board of Directors to hold office for the ensuing year:

Nominee	Votes for	Votes Withheld
Thomas J. Barrack, Jr.	119,723,373	43,925
Lloyd M. Bentsen, Jr.	119,717,440	49,857
Gordon M. Bethune	119,722,321	44,976
David Bonderman	119,721,645	45,653
Gregory D. Brenneman	119,723,348	43,949
Patrick Foley	119,722,361	44,937
Douglas H. McCorkindale	119,723,213	44,085
George G. C. Parker	119,722,285	45,013
Richard W. Pogue	119,723,023	44,275
William S. Price III	119,723,427	43,871
Donald L. Sturm	119,723,325	43,973
Karen Hastie Williams	119,722,343	44,955
Charles A. Yamarone	119,723,271	44,027

The approval of the Company's 1998 Stock Incentive Plan was proposed to enable the Company and its subsidiaries to attract able persons to serve as directors and employees and to provide such individuals with additional incentive and reward opportunities. The Incentive Plan was voted on by the stockholders as follows:

Votes For	Votes Against	Votes Abstaining	Broker Non-Votes
61,764,282	34,684,191	138,039	23,180,785

A proposal to ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 1998 was voted on by the stockholders as follows:

Votes For	Votes Against	Votes Abstaining	Broker Non-Votes
119,644,848	81,447	41,002	-

## ITEM 5. OTHER INFORMATION.

None.

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

## (a) Exhibits:

10.1 Supplemental Agreement No. 5, including exhibits and side letters, to Purchase Agreement No. 1951 between the Company and The Boeing Company relating to the purchase of Boeing 737 aircraft, dated October 10, 1997.

10.2 Continental Airlines, Inc. 1998 Stock Incentive Plan -- incorporated by reference to Exhibit 4.3 to Continental's Form S-8 Registration Statement (No. 333-57297) (the "S-8").



- 10.2 (a) Form of Employee Stock Option Grant pursuant to the Company's 1998 Stock Incentive Plan -- incorporated by reference to Exhibit 4.4 to the S-8.
- 10.3 Stay Bonus Agreement between the Company and Gordon M. Bethune.
- 10.4 Stay Bonus Agreement between the Company and Gregory D. Brenneman.
- 10.5 Stay Bonus Agreement between the Company and Lawrence W. Kellner.
- 10.6 Stay Bonus Agreement between the Company and C.D. McLean.
- 10.7 Stay Bonus Agreement between the Company and Jeffery A. Smisek.
- 10.8 Forms of Stay Bonus Agreements for Other Executive Officers.
- 27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

- (i) Report dated April 21, 1998 reporting Item 7. "Financial Statements and Exhibits". No financial statements were filed with the report, which included an Exhibit Index related to the offering of the Company's Pass Through Certificates, Series 1998-2.

SIGNATURES

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

CONTINENTAL AIRLINES, INC.  
(Registrant)

Date: August 14, 1998 by: /s/ Lawrence W. Kellner  
Lawrence W. Kellner  
Executive Vice President and  
Chief Financial Officer  
(On behalf of Registrant)

Date: August 14, 1998 /s/ Michael P. Bonds  
Michael P. Bonds  
Vice President and Controller  
(Chief Accounting Officer)

INDEX TO EXHIBITS  
OF  
CONTINENTAL AIRLINES, INC.

- 10.1 Supplemental Agreement No. 5, including exhibits and side letters, to Purchase Agreement No. 1951 between the Company and The Boeing Company relating to the purchase of Boeing 737 aircraft, dated October 10, 1997. (1)
- 10.2 Continental Airlines, Inc. 1998 Stock Incentive Plan -- incorporated by reference to Exhibit 4.3 to Continental's Form S-8 Registration Statement (No. 333-57297) (the "S-8").
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- 10.8 Forms of Stay Bonus Agreements for Other Executive Officers.
- 27.1 Financial Data Schedule.

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

Supplemental Agreement No. 5

to

Purchase Agreement No. 1951

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of May 21, 1998, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and CONTINENTAL AIRLINES, INC., a Delaware corporation with its principal office in Houston, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1951 dated July 23, 1996, as amended and supplemented, relating to Boeing Model 737-500, 737-600, 737-700 and 737-800 aircraft (the Agreement); and

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

WHEREAS, Boeing and Buyer signed Letter Agreement 6-1162-GOC-131R1 "Special Matters" on March 27, 1998, replacing in its entirety Letter Agreement 6-1162-GOC-131 "Special Matters" dated October 10, 1997 without benefit of a supplemental agreement to the Agreement, and

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

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

1. Table of Contents and Articles:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 5.

1.2 Remove and replace, in its entirety, "ARTICLE 1., Subject Matter of Sale" with "ARTICLE 1., Subject Matter of Sale" attached hereto, to reflect the addition of the Model 737-900 Aircraft.

1.3 Remove and replace, in its entirety, "ARTICLE 3., Price of Aircraft" with "ARTICLE 3., Price of Aircraft" attached hereto, to reflect the addition of the Model 737-900 Aircraft.

1.4 Remove and replace, in its entirety, "ARTICLE 7., Changes to the Detail Specification" with "ARTICLE 7., Changes to the Detail Specification" attached hereto, to reflect the addition of the Model 737-900 Aircraft.

1.5 Remove and replace, in its entirety, "ARTICLE 8., Federal Aviation Requirements and Certificates" with "ARTICLE 8, Federal Aviation Requirements and Certificates" attached hereto, to reflect the addition of the Model 737-900 Aircraft.

1.6 Add a new Table T-5 entitled "Aircraft Deliveries and Descriptions, Model 737-900 Aircraft" attached hereto for the Model 737-900 Aircraft.

2. Exhibits

2.1 Exhibit A entitled "Aircraft Configuration" is revised by adding thereto Exhibit A-5 attached hereto to incorporate the

configuration for the Model 737-900 Aircraft.

2.2 Remove and replace Page C1-I of Exhibit C entitled "Customer Support Document" with new Page C1-I attached hereto, to incorporate Model 737-924 Aircraft.

2. Exhibit D entitled "Aircraft Price Adjustment" is revised by adding thereto Exhibit D-2 attached hereto to incorporate the Aircraft Price Adjustment provisions for Aircraft with a 1997 Base Price.

2.4 Remove and replace, in its entirety, Exhibit E entitled "Buyer Furnished Equipment Provisions Document" with new Exhibit E entitled "Buyer Furnished Equipment Provisions Document" attached hereto, to incorporate Model 737-900 Aircraft.

2.5 Remove and replace, in its entirety, Exhibit F entitled "Defined Terms Document" with new Exhibit F entitled "Defined Terms Document" attached hereto, which deletes reference to 737 sub-models and makes certain other changes.

### 3. Letter Agreements:

3.1 Remove and replace, in its entirety, Letter Agreement 1951-2R2, "Seller Purchased Equipment" with Letter Agreement 1951-2R3, "Seller Purchased Equipment", attached hereto, to reflect the addition of the Model 737-900 Aircraft.

3.2 Remove and replace, in its entirety, Letter Agreement 1951-3R1, "Option Aircraft - Model 737-824 Aircraft" with Letter Agreement 1951-3R2, "Option Aircraft - Model 737-824 Aircraft", attached hereto, to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

3.3 Remove and replace, in its entirety, Letter Agreement 1951-5R1, "[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] New Generation Aircraft" with Letter Agreement 1951-5R2, "[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] New Generation Aircraft", attached hereto, to reflect the addition of the Model 737-900 Aircraft.

3.4 Remove and replace, in its entirety, Letter Agreement 1951-9, "Option Aircraft - Model 737-624 Aircraft" with Letter Agreement 1951-9R1, "Option Aircraft - Model 737-624 Aircraft", attached hereto, to reflect [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

3.5 Add new Letter Agreement 1951-12 "Option Aircraft - Model 737-924 Aircraft", attached hereto, to incorporate [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

3.6 Add new Letter Agreement 1951-13 "Configuration Matters - Model 737-924", attached hereto, to incorporate provisions for determining the configuration of the Model 737-924 Aircraft.

3.7 Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-308R2, "Disclosure of Confidential Information" with Letter Agreement 6-1162-MMF-308R3, "Disclosure of Confidential Information", attached hereto, to revise the schedule of confidential documents.

3.8 Remove and replace, in its entirety, Letter Agreement 6-1162-MMF-311R2, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] with Letter Agreement 6-1162-MMF-311R3, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] attached hereto, to incorporate the Model 737-900 Aircraft.

3.9 Remove and replace, in its entirety, Letter Agreement 6-1162-GOC-131 "Special Matters" with Letter Agreement 6-1162-GOC-131R1 "Special Matters", dated March 27, 1998. Additionally,

remove and replace, in its entirety, Letter Agreement 6-1162-GOC-131R1 "Special Matters" with Letter Agreement 6-1162-GOC-131R2, "Special Matters" attached hereto, to incorporate the Model 737-900 Aircraft.

3.10 Add new Letter Agreement 6-1162-DMH-365 "[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] Model 737-924 Aircraft" attached hereto to incorporate [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] the Model 737-924 Aircraft.

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: /s/ David M. Hurt

By: /s/ Brian Davis

Its: Attorney-In-Fact

Its: Vice President

#### TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
1. Subject Matter of Sale . . . . .	.1-1	SA 5
2. Delivery, Title and Risk of Loss . . . . .	.2-1	
3. Price of Aircraft . . . . .	.3-1	SA 5
4. Taxes . . . . .	.4-1	
5. Payment . . . . .	.5-1	
6. Excusable Delay . . . . .	.6-1	
7. Changes to the Detail Specification . . . . .	.7-1	SA 5
8. Federal Aviation Requirements and Certificates and Export License . . . . .	.8-1	SA 5
9. Representatives, Inspection, Flights and Test Data . . . . .	.9-1	
10. Assignment, Resale or Lease . . . . .	10-1	
11. Termination for Certain Events. . . . .	11-1	
12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance . . . . .	12-1	
13. Buyer Furnished Equipment and Spare Parts . . . . .	13-1	
14. Contractual Notices and Requests. . . . .	14-1	
15. Miscellaneous . . . . .	15-1	

TABLE OF CONTENTS

	Page Number	SA Number
TABLES		
1.	Aircraft Deliveries and Descriptions - 737-500. . . . . T-1	SA 3
	Aircraft Deliveries and Descriptions - 737-700. . . . . T-2	SA 4
	Aircraft Deliveries and Descriptions - 737-800. . . . . T-3	SA 4
	Aircraft Deliveries and Descriptions - 737-600. . . . . T-4	SA 4
	Aircraft Deliveries and Descriptions - 737-900. . . . . T-5	SA 5
EXHIBITS		
A-1	Aircraft Configuration - Model 737-724	SA 2
A-2	Aircraft Configuration - Model 737-824	SA 2
A-3	Aircraft Configuration - Model 737-624	SA 1
A-4	Aircraft Configuration - Model 737-524	SA 3
A-5	Aircraft Configuration - Model 737-924	SA 5
B	Product Assurance Document	SA 1
C	Customer Support Document - Code Two - Major Model Differences	SA 1
C1	Customer Support Document - Code Three - Minor Model Differences	SA 1
D	Aircraft Price Adjustments - New Generation Aircraft (1995 Base Price)	SA 1
D1	Airframe and Engine Price Adjustments - Current Generation Aircraft	SA 1
D2	Aircraft Price Adjustments - New Generation Aircraft (1997 Base Price)	SA 5
E	Buyer Furnished Equipment Provisions Document	SA 5
F	Defined Terms Document	SA 5

TABLE OF CONTENTS

	SA Number
LETTER AGREEMENTS	
1951-1	Not Used . . . . .
1951-2R3	Seller Purchased Equipment . . . . . SA 5
1951-3R2	Option Aircraft-Model 737-824 Aircraft . . . . . SA 5
1951-4R1	Waiver of Aircraft Demonstration . . . SA 1
1951-5R2	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] SA 5
1951-6	Configuration Matters. . . . .
1951-7R1	Spares Initial Provisioning. . . . . SA 1
1951-8R2	Escalation Sharing - New Generation Aircraft . . . . . SA 4
1951-9R1	Option Aircraft-Model 737-624 Aircraft . . . . . SA 5
1951-10	Configuration matters . . . . . SA 1 [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] - Model 737-624 Aircraft
1951-11R1	Escalation Sharing-Current Generation Aircraft . . . . . SA 4
1951-12	Option Aircraft - Model 737-924 Aircraft . . . . . SA 5
1951-13	Configuration Matters - Model 737-924. SA 5



TABLE OF CONTENTS

SA  
Number

RESTRICTED LETTER AGREEMENTS

6-1162-MMF-295	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	
6-1162-MMF-296	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	
6-1162-MMF-308R3	Disclosure of Confidential . . . Information	SA 5
6-1162-MMF-309R1	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	SA 1
6-1162-MMF-311R3	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	SA 5
6-1162-MMF-312R1	Special Purchase Agreement Provisions. . . . .	SA 1
6-1162-MMF-319	Special Provisions Relating to the Rescheduled Aircraft. . . .	
6-1162-MMF-378R1	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	SA 3
6-1162-MMF-379R1	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	SA 2
6-1162-GOC-015	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	SA 2
6-1162-GOC-131R2	Special Matters . . . . .	SA 5
6-1162-DMH-365	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	SA 5

TABLE OF CONTENTS

SUPPLEMENTAL AGREEMENTS	DATED AS OF:
Supplemental Agreement No. 1 . . . . .	October 10, 1996
Supplemental Agreement No. 2 . . . . .	March 5, 1997
Supplemental Agreement No. 3 . . . . .	July 17, 1997
Supplemental Agreement No. 4 . . . . .	October 10, 1997
Supplemental Agreement No. 5 . . . . .	May 21, 1998

ARTICLE 1. Subject Matter of Sale.

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

1.1.1 Current Generation Aircraft.

Model 737-524 Aircraft (the Current Generation Aircraft) which will be manufactured in accordance with the Boeing detail specification as described in Exhibit A-4, and as modified from time to time in accordance with this Agreement.

1.1.2 New Generation Aircraft.

Model 737-724, Model 737-824, Model 737-624, and Model 737-924 Aircraft (the New Generation Aircraft) which will be manufactured in accordance with the Boeing detail specifications described in Exhibits A-1, A-2, A-3 and A-5, respectively, and as modified from time to time in accordance with this Agreement.

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

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

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

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Current Generation Aircraft.

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

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

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

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

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

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

3.1.2 New Generation Aircraft

3.1.2.1 Special Features are the features listed in Exhibits A-1, A-2, A-3, and A-5, which Buyer has selected for incorporation in New Generation Aircraft.

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

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

3.1.2.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airplane and Special Features) as calculated pursuant to Exhibit D for Aircraft expressed in July 1995 dollars and Exhibit D-2 for Aircraft expressed in July 1997 dollars.

3.2 Aircraft Basic Price.

3.2.1 Current Generation Aircraft:

3.2.1.1 Model 737-524 Aircraft.

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

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

3.2.2 New Generation Aircraft.

3.2.2.1 Model 737-624 Aircraft.

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

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

3.2.2.2 Model 737-724 Aircraft.

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

Base Airplane Price: Special Features	[CONFIDENTIAL MATERIAL OMITTED AND FILE SEPAR- ATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]
Aircraft Basic Price	

3.2.2.3 Model 737-824 Aircraft.

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

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

3.2.2.4 Model 737-924 Aircraft.

The Aircraft Basic Price of each 737-924 Aircraft, expressed in July 1997 dollars, is set forth below:

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

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

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

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibits D or D-1 or D-2, as applicable; plus

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

3.4 Advance Payment Base Price.

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

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

adjusted Advance Payment Base Prices.

ARTICLE 7. Changes to the Detail Specification.

7.1 Development Changes. Boeing may, at its own expense and without Buyer's consent, incorporate Development Changes in the Detail Specification and the Aircraft prior to delivery to Buyer. Development Changes are defined as changes to the basic specification for Model 737-500/-600/-700/-800/-900 aircraft that do not affect the Aircraft Purchase Price or adversely affect Aircraft delivery, guaranteed weight, guaranteed performance or compliance with the interchangeability or replaceability requirements set forth in the Detail Specification. If Boeing makes changes Pursuant to this paragraph, Boeing will promptly notify Buyer of such changes.

ARTICLE 8. Federal Aviation Requirements and Certificates.

8.1 FAA Certificates.

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

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

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

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

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

8.2 FAA Manufacturer Changes.

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

8.2.2 If prior to Aircraft delivery a Manufacturer Change is required to be incorporated in an Aircraft, it will be incorporated at no charge to Buyer, unless the requirement is promulgated subsequent to the date of this Agreement, in which case Buyer will pay Boeing's charge only for Aircraft scheduled for delivery to Buyer (a) 18 months or more after the date of this Agreement or (b) after the date of Boeing's receipt of the Type Certificate for the Model 737-600/-700/-800/-900, whichever is later.

8.3 FAA Operator Changes.

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

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

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



Table 1 to Purchase Agreement 1951  
Aircraft Deliveries and Descriptions, Model 737-900 Aircraft

Airframe Model/MTGW: 737-900 164,000  
Engine Model: CFM56-7B26  
Airframe Base Price:  
Optional Features:  
Sub-Total of Airframe and Features:  
Engine Price (Per Aircraft):  
Aircraft Basic Price (Excluding BFE/SPE):  
Buyer Furnished Equipment (BFE) Estimate:  
Seller Purchased Equipment (SPE) Estimate:  
Detail Specification: D6-39127 Rev. 0  
Price Base Year: Jul-97

Airframe and Engine Escalation Data:  
Base Year Index (ECI):  
Base Year Index (ICI):

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

AIRCRAFT CONFIGURATION  
between  
THE BOEING COMPANY  
and  
CONTINENTAL AIRLINES, INC.

Exhibit A-5 to Purchase Agreement Number 1951

AIRCRAFT CONFIGURATION

Dated May 21, 1998

relating to

BOEING MODEL 737-900 AIRCRAFT

Exhibit A-5

The Detail Specification is Boeing Detail Specification D019A001CAL39P-1 dated as of TBD. Such Detail Specification will be comprised of Boeing Specification D6-39127, Revision 0, dated July 25, 1997 as amended to incorporate the Options listed below, including the effects on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Options are set forth in Boeing Document D019ACR1CAL39P-1. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect such Options. The Aircraft Basic Price reflects and includes all effects of such Options, except such Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment or Seller Purchased Equipment.

The configuration for Buyer's 737-900 will be developed during 1998. For purposes of calculating the Advance Payment Base Prices listed in Table 1, an estimated amount of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] has been assumed for Special Features, which includes a thrust increase to 26,000 lbs.

CUSTOMER SUPPORT DOCUMENT NO. 1951

Dated May 21, 1998

Relating to

BOEING MODEL 737-524/-924 AIRCRAFT

This Customer Support Document is Exhibit C1 to and forms a part of Purchase Agreement No. 1951 between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to the purchase of Boeing Model 737-524 and Model 737-924 aircraft. This Customer Support Document consists of the following parts:

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

AIRCRAFT PRICE ADJUSTMENT  
between  
THE BOEING COMPANY  
and  
CONTINENTAL AIRLINES, INC.

Exhibit D2 to Purchase Agreement Number 1951

New Generation Aircraft (1997 Base Price)

PRICE ADJUSTMENT DUE TO  
ECONOMIC FLUCTUATIONS  
AIRCRAFT PRICE ADJUSTMENT  
(1997 Base Price)

Aircraft Price Adjustment for New Generation Aircraft

1. Formula.

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

$$Pa = (P)(L + M - 1)$$

Where:

Pa = Aircraft Price Adjustment.

L = .65 x ECI  
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

M = .35 x ICI  
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

P = Aircraft Basic Price (as set forth in Article 3.2 of this Agreement).

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

ICI = The three-month arithmetic average of the released monthly values for the Industrial Commodities Index as set forth in the "Producer Prices and Price Index" (Base Year 1982 = 100) as released by the Bureau of Labor Statistics, U.S. Department of Labor values (expressed as a decimal and rounded to the nearest tenth) for the months set forth in the table below for the applicable Aircraft.

In determining the value of L, the ratio of ECI divided by [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] will be expressed as a decimal rounded to the nearest ten-thousandth and then multiplied by .65 with the resulting value also expressed as a decimal and rounded to the nearest ten-thousandth.

In determining the value of M, the ratio of ICI divided by [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] will be expressed as a decimal rounded to the nearest ten-thousandth and then multiplied by .35 with the resulting value also expressed as a decimal and rounded to the nearest ten-thousandth.

Months to be Utilized

Month of Scheduled Aircraft Delivery	in Determining the Value of ECI and ICI
January	June B, July B, Aug. B
February	July B, Aug. B, Sept. B
March	Aug. B, Sept. B, Oct. B
April	Sept. B, Oct. B, Nov. B
May	Oct. B, Nov. B, Dec. B
June	Nov. B, Dec. B, Jan. D
July	Dec. B, Jan. D, Feb. D
August	Jan. D, Feb. D, Mar. D
September	Feb. D, Mar. D, Apr. D
October	Mar. D, Apr. D, May D
November	Apr. D, May D, June D
December	May D, June D, July D

The following definitions of B and D will apply:

B = The calendar year before the year in which the scheduled month of delivery as set forth in Article 2.1 occurs.

D = The calendar year during which the scheduled month of delivery as set forth in Article 2.1 occurs.

2. If at the time of delivery of an Aircraft Boeing is unable to determine the Aircraft Price Adjustment because the applicable values to be used to determine the ECI and ICI have not been released by the Bureau of Labor Statistics, then:

2.1 The Aircraft Price Adjustment, to be used at the time of delivery of the Aircraft, will be determined by utilizing the escalation provisions set forth above. The values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to scheduled Aircraft delivery will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Aircraft Price Adjustment. If no values have been released for an applicable month, the provisions set forth in Paragraph 2.2 below will apply. If prior to delivery of an Aircraft the U.S. Department of Labor changes the base year for determination of the ECI or ICI values as defined above, such rebased values will be incorporated in the Aircraft Price Adjustment calculation. The payment by Buyer to Boeing of the amount of the Purchase Price for such Aircraft, as determined at the time of Aircraft delivery, will be deemed to be the payment for such Aircraft required at the delivery thereof.

2.2 If prior to delivery of an Aircraft the U.S. Department of Labor substantially revises the methodology used for the determination of the values to be used to determine the ECI and ICI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Aircraft Price Adjustment, the parties will, prior to delivery of any such Aircraft, select a substitute for such values from data published by the Bureau of Labor Statistics or other similar data reported by non-governmental United States organizations, such substitute to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original values as they may have fluctuated during the applicable time period. Appropriate revision of the formula will be made as required to reflect any substitute values. However, if within 24 months from delivery of the Aircraft the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Aircraft Price Adjustment, such values will be used to determine any increase or decrease in the Aircraft Price Adjustment from that determined at the time of delivery of such Aircraft.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered null and void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Purchase Price of any affected Aircraft to reflect an allowance for increases or decreases in labor compensation and material costs occurring since February, 1997, which is consistent with the applicable provisions of paragraph 1 of this Exhibit D2.

3. For the calculations herein, the values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to scheduled Aircraft delivery will be used to determine the ECI

and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Aircraft Price Adjustment.

Note: Any rounding of a number, as required under this Exhibit D with respect to escalation of the Aircraft price, will be accomplished as follows: if the first digit of the portion to be dropped from the number to be rounded is five or greater, the preceding digit will be raised to the next higher number.



BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit E to Purchase Agreement Number 1951

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

Dated May 21, 1998

Relating to

BOEING MODEL 737 AIRCRAFT

This Buyer Furnished Equipment Provisions Document is Exhibit E to and forms a part of Purchase Agreement No. 1951, between The Boeing Company (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to the purchase of Boeing Model 737 aircraft.

BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

1. General.

Certain equipment to be installed in the Aircraft is furnished to Boeing by Buyer at Buyer's expense. This equipment is designated "Buyer Furnished Equipment" (BFE) and is listed in the Detail Specification. On or before April 4, 1997 for Model 737-724, July 3, 1997 for Model 737-824, and TBD for Model 737-924, Boeing will provide to Buyer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth in the attachment to this Exhibit.

2. Supplier Selection.

Buyer will:

2.1 Select and notify Boeing of the suppliers of the following BFE items by the following dates should these items not be selected as SPE by Buyer:

Galley System	Model 737-724 10/9/96	Model 737-824 2/12/97
Seats (passenger)	9/03/96	9/03/96
Galley System	Model 737-924 TBD	Model 737-524 Complete
Seats (passenger)	TBD	Complete

2.2 Meet with Boeing and such selected BFE suppliers promptly after such selection to:

2.2.1 complete BFE configuration design requirements for such BFE; and

2.2.2 confirm technical data submittal dates for BFE certification.

3. Buyer's Obligations.

Buyer will:

3.1 comply with and cause the supplier to comply with the provisions of the BFE Document or BFE Report;

3.1.1 deliver technical data (in English) to Boeing as required to support installation and FAA certification in accordance with the schedule provided by Boeing or as mutually agreed upon during the BFE meeting referred to above;

3.1.2 deliver BFE including production and/or flight training spares to Boeing in accordance with the quantities and schedule provided therein; and

3.1.3 deliver appropriate quality assurance documentation to Boeing as required with each BFE part (D6-56586, "BFE Product Acceptance Requirements");

3.2 authorize Boeing to discuss all details of the BFE directly with the BFE suppliers;

3.3 authorize Boeing to conduct or delegate to the supplier quality source inspection and supplier hardware acceptance of BFE at the supplier location;

3.3.1 require supplier's contractual compliance to Boeing defined source inspection and supplier delegation programs, including availability of adequate facilities for Boeing resident personnel; and

3.3.2 assure that Boeing identified supplier's quality systems be approved to Boeing document D1-9000;

3.4 provide necessary field service representation at Boeing's facilities to support Boeing on all issues related to the installation and certification of BFE;

3.5 deal directly with all BFE suppliers to obtain overhaul data, provisioning data, related product support documentation and any warranty provisions applicable to the BFE;

3.6 work closely with Boeing and the BFE suppliers to resolve any difficulties, including defective equipment, that arise;

3.7 be responsible for modifying, adjusting and/or calibrating BFE as required for FAA approval and for all related expenses;

3.8 warrant that the BFE will meet the requirements of the Detail Specification; and

3.9 be responsible for providing equipment which is FAA certifiable at time of Aircraft delivery, or for obtaining waivers from the applicable regulatory agency for non-FAA certifiable equipment.

#### 4. Boeing's Obligations.

Other than as set forth below, Boeing will provide for the installation of and install the BFE and obtain certification of the Aircraft with the BFE installed.

#### 5. Nonperformance by Buyer.

If Buyer's nonperformance of obligations in this Exhibit or in the BFE Document causes a delay in the delivery of the Aircraft or causes Boeing to perform out-of-sequence or additional work, Buyer will reimburse Boeing for all resulting expenses and be deemed to have agreed to any such delay in Aircraft delivery. In addition Boeing will have the right to:

5.1 provide and install specified equipment or suitable alternate equipment and increase the price of the Aircraft accordingly; and/or

5.2 deliver the Aircraft to Buyer without the BFE installed.

#### 6. Return of Equipment.

BFE not installed in the Aircraft will be returned to Buyer in accordance with Buyer's instructions and at Buyer's expense.

#### 7. Title and Risk of Loss.

Title to and risk of loss of BFE will at all times remain with Buyer or other owner. Boeing will have only such liability for BFE as a bailee for mutual benefit would have, but will not be liable for loss of use.

#### 8. Indemnification of Boeing.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including any Aircraft, arising out of or in any way connected with any nonconformance or defect in any BFE and whether or not arising in tort or occasioned in whole or in part by the active, passive or imputed negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the BFE.

#### 9. Patent Indemnity.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims, suits, actions, liabilities, damages and costs arising out of any actual or alleged infringement of any patent or other intellectual property rights by BFE or arising out of the installation, sale or use of BFE by Boeing.

10. Definitions.

For the purposes of the above indemnities, the term "Boeing" includes The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

BOEING MODEL 737 AIRCRAFT

Item Preliminary On-Dock Dates

Dates for 1st delivery of each model:

	737-724	737-824
	Jan 1998	Apr 1998
	Aircraft	Aircraft
Seats	10/14/97	2/17/98
Galleys	10/9/97	2/12/98
Electronics	10/1/97	2/3/98
Furnishings	10/7/97	2/9/98
	737-924	737-524
	May 2001	Jul 1997
	Aircraft	Aircraft
Seats	TBD	6/5/97
Galleys	TBD	6/2/97
Electronics	TBD	5/27/97
Furnishings	TBD	5/28/97

DEFINED TERMS DOCUMENT  
between  
THE BOEING COMPANY  
and  
CONTINENTAL AIRLINES, INC.

Exhibit F to Purchase Agreement Number 1951

DEFINED TERMS DOCUMENT

Dated May 21, 1998

Relating to

BOEING MODEL 737 AIRCRAFT

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

The following is a list of those terms and their definitions as used and not otherwise defined in this Agreement or the Customer Services General Terms Agreement (CSGTA). Such terms are identified in the Agreement by the use of an initial capital letter.



Advance Payment Base Price	Boeing's estimate of the Aircraft Price is set forth in Article 3.	Article 3
Agreement	Purchase Agreement No. 1951, including all Exhibits, the Detail Specification, attachments, letter agreements and other written modifications and amendments thereto.	Opening paragraph of the Agreement
Aircraft (includes "the", "all", "first", "last" "such", etc.)	The aircraft described in Article 1, Para. 1.1.	Article 1, Para. 1.1
Aircraft Basic Price	The amount set forth in Article 3, Para. 3.2	Article 3, Para. 3.1
Aircraft Price	The total amount Buyer is to pay for an Aircraft which is described in Article 3, 3.3	Article 3, Para. 3.3
Aircraft Software	The computer software included with the Aircraft when the Aircraft is delivered by Boeing, described in Exhibit B, Part D-1, Para. 1.	Exhibit B, Part D-1, Para 1
Airframe Component	A component described in Exhibit B, Part C, Para. 1.1	Exhibit B Part C Para. 1.1
Article	An Article of the Agreement.	Article 6, Para. 6.4
Boeing	The Seller of the Aircraft identified in the opening paragraph of the Agreement.	Opening paragraph of the Agreement
Boeing Warranty	Part A of Exhibit B to the Agreement.	Exhibit B, Part A, Para. 1
Buyer	The purchaser of the Aircraft identified in the opening paragraph of the Agreement.	Opening paragraph of the Agreement
Buyer Furnished Equipment or BFE	Equipment provided by Buyer pursuant to Exhibit E for installation by Boeing on the Aircraft.	Article 4.2
Buyer Furnished Equipment Document	Document provided by Boeing to Buyer defining requirements for BFE. Exhibit E, Para. 1.	Article 13, Para. 13.1
Covered Component	An Airframe Component as described in Exhibit B, Part C, Para. 1.4.	Exhibit B Part C Para. 1.4
Customer Support Document	Exhibit C to the Agreement.	Article 12, Para. 12.5
Customer Support Services	The Boeing services, training and other obligations described in Exhibit C to the Agreement.	Article 12, Para. 12.5
Deposit	The money paid by Buyer to Boeing as part of the	Article 5, Para. 5.1

	acceptance of the Aircraft proposal.	
Detail Specification	The Boeing document that describes the specifications of the Aircraft modified from time to time to include developmental and Buyer requested changes.	Article 1, Para. 1.1
Development Change(s)	Changes to the basic specification that do not affect price, delivery, guaranteed weight, performance or interchangeability as described in Article 7, Para. 7.1.	Article 7, Para. 7.1
Disclaimer and Release	The disclaimer and Release set forth in Article 12, Para. 12.2	Article 12, Para. 12.2
Documents	The data and documents provided by Boeing under the Agreement.	Exhibit C, Part D Para. 2
Economic Price Adjustment	Article 3, Para. 3.1.1.5	Article 3, Para. 3.1.1.5
Engine(s)	The engines installed on the Aircraft as described in the Detail Specification.	Article 3, Para. 3.1.1.3
Excusable Delay	A delay resulting from any of the causes described in Article 6, Para. 6.1.	Article 6, Para. 6.1
FAA	The Federal Aviation Administration of the Department of Transportation of the United States, including the Administrator of the Federal Aviation Administration, the National Transportation Safety Board and any other authority or agency of the Federal Government of the United States having like jurisdiction.	Article 8, Para. 8.1.1
Failed Component	A component as described in Exhibit B, Part C, Para. 1.6.	Exhibit B Part C Para. 1.6
Failure	Any breakage or defect as described in Exhibit B, Part C, Para. 5.	Exhibit B Part C Para. 1.5
Federal Aviation Regulations	The United States Federal Aviation Regulations and, if they are redesignated or discontinued, any comparable regulations or parts thereof issued by the FAA.	Article 8, Para. 8.1.1.1
Field Service(s)	Boeing-provided services as described in Exhibit C, Part B, Para. 2.	Exhibit C, Part B, Para. 2
Field Service Period	The length of time Boeing provides Field Service to Buyer as described in Exhibit C, Part B, Para. 2.1.	Exhibit C, Part B, Para. 2.1

Flight Training Planning Conference	A planning conference as described in Exhibit C, Part C, Para. 2.	Exhibit C, Part Para. 2
Flight Training Program	The program of flight training described in Exhibit C, Part C.	Exhibit C, Part C
Interface Problem	A technical problem attributed to the design characteristics of the Aircraft or its systems, as described in Exhibit B, Part G, Para. 1.	Exhibit B, Part G, Para. 1
Landing Gear Component	A component as described in Exhibit B, Part C, Para. 1.2.	Exhibit B Part C Para. 1.2
Maintenance Training Planning Conference	A planning conference as described in Exhibit C, Part A, Para. 2.	Exhibit C, Part A, Para. 2
Maintenance Training Program	The program of training described in Exhibit C, Part A, Para. 3.	Exhibit C, Part A, Para. 3
Manufacturer Change(s)	A change to the Aircraft or performance required of Boeing as described in Article 8, Para. 8.2.1.	Article 8, Para. 8.2.1
Operator Change(s)	A change to the Aircraft described in Article 8, Para. 8.3.1.	Article 8, Para. 8.3.1
Performance Guarantees	The written guarantees regarding the operational performance of the Aircraft set forth in the Agreement or the Detail Specification.	Article 1, Para. 1.3
Policy (Boeing Service Life Policy)	Exhibit B, Part C, Para. 2.	Exhibit B, Part C, Para. 2
Price First Published	Article 3, Para. 3.1.6.	Article 3, Para. 3.1.6
Product Assurance Document	Exhibit B of the Agreement.	Article 12, Para. 12.1
Revenue Service Training	Flight Training conducted on the Aircraft during revenue service with cargo and/or passengers on board, as described in Exhibit C, Part C, Para. 8.	Exhibit C, Part E, Para. 1.1
Special Features	Article 3, Para. 3.1.1.1 and 3.1.2.1	Article 3, Para. 3.1.1
Standard Airworthiness Certificate	A certificate issued by the FAA, pursuant to Part 21 of the Federal Aviation Regulations as described in Article 8, Para. 8.1.1.2.	Article 8, Para. 8.1.1.2
Target Delivery Date	A non binding estimated delivery date provided for Buyer's planning purposes, described in Article 2.	Article 2, Para. 2.2
Taxes	The term "Taxes" defined in Article 4, Para. 4.1.	Article 2, Para. 2.3

Type Certificate	A certificate issued by the FAA pursuant to Part 21 of the Federal Aviation Regulations described in Article 8, Para. 8.1.1.1.	Article 8, Para. 8.1.1.1
Warranty Labor Rate	The hourly labor rate defined in Exhibit B, Part B, Para. 5.3.	Exhibit B, Part B, Para. 5.3

1951-2R3  
May 21, 1998

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

Subject: Letter Agreement No. 1951-2R3 to  
Purchase Agreement No. 1951 -  
Seller Purchased Equipment

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-2R2 dated March 5, 1997.

For purposes of this Letter Agreement the following definitions apply:

Seller Purchased Equipment (SPE) is Buyer Furnished Equipment (BFE) that Boeing purchases for Buyer.

Developmental Buyer Furnished Equipment (DBFE) is all BFE not previously certified for installation on the Aircraft.

This Letter Agreement does not include developmental avionics. Developmental avionics are avionics that have not been previously certified for installation on the Aircraft.

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

Buyer has requested and Boeing hereby agrees that Boeing will purchase as SPE certain BFE identified by Buyer pursuant to Change Requests. Accordingly, Boeing and Buyer agree with respect to such SPE as follows:

1. Price.

Advance Payments. An estimated SPE price will be included in the Aircraft Advance Payment Base Price for the purpose of establishing the advance payments for each Aircraft. The estimated price of this SPE for each Aircraft, expressed in 1995 U.S. dollars, except for the 737-900, which is expressed in 1997 U. S. dollars, is listed below.

Model	Estimated Price for SPE
737-500	[CONFIDENTIAL MATERIAL OMITTED AND FILED
737-600	SEPARATELY WITH THE SECURITIES AND EXCHANGE
737-700	COMMISSION PURSUANT TO A REQUEST FOR
737-800	CONFIDENTIAL TREATMENT.]
737-900	

Aircraft Price. The Aircraft Price will be adjusted to reflect (i) the actual costs charged Boeing by the SPE suppliers, (ii) a handling fee of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] of such costs and (iii) transportation charges. If all DBFE, except for developmental avionics, is converted to SPE, Boeing will waive the handling fee for all SPE.

2. Responsibilities.

2.1 With respect to SPE, Buyer is responsible for:

- (i) selecting the supplier and advising Boeing as to the price negotiated between Buyer and supplier on or before:

	Model 737-924	Model 737-624	Model 737-724	Model 737-824
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galleys	tbd	7/1/97	10/6/96	2/12/97
seats	tbd	2/7/97	9/3/96	9/3/96

(ii) selecting a FAA certifiable part; and

(iii) providing to Boeing the SPE part specification/Buyer requirements.

2.2. With respect to SPE, Boeing is responsible for:

(i) placing and managing the purchase order with the supplier;

(ii) coordinating with the suppliers on technical issues;

(iii) ensuring that the delivered SPE complies with the part specification;

(iv) obtaining certification of the Aircraft with the SPE installed; and

(v) obtaining for Buyer the supplier's standard warranty for the SPE. SPE is deemed to be BFE for purposes of Exhibit B, the Product Assurance Document, of the Agreement.

### 3. Supplier Selection For SPE Galleys and Seats.

In addition to those responsibilities described above, for SPE galleys and seats the following provisions apply with respect to Buyer's selection of suppliers:

Galley Requirements. Buyer will provide Boeing not later than August 7, 1996 the definitive galley configuration requirements for the Model 737-724. Buyer will provide Boeing not later than November 27, 1996 the definitive galley configuration requirements for the Model 737-824. Buyer will provide Boeing not later than May 1, 1997 the definitive galley configuration requirements for the Model 737-624. Buyer will provide Boeing not later than TBD the definitive galley configuration requirements for the Model 737-924.

Bidder's List. Boeing has submitted to Buyer, for information purposes, a bidder's list of existing suppliers of seats and galleys.

Request for Quotation (RFQ). Boeing has issued its RFQ inviting such potential bidders to submit bids for the galleys and seats by July 15, 1996 for the Model 737-724 and -824 Aircraft. Boeing will advise such date for the Model 737-624 and -924 Aircraft.

Recommended Bidders. Boeing has submitted to Buyer a list of recommended bidders from which to choose a supplier for the galleys and seats. The recommendation is based on an evaluation of the bids submitted using price, weight, warranty and schedule as the criteria.

Supplier Selection. If Buyer selects a seat or galley supplier that is not on the Boeing recommended list, such seat or galley will become BFE and the provisions of Exhibit E, Buyer Furnished Equipment Provisions Document, of the Agreement will apply.

### 4. Changes.

After this Letter Agreement is signed, changes to SPE may only be made by and between Boeing and the suppliers. Buyer's contacts with SPE suppliers relating to design (including selection of materials and colors), weights, prices (except for price negotiation prior to the supplier selection date) or schedules are for informational purposes only. If Buyer wants changes made to any of the above, requests must be made directly to Boeing for negotiating with the supplier.

### 5. Proprietary Rights.

Boeing's obligation to purchase SPE will not impose upon

Boeing any obligation to compensate Buyer or any supplier for any proprietary rights Buyer may have in the design of the SPE.

6. Remedies.

If Buyer does not comply with the obligations above, Boeing may:

- (i) delay delivery of the Aircraft for the period of non-compliance;
- (ii) deliver the Aircraft without installing the SPE;
- (iii) substitute a comparable part and invoice Buyer for the cost; and/or
- (iv) increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance.

7. Buyer Participation in Price Negotiations for SPE. Subject to the following conditions, Boeing agrees that Buyer may negotiate the price with vendors for certain items of BFE which have been changed to SPE pursuant to this Letter Agreement.

a. Number of Items. Boeing and Buyer have mutually agreed on a list of specific equipment (the SPE Item) for which Buyer shall negotiate directly with the vendors to establish the price for each SPE Item. The SPE Item list includes seats, galleys, and interior furnishings. Buyer shall provide the price of the SPE Item when Buyer notifies Boeing of the SPE Item vendor.

b. Required Dates. Boeing's agreement to permit Buyer to negotiate prices with vendors for SPE Items is subject to Buyer's agreement to meet all of Boeing's required dates with respect to each SPE Item.

c. Right to Approve Selected Vendors. Boeing shall retain the right to reasonably approve the list of vendors for each SPE Item.

8. Buyer's Indemnification of Boeing.

Buyer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any SPE and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing, whether active, passive or imputed. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the SPE.

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO as of this

Date: May 21, 1998.

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

1951-3R2  
May 21, 1998

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

Subject: Letter Agreement No. 1951-3R2 to  
Purchase Agreement No. 1951 -  
Option Aircraft - Model 737-824 Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-824 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-3R1 dated October 10, 1996.

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

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

1. Delivery.

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



Month and Year  
of Delivery

Number of  
Option Aircraft

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

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

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, and concurrent with the execution of the Agreement for the Aircraft, Buyer will pay a deposit to Boeing of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] for each Option Aircraft (the Option Deposit). In the event Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Agreement.

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

4. Option Exercise.

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

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

5. Contract Terms.

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

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

6. Cancellation of Option to Purchase.

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

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

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

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

Any cancellation of an option to purchase by Boeing which is based on the termination of the purchase of an Aircraft under the

Agreement shall be on a one-for-one basis, for each Aircraft so terminated.

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

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

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

8. Applicability.

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.,

By /s/ Brian Davis

Its Vice President

Attachment

## Model 737-824 Aircraft

### 1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification D6-38808, Revision E, dated September 15, 1995, as amended and revised pursuant to the Agreement.

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

(1) Changes applicable to the basic Model 737-800 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of an Option Aircraft Supplemental Agreement.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

1.3 Effect of Changes. Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

### 2. Price Description.

#### 2.1 Price Adjustments.

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

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

2.1.3 Escalation Adjustments. The base airframe and special features price will be escalated according to the applicable airframe and engine manufacturer escalation provisions contained in Exhibit D of the Agreement.

Buyer agrees that the engine escalation provisions will be adjusted if they are changed by the engine manufacturer prior to signing the Option Aircraft Supplemental Agreement. In such case, the then-current engine escalation provisions in effect at the time of execution of the Option Aircraft Supplemental Agreement will be incorporated into such agreement.

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

2.1.5 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Detail Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus 10% of such price.

### 3. Advance Payments.

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

1951-5R2  
May 21, 1998

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

Subject: Letter Agreement No. 1951-5R2 to  
Purchase Agreement No. 1951 -  
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY  
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT  
TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated  
July 23, 1996(the Agreement) between The Boeing Company (Boeing)  
and Continental Airlines, Inc. (Buyer) relating to Model 737-  
624/-724/-824/-924 aircraft (the Aircraft). This Letter  
Agreement supersedes and replaces in its entirety Letter  
Agreement 1951-5R1 dated October 10, 1996.

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

1951-9R1  
May 21, 1998

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

Subject: Letter Agreement No. 1951-9R1 to  
Purchase Agreement No. 1951 -  
Option Aircraft - Model 737-624 Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-624 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-9 dated October 10, 1996.

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

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

1. Delivery.

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

Month and Year  
of Delivery

Number of  
Option Aircraft

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

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

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, and concurrent with the execution of the Agreement for the Aircraft, Buyer will pay a deposit to Boeing of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] for each Option Aircraft (the Option Deposit). In the event Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Agreement.

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

4. Option Exercise.

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

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

5. Contract Terms.

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

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

6. Cancellation of Option to Purchase.

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

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

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

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

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

terminated.

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

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

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

8. Applicability.

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.,

By /s/ Brian Davis

Its Vice President

Attachment

## Model 737-624 Aircraft

### 1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification D6-38808-62, dated as of even date herewith, as amended and revised pursuant to the Agreement.

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

(1) Changes applicable to the basic Model 737-600 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of an Option Aircraft Supplemental Agreement.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

1.3 Effect of Changes. Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

### 2. Price Description.

#### 2.1 Price Adjustments.

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

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

2.1.3 Escalation Adjustments. The base airframe and special features price will be escalated according to the applicable airframe and engine manufacturer escalation provisions contained in Exhibit D of the Agreement.

Buyer agrees that the engine escalation provisions will be adjusted if they are changed by the engine manufacturer prior to signing the Option Aircraft Supplemental Agreement. In such case, the then-current engine escalation provisions in effect at the time of execution of the Option Aircraft Supplemental Agreement will be incorporated into such agreement.

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

2.1.5 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Detail Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus 10% of such price.

### 3. Advance Payments.

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



1951-12  
May 21, 1998

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

Subject: Option Aircraft

Reference: Purchase Agreement No. 1951 dated July 23,  
1996 (the Agreement) between The Boeing  
Company (Boeing) and Continental Airlines,  
Inc. (Buyer) relating to Model 737-900  
aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Agreement.

Boeing agrees to manufacture and sell to Buyer up to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.], on the same terms and conditions set forth in the Agreement, subject to the terms and conditions set forth below. The delivery months, number of aircraft, Advance Payment Base Price per aircraft and advance payment schedule are listed in the Attachment to this Letter Agreement (the Attachment).

## 1. Aircraft Description and Changes

1.1 Aircraft Description: The Option Aircraft are described by the Detail Specification listed in the Attachment.

1.2 Changes: The Detail Specification will be revised to include:

(i) Changes applicable to the basic Model 737 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of the supplemental agreement to purchase the Option Aircraft;

(ii) Changes required to obtain required regulatory certificates; and

(iii) Changes mutually agreed upon.

1.3 Effect of Changes: Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

## 2. Price

2.1 The pricing elements of the Option Aircraft are listed in the Attachment.

2.2 Price Adjustments.

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

## 3. Payment.

3.1 Buyer will pay a deposit to Boeing in the amount shown in the Attachment for each Option Aircraft (Deposit), on the date of this Letter Agreement. If Buyer exercises an option, the Deposit applicable to such aircraft will be credited against the first advance payment due for such aircraft. If Buyer does not exercise an option, Boeing will retain the Deposit.

3.2 Following option exercise, advance payments in the amounts and at the times listed in the Attachment will be payable

for the Option Aircraft. The remainder of the Aircraft Price for the Option Aircraft will be paid at the time of delivery.

4. Option Exercise.

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

Option Aircraft	Option Exercise Date
-----------------	----------------------

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

4.2 If Boeing must make production decisions which are dependent on Buyer exercising an option earlier than the Option Exercise Date, Boeing may accelerate the Option Exercise Date subject to Buyer's agreement. If Boeing and Buyer fail to agree to a revised Option Exercise Date, either party may terminate the option and Boeing will refund to Buyer, without interest, any Deposit and advance payments received by Boeing with respect to the terminated Aircraft.

5. Contract Terms.

Boeing and Buyer will use their best efforts to reach a definitive agreement for the purchase of an Option Aircraft, including the terms and conditions contained in this Letter Agreement, in a supplemental agreement to the Agreement, and other terms and conditions as may be agreed upon. In the event the parties have not entered into a supplemental agreement within 30 days following option exercise, either party may terminate the purchase of such Option Aircraft by giving written notice to the other within 5 days. If Buyer and Boeing fail to enter into such supplemental agreement, Boeing will retain the Deposit for that Option Aircraft unless failure is attributable to Boeing's fault, in which case the Deposit shall be promptly returned to Buyer without interest.

8. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft that are added to the Agreement by an Option Aircraft supplemental agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Agreement.

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment

Attachment to  
Letter Agreement 1951-12 Option Aircraft Delivery,  
Description, Price and Advance Systems

Airframe Model/MTGW: 737-900 164,000

Engine Model: CFM56-7B26

Airframe Base Price:

Optional Features:

Sub-Total of Airframe and Features:

Engine Price (Per Aircraft):

Aircraft Basic Price (Excluding BFE/SPE):

Buyer Furnished Equipment (BFE) Estimate:

Seller Purchased Equipment (SPE) Estimate:

Refundable Deposit per Aircraft at Proposal Acceptance

Detail Specification: D6-39127 Rev. Orig.

Price Base Year: Jul-97

Airframe and Engine Escalation Data:

Base Year Index (ECI):

Base Year Index (ICI):

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

1951-13  
May 21, 1998

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

Subject: Letter Agreement No. 1951-13 to  
Purchase Agreement No. 1951 -  
Configuration Matters - Model 737-924

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-924 aircraft (the Aircraft).

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

1. Aircraft Configuration.

1.1 Preliminary Configuration. Boeing and Buyer have established a preliminary configuration (Preliminary Configuration) for the Aircraft which is comprised of the Boeing Specification D6-39127, Revision 0, dated July 25, 1997.

1.2 Selection of Change Requests for Final Configuration. On or before September 30, 1998, or unless otherwise previously agreed to between Boeing and Buyer, Boeing and Buyer will develop a complete list of change requests (Accepted Change Requests) selected for incorporation in the Aircraft. The Preliminary Configuration, and Buyer's list of Accepted Change Requests and master changes (Master Changes) will comprise the final configuration (Final Configuration) of the Aircraft.

1.3 Amendment to the Agreement. Prior to October 30, 1998, Boeing and Buyer shall execute a Supplemental Agreement amending the Agreement as required to reflect the Final Configuration.

1.4. Buyer's Detail Specification. Within 90 days after Final Configuration, Boeing will provide to Buyer the Detail Specification reflecting the Aircraft Final Configuration. This Detail Specification will also reflect changes made to Boeing's basic Model 737-900 aircraft specification between July 25, 1997 and the date of execution of the Supplemental Agreement referenced in paragraph 1.3 above.

2. Preliminary Pricing Estimates. Buyer understands that Boeing cannot establish the final Aircraft Basic Price and Advance Payment Base Price of the Aircraft until Final Configuration of the Aircraft is known. For Buyer's planning purposes, however, an estimate for the Aircraft Basic Price and Advance Payment Base Price of the Aircraft has been established using an estimated amount of Special Features, which may or may not accurately reflect Buyer's final selection of special features.

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

May 21, 1998  
6-1162-MMF-308R3

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

Subject: Letter Agreement No. 6-1162-MMF-308R3 to  
Purchase Agreement No. 1951 -  
Disclosure of Confidential Information

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-308R2 dated October 10, 1997.

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

1. Boeing and Buyer each understand that certain commercial and financial information contained in the documents listed below and any documents that amend, supplement or supersede such documents (Confidential Documents) is considered by the other party to be confidential.
2. Boeing and Buyer agree that each party will treat the Confidential Documents and the information contained therein as confidential and will not, without the other party's prior written consent, disclose such Confidential Documents or any information contained therein to any other person or entity except as may be required by (i) applicable law or governmental regulations; or (ii) for financing the Aircraft in accordance with the provisions of Article 10 of the Agreement.
3. In connection with any such disclosure or filing of the Confidential Documents, or the information contained therein pursuant to any such applicable law or governmental regulation, Buyer or Boeing, as applicable, will request and use its best reasonable efforts to obtain confidential treatment of such Confidential Documents and the information contained therein. Boeing and Buyer agree to cooperate with each other in making and supporting any such request for confidential treatment.

#### Schedule of Confidential Documents

1. Letter Agreement No. 6-1162-MMF-295.
2. Letter Agreement No. 6-1162-MMF-296.
3. Letter Agreement No. 6-1162-MMF-309R1.
4. Letter Agreement No. 6-1162-MMF-311R1.
5. Letter Agreement No. 6-1162-MMF-312R1.
6. Letter Agreement No. 6-1162-MMF-319.
7. Letter Agreement No. 6-1162-MMF-378R1.
8. Letter Agreement No. 6-1162-MMF-379R1.
9. Letter Agreement No. 6-1162-GOC-015.
10. Letter Agreement No. 6-1162-DMH-365.

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

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

6-1162-MMF-311R3  
May 21, 1998

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

Subject: Letter Agreement No. 6-1162-MMF-311R3 to  
Purchase Agreement No. 1951 -  
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY  
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT  
TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1751 dated July 23, 1996(the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MMF-311R2 dated October 10, 1997.

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

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

5. Confidential Treatment.

Boeing and Buyer agree that certain commercial and financial information contained in this Letter Agreement is confidential and subject to the confidentiality provisions of Letter Agreement 6-1162-MMF-308R3, Disclosure of Confidential Information.

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

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President



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

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

Attention: Technical Department

Reference: Letter Agreement 6-1162-MMF-311R3 to  
Boeing/CAL Purchase Agreement 1951

Transmitted by Facsimile: TBD

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

Very truly yours,

THE BOEING COMPANY

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

Its: \_\_\_\_\_

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

May 21, 1998  
6-1162-GOC-131R2

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

Subject: Letter Agreement No. 6-1162-GOC-131R2 to Purchase  
Agreement No. 1951 - Special Matters

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-GOC-131R1, dated March 27, 1998.

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

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

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

2.1 Firm Aircraft. Notwithstanding the Advance Payment Schedule contained in Article 5 of the Agreement, Buyer may pay advance payments, according to the following schedule, for Aircraft on firm order as of the date of signing Supplemental Agreement No. 4 to the Agreement.

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

2.2 Option Aircraft. Notwithstanding the Advance Payment Schedule contained in Article 5 of the Agreement, Buyer may pay advance payments according to the following schedule for all Option Aircraft.

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

3. Payment of Interest on Deferred Advance Payments.

3.1 Interest Rate for Firm Aircraft. Buyer agrees to pay interest on all amounts which are deferred pursuant to Paragraph 2.1 (excluding Firm Aircraft added from the exercise of options) of this Letter Agreement at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

3.2 Interest Rate for Firm Aircraft Incorporated by Supplemental Agreement 5. Buyer agrees to pay interest on all amounts which are deferred pursuant to Paragraph 2.1 of this Letter Agreement for Firm Aircraft incorporated by Supplemental Agreement 5 at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

3.3 Interest Rate for Option Aircraft. Buyer agrees to pay interest on all amounts which are deferred pursuant to Paragraph 2.2 of this Letter Agreement at [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

3.4 Delivery Delay Impact on Interest Calculations. If the delivery of any Aircraft is delayed due to either an excusable or a non-excusable delay, then interest on the deferred

advance payments in respect of such Aircraft will not accrue during the time period from the last working day of the scheduled delivery month to the day of delivery of the Aircraft. Payment of any interest that has accrued prior to the start of the delay but remains unpaid will be paid on the normal quarterly interest payment schedule set forth in Paragraph 3.1 of this Letter Agreement or on the delivery date of the Aircraft, whichever comes first.

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

#### 4. Option Aircraft.

4.1 Option Deposits. Notwithstanding the amount specified in paragraph 3 of Letter Agreements 1951-3R1 and 1951-9, Boeing and Buyer agree that the Option Deposit shall be [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] per aircraft for either a Model 737-624, 737-724, 737-824, or 737-924 Option Aircraft.

4.2 Option Aircraft Base Price Adjustment. Notwithstanding the provisions of Paragraph 2.1.1 of the Attachment to Letter Agreements 1951-3R2 and 1951-9R1, Boeing agrees that the Base Airplane Price contained in Article 3 of the Agreement shall apply to the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] Aircraft incorporated by Supplemental Agreement No. 1 dated October 10, 1996.

#### 5. Model Substitution.

5.1 Model 737-724/-824 Aircraft. Buyer may elect to substitute Model 737-824 for Model 737-724 or Model 737-724 for Model 737-824 Aircraft for any Aircraft or Option Aircraft delivering in 1999 or later. Buyer's model substitution notice to Boeing must be in writing to Boeing no later than the first day of the tenth month prior to delivery of each Aircraft.

5.2 Model 737-624 Aircraft. Buyer may elect to substitute either Model 737-724 or 737-824 Aircraft for Model 737-624 Option Aircraft delivering in 2000 or later. Buyer's written model substitution notice must be received by Boeing no later than the first day of the tenth month prior to delivery of each Aircraft.

5.3 Model 737-524 Aircraft. Buyer may elect to substitute Model 737-324 for Model 737-524 Aircraft. Buyer's substitution notice must be in writing and received by Boeing no later than the first day of the tenth month prior to delivery of each Aircraft if Customer and Boeing have previously agreed on a configuration for the Model 737-324. If configuration for the Model 737-324 has not been established, then the notice period shall be the time required to configure the Model 737-324 plus 10 months.

5.4 Model 737-924 Aircraft. Buyer may elect to substitute Model 737-724, or Model 737-824 Aircraft for Model 737-924 Option Aircraft delivering in January 2003 or later. Buyer's written model substitution notice must be received by Boeing no later than the first day of the tenth month prior to delivery of each Aircraft.

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

#### 7. Confidential Treatment.

Boeing and Buyer understand that certain information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential.

Notwithstanding the provisions of Letter Agreement 6-1162-MMF-308R2, Boeing and Buyer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt  
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis  
Its Vice President

6-1162-DMH-365  
May 21, 1998

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

Subject: Letter Agreement No. 6-1162-DMH-365 to  
Purchase Agreement No. 1951 -  
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY  
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT  
TO A REQUEST FOR CONFIDENTIAL TREATMENT.] Model 737-  
924

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as  
July 23, 1996 (the Agreement) between THE BOEING COMPANY (Boeing)  
and CONTINENTAL AIRLINES, INC. (Buyer) relating to Model 737-924  
aircraft (the Aircraft).

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

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

2. Confidential Treatment. Buyer understands that certain  
commercial and financial information contained in this Letter  
Agreement including any attachments hereto is considered by  
Boeing as confidential. Buyer agrees that it will treat this  
Letter Agreement and the information contained herein as  
confidential and will not, without the prior written consent of  
Boeing, disclose this Letter Agreement or any information  
contained herein to any other person or entity except as provided  
in Letter Agreement 6-1162-MMF-308R3.

Very truly yours,

THE BOEING COMPANY

By /s/ David M. Hurt

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 21, 1998

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment

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

## STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES

THIS STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES (this "Agreement") is entered into between Continental Airlines, Inc., a Delaware corporation (the "Company") and Gordon M. Bethune ("Executive").

## Recitals:

WHEREAS, Air Partners, L.P., its partners and certain affiliates have entered into an Investment Agreement dated as of January 25, 1998 with Northwest Airlines Corporation and its affiliate (the "Investment Agreement"), which investment agreement provides for the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P., subject to certain conditions; and

WHEREAS, the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P. contemplated by the Investment Agreement (the "Acquisition") will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, and the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company; and

WHEREAS, the Human Resources Committee and the Board of Directors of the Company have deemed it advisable and in the best interests of the Company and its stockholders to assure management continuity for the Company and, consistent therewith, have authorized the execution, delivery and performance by the Company of this Agreement;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Change in Control. The parties agree that the Acquisition will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company or any subsidiary.

2. Payment of Stay Bonus. During the 15 month period commencing with the first month following the date of closing of the Acquisition, the Company shall pay to Executive as a stay bonus an amount in cash of \$444,000 per month, which payment shall be paid on the last day of each month during such period; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such payment is made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company at any time during such 15 month period, the reason for any such termination is not for cause (i.e., pursuant to paragraph 2.2 (iii) or 2.2 (iv) of Executive's employment agreement with the Company, as amended through the date hereof or as such employment agreement may hereafter be amended). If Executive's employment is terminated by the Company for cause (as described in the foregoing sentence) during any month in such 15 month period, Company shall pay Executive the stay bonus with respect to such month, pro-rated for the number of days he remained employed by the Company or its subsidiaries during such month, and shall have no obligation to pay any further stay bonus to Executive thereafter. In addition, Company agrees to make, in the name of Executive, one or more charitable contributions, on a monthly basis on the last day of each month during such 15 month period, in an aggregate monthly amount of \$22,666.67, to such charities (and in such amounts, not to exceed such aggregate monthly amount) as are designated by Executive to Company from time to time in writing; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such charitable contributions are made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company during such 15 month period, the reason for any such termination is not for cause (as described above). The Company may withhold from all such payments all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or



ruling and all other normal employee deductions made with respect to Company's employees generally.

3. Miscellaneous. Company represents to Executive that the execution, delivery and performance of this Agreement by Company have been duly authorized by all necessary corporate action, that this Agreement has been duly executed and delivered by Company, and that this Agreement is a legal, valid and binding obligation of Company, enforceable against the Company in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally. This Agreement shall be governed by the laws of the State of Texas. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, by merger or otherwise. Except as provided in the preceding sentence, this Agreement and the rights and obligations of the parties hereunder are personal and neither this Agreement nor any right, benefit or obligation of either party hereto shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. Except for the agreement set forth in Section 1 above, this Agreement shall not affect the rights and obligations of the parties under Executive's employment agreement with the Company or any subsidiary. Nothing contained herein shall confer upon Executive any right with respect to continuation of employment with the Company or any subsidiary thereof, or interfere in any way with the right of the Company or any subsidiary to terminate Executive's employment at any time. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 14th day of April, 1998.

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_  
Name: Jeffery A. Smisek  
Title: Executive Vice President

EXECUTIVE

\_\_\_\_\_  
Gordon M. Bethune

## STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES

THIS STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES (this "Agreement") is entered into between Continental Airlines, Inc., a Delaware corporation (the "Company") and Gregory D. Brenneman ("Executive").

## Recitals:

WHEREAS, Air Partners, L.P., its partners and certain affiliates have entered into an Investment Agreement dated as of January 25, 1998 with Northwest Airlines Corporation and its affiliate (the "Investment Agreement"), which investment agreement provides for the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P., subject to certain conditions; and

WHEREAS, the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P. contemplated by the Investment Agreement (the "Acquisition") will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, and the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company; and

WHEREAS, the Human Resources Committee and the Board of Directors of the Company have deemed it advisable and in the best interests of the Company and its stockholders to assure management continuity for the Company and, consistent therewith, have authorized the execution, delivery and performance by the Company of this Agreement;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Change in Control. The parties agree that the Acquisition will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company or any subsidiary.

2. Payment of Stay Bonus. During the 15 month period commencing with the first month following the date of closing of the Acquisition, the Company shall pay to Executive as a stay bonus an amount in cash of \$300,000 per month, which payment shall be paid on the last day of each month during such period; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such payment is made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company at any time during such 15 month period, the reason for any such termination is not for cause (i.e., pursuant to paragraph 2.2 (iii) or 2.2 (iv) of Executive's employment agreement with the Company, as amended through the date hereof or as such employment agreement may hereafter be amended). If Executive's employment is terminated by the Company for cause (as described in the foregoing sentence) during any month in such 15 month period, Company shall pay Executive the stay bonus with respect to such month, pro-rated for the number of days he remained employed by the Company or its subsidiaries during such month, and shall have no obligation to pay any further stay bonus to Executive thereafter. In addition, Company agrees to make, in the name of Executive, one or more charitable contributions, on a monthly basis on the last day of each month during such 15 month period, in an aggregate monthly amount of \$66,666.67, to such charities (and in such amounts, not to exceed such aggregate monthly amount) as are designated by Executive to Company from time to time in writing; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such charitable contributions are made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company during such 15 month period, the reason for any such termination is not for cause (as described above). The Company may withhold from all such payments all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or

ruling and all other normal employee deductions made with respect to Company's employees generally.

3. Miscellaneous. Company represents to Executive that the execution, delivery and performance of this Agreement by Company have been duly authorized by all necessary corporate action, that this Agreement has been duly executed and delivered by Company, and that this Agreement is a legal, valid and binding obligation of Company, enforceable against the Company in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally. This Agreement shall be governed by the laws of the State of Texas.

This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, by merger or otherwise. Except as provided in the preceding sentence, this Agreement and the rights and obligations of the parties hereunder are personal and neither this Agreement nor any right, benefit or obligation of either party hereto shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. Except for the agreement set forth in Section 1 above, this Agreement shall not affect the rights and obligations of the parties under Executive's employment agreement with the Company or any subsidiary. Nothing contained herein shall confer upon Executive any right with respect to continuation of employment with the Company or any subsidiary thereof, or interfere in any way with the right of the Company or any subsidiary to terminate Executive's employment at any time. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 14th day of April, 1998.

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_  
Name: Jeffery A. Smisek  
Title: Executive Vice President

EXECUTIVE

\_\_\_\_\_  
Gregory D. Brenneman

## STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES

THIS STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES (this "Agreement") is entered into between Continental Airlines, Inc., a Delaware corporation (the "Company") and Lawrence W. Kellner ("Executive").

## Recitals:

WHEREAS, Air Partners, L.P., its partners and certain affiliates have entered into an Investment Agreement dated as of January 25, 1998 with Northwest Airlines Corporation and its affiliate (the "Investment Agreement"), which investment agreement provides for the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P., subject to certain conditions; and

WHEREAS, the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P. contemplated by the Investment Agreement (the "Acquisition") will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, and the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company; and

WHEREAS, the Human Resources Committee and the Board of Directors of the Company have deemed it advisable and in the best interests of the Company and its stockholders to assure management continuity for the Company and, consistent therewith, have authorized the execution, delivery and performance by the Company of this Agreement;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Change in Control. The parties agree that the Acquisition will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company or any subsidiary.

2. Payment of Stay Bonus. During the 15 month period commencing with the first month following the date of closing of the Acquisition, the Company shall pay to Executive as a stay bonus an amount in cash of \$150,000 per month, which payment shall be paid on the last day of each month during such period; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such payment is made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company at any time during such 15 month period, the reason for any such termination is not for cause (i.e., pursuant to paragraph 2.2 (iii) or 2.2 (iv) of Executive's employment agreement with the Company, as amended through the date hereof or as such employment agreement may hereafter be amended). If Executive's employment is terminated by the Company for cause (as described in the foregoing sentence) during any month in such 15 month period, Company shall pay Executive the stay bonus with respect to such month, pro-rated for the number of days he remained employed by the Company or its subsidiaries during such month, and shall have no obligation to pay any further stay bonus to Executive thereafter. In addition, Company agrees to make, in the name of Executive, one or more charitable contributions, on a monthly basis on the last day of each month during such 15 month period, in an aggregate monthly amount of \$16,666.67, to such charities (and in such amounts, not to exceed such aggregate monthly amount) as are designated by Executive to Company from time to time in writing; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such charitable contributions are made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company during such 15 month period, the reason for any such termination is not for cause (as described above). The Company may withhold from all such payments all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or

ruling and all other normal employee deductions made with respect to Company's employees generally.

3. Miscellaneous. Company represents to Executive that the execution, delivery and performance of this Agreement by Company have been duly authorized by all necessary corporate action, that this Agreement has been duly executed and delivered by Company, and that this Agreement is a legal, valid and binding obligation of Company, enforceable against the Company in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally. This Agreement shall be governed by the laws of the State of Texas. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, by merger or otherwise. Except as provided in the preceding sentence, this Agreement and the rights and obligations of the parties hereunder are personal and neither this Agreement nor any right, benefit or obligation of either party hereto shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. Except for the agreement set forth in Section 1 above, this Agreement shall not affect the rights and obligations of the parties under Executive's employment agreement with the Company or any subsidiary. Nothing contained herein shall confer upon Executive any right with respect to continuation of employment with the Company or any subsidiary thereof, or interfere in any way with the right of the Company or any subsidiary to terminate Executive's employment at any time. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 14th day of April, 1998.

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_  
Name: Jeffery A. Smisek  
Title: Executive Vice President

EXECUTIVE

\_\_\_\_\_  
Lawrence W. Kellner

## STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES

THIS STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES (this "Agreement") is entered into between Continental Airlines, Inc., a Delaware corporation (the "Company") and C.D. McLean ("Executive").

## Recitals:

WHEREAS, Air Partners, L.P., its partners and certain affiliates have entered into an Investment Agreement dated as of January 25, 1998 with Northwest Airlines Corporation and its affiliate (the "Investment Agreement"), which investment agreement provides for the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P., subject to certain conditions; and

WHEREAS, the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P. contemplated by the Investment Agreement (the "Acquisition") will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, and the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company; and

WHEREAS, the Human Resources Committee and the Board of Directors of the Company have deemed it advisable and in the best interests of the Company and its stockholders to assure management continuity for the Company and, consistent therewith, have authorized the execution, delivery and performance by the Company of this Agreement;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Change in Control. The parties agree that the Acquisition will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company or any subsidiary.

2. Payment of Stay Bonus. During the 15 month period commencing with the first month following the date of closing of the Acquisition, the Company shall pay to Executive as a stay bonus an amount in cash of \$150,000 per month, which payment shall be paid on the last day of each month during such period; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such payment is made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company at any time during such 15 month period, the reason for any such termination is not for cause (i.e., pursuant to paragraph 2.2 (iii) or 2.2 (iv) of Executive's employment agreement with the Company, as amended through the date hereof or as such employment agreement may hereafter be amended). If Executive's employment is terminated by the Company for cause (as described in the foregoing sentence) during any month in such 15 month period, Company shall pay Executive the stay bonus with respect to such month, pro-rated for the number of days he remained employed by the Company or its subsidiaries during such month, and shall have no obligation to pay any further stay bonus to Executive thereafter. In addition, Company agrees to make, in the name of Executive, one or more charitable contributions, on a monthly basis on the last day of each month during such 15 month period, in an aggregate monthly amount of \$16,666.67, to such charities (and in such amounts, not to exceed such aggregate monthly amount) as are designated by Executive to Company from time to time in writing; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such charitable contributions are made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company during such 15 month period, the reason for any such termination is not for cause (as described above). The Company may withhold from all such payments all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect

to Company's employees generally.

3. Miscellaneous. Company represents to Executive that the execution, delivery and performance of this Agreement by Company have been duly authorized by all necessary corporate action, that this Agreement has been duly executed and delivered by Company, and that this Agreement is a legal, valid and binding obligation of Company, enforceable against the Company in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally. This Agreement shall be governed by the laws of the State of Texas. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, by merger or otherwise. Except as provided in the preceding sentence, this Agreement and the rights and obligations of the parties hereunder are personal and neither this Agreement nor any right, benefit or obligation of either party hereto shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. Except for the agreement set forth in Section 1 above, this Agreement shall not affect the rights and obligations of the parties under Executive's employment agreement with the Company or any subsidiary. Nothing contained herein shall confer upon Executive any right with respect to continuation of employment with the Company or any subsidiary thereof, or interfere in any way with the right of the Company or any subsidiary to terminate Executive's employment at any time. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 14th day of April, 1998.

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_  
Name: Jeffery A. Smisek  
Title: Executive Vice President

EXECUTIVE

\_\_\_\_\_  
C.D. McLean

## STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES

THIS STAY BONUS AGREEMENT FOR GROUP 1 EXECUTIVES (this "Agreement") is entered into between Continental Airlines, Inc., a Delaware corporation (the "Company") and Jeffery A. Smisek ("Executive").

## Recitals:

WHEREAS, Air Partners, L.P., its partners and certain affiliates have entered into an Investment Agreement dated as of January 25, 1998 with Northwest Airlines Corporation and its affiliate (the "Investment Agreement"), which investment agreement provides for the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P., subject to certain conditions; and

WHEREAS, the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P. contemplated by the Investment Agreement (the "Acquisition") will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, and the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company; and

WHEREAS, the Human Resources Committee and the Board of Directors of the Company have deemed it advisable and in the best interests of the Company and its stockholders to assure management continuity for the Company and, consistent therewith, have authorized the execution, delivery and performance by the Company of this Agreement;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Change in Control. The parties agree that the Acquisition will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, the Company's 1997 Stock Incentive Plan, as amended, the Company's Executive Bonus Program and Executive's employment agreement with the Company or any subsidiary.

2. Payment of Stay Bonus. During the 15 month period commencing with the first month following the date of closing of the Acquisition, the Company shall pay to Executive as a stay bonus an amount in cash of \$150,000 per month, which payment shall be paid on the last day of each month during such period; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such payment is made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company at any time during such 15 month period, the reason for any such termination is not for cause (i.e., pursuant to paragraph 2.2 (iii) or 2.2 (iv) of Executive's employment agreement with the Company, as amended through the date hereof or as such employment agreement may hereafter be amended). If Executive's employment is terminated by the Company for cause (as described in the foregoing sentence) during any month in such 15 month period, Company shall pay Executive the stay bonus with respect to such month, pro-rated for the number of days he remained employed by the Company or its subsidiaries during such month, and shall have no obligation to pay any further stay bonus to Executive thereafter. In addition, Company agrees to make, in the name of Executive, one or more charitable contributions, on a monthly basis on the last day of each month during such 15 month period, in an aggregate monthly amount of \$16,666.67, to such charities (and in such amounts, not to exceed such aggregate monthly amount) as are designated by Executive to Company from time to time in writing; provided that either (A) Executive remains in the employ of the Company or its subsidiaries during the month in which such charitable contributions are made or (B) if Executive's employment with the Company and its subsidiaries is terminated by the Company during such 15 month period, the reason for any such termination is not for cause (as described above). The Company may withhold from all such payments all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or



ruling and all other normal employee deductions made with respect to Company's employees generally.

3. Miscellaneous. Company represents to Executive that the execution, delivery and performance of this Agreement by Company have been duly authorized by all necessary corporate action, that this Agreement has been duly executed and delivered by Company, and that this Agreement is a legal, valid and binding obligation of Company, enforceable against the Company in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally. This Agreement shall be governed by the laws of the State of Texas. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, by merger or otherwise. Except as provided in the preceding sentence, this Agreement and the rights and obligations of the parties hereunder are personal and neither this Agreement nor any right, benefit or obligation of either party hereto shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. Except for the agreement set forth in Section 1 above, this Agreement shall not affect the rights and obligations of the parties under Executive's employment agreement with the Company or any subsidiary. Nothing contained herein shall confer upon Executive any right with respect to continuation of employment with the Company or any subsidiary thereof, or interfere in any way with the right of the Company or any subsidiary to terminate Executive's employment at any time. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 14th day of April, 1998.

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_  
Name: Gordon M. Bethune  
Title: Chief Executive Officer

EXECUTIVE

\_\_\_\_\_  
Jeffery A. Smisek

## FORMS OF STAY BONUS AGREEMENTS FOR OTHER EXECUTIVE OFFICERS

## STAY BONUS AGREEMENT FOR EMPLOYEES

THIS STAY BONUS AGREEMENT FOR EMPLOYEES (this "Agreement") is entered into between Continental Airlines, Inc., a Delaware corporation (the "Company") and \_\_\_\_\_ ("Employee").

## Recitals:

WHEREAS, Air Partners, L.P., its partners and certain affiliates have entered into an Investment Agreement dated as of January 25, 1998 with Northwest Airlines Corporation and its affiliate (the "Investment Agreement"), which investment agreement provides for the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P., subject to certain conditions; and

WHEREAS, the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P. contemplated by the Investment Agreement (the "Acquisition") will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, and the Company's 1997 Stock Incentive Plan, as amended; and

WHEREAS, the Human Resources Committee and the Board of Directors of the Company have deemed it advisable and in the best interests of the Company and its stockholders to assure management continuity for the Company and, consistent therewith, have authorized the execution, delivery and performance by the Company of this Agreement;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Change in Control. The parties agree that the Acquisition will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended and the Company's 1997 Stock Incentive Plan, as amended.
2. Payment of Stay Bonus. During the 15 month period commencing with the first month following the date of closing of the Acquisition, the Company shall pay to Employee as a stay bonus an amount in cash of \$\_\_\_\_\_per month, which payment shall be paid on the last day of each month during such period; provided that Employee remains in the employ of the Company or its subsidiaries during the month in which such payment is made. If Employee's employment terminates during any such month, Company shall pay Employee the stay bonus with respect to such month, pro-rated for the number of days he remained employed by the Company or its subsidiaries during such month. The Company may withhold from all such payments all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect to Company's employees generally.
3. Miscellaneous. Company represents to Employee that the execution, delivery and performance of this Agreement by Company have been duly authorized by all necessary corporate action, that this Agreement has been duly executed and delivered by Company, and that the this Agreement is a legal, valid and binding obligation of Company, enforceable against the Company in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally. This Agreement shall be governed by the laws of the State of Texas. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, by merger or otherwise. Except as provided in the preceding sentence, this Agreement and the rights and obligations of the parties hereunder are personal and neither this Agreement nor any right, benefit or obligation of either party hereto shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of

the other party. This Agreement shall not affect the rights and obligations of the parties under Employee's employment agreement, if any, with the Company or any subsidiary. Nothing contained herein shall confer upon Employee any right with respect to continuation of employment with the Company or any subsidiary thereof, or interfere in any way with the right of the Company or any subsidiary to terminate Employee's employment at any time. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 14th day of April, 1998.

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_  
Name: Jeffery A. Smisek  
Title: Executive Vice President

EMPLOYEE  
  
\_\_\_\_\_

#### STAY BONUS AGREEMENT FOR EMPLOYEES

THIS STAY BONUS AGREEMENT FOR EMPLOYEES (this "Agreement") is entered into between Continental Airlines, Inc., a Delaware corporation (the "Company") and \_\_\_\_\_ ("Employee").

#### Recitals:

WHEREAS, Air Partners, L.P., its partners and certain affiliates have entered into an Investment Agreement dated as of January 25, 1998 with Northwest Airlines Corporation and its affiliate (the "Investment Agreement"), which investment agreement provides for the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P., subject to certain conditions; and

WHEREAS, the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock and warrants held by Air Partners, L.P. contemplated by the Investment Agreement (the "Acquisition") will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended, and the Company's 1997 Stock Incentive Plan, as amended; and

WHEREAS, the Human Resources Committee and the Board of Directors of the Company have deemed it advisable and in the best interests of the Company and its stockholders to assure management continuity for the Company and, consistent therewith, have authorized the execution, delivery and performance by the Company of this Agreement;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Change in Control. The parties agree that the Acquisition will, upon the closing thereof, constitute a Change in Control for purposes of the Company's 1994 Incentive Equity Plan, as amended and the Company's 1997 Stock Incentive Plan, as amended.
2. Payment of Stay Bonus. During the 15 month period commencing with the first month following the date of closing of the Acquisition, the Company shall pay to Employee as a stay bonus an

amount in cash of \$ \_\_\_\_\_ per month, which payment shall be paid on the last day of each month during such period; provided that Employee remains in the employ of the Company or its subsidiaries during the month in which such payment is made. If Employee's employment terminates during any such month, Company shall pay Employee the stay bonus with respect to such month, pro-rated for the number of days he remained employed by the Company or its subsidiaries during such month. In addition, Company agrees to make, in the name of Executive, one or more charitable contributions, on a monthly basis on the last day of each month during such 15 month period, in an aggregate monthly amount of \$ \_\_\_\_\_, to such charities (and in such amounts, not to exceed such aggregate monthly amount) as are designated by Executive to Company from time to time in writing; provided that Executive remains in the employ of the Company or its subsidiaries during the month in which such charitable contributions are made. The Company may withhold from all such payments all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect to Company's employees generally.

3. Miscellaneous. Company represents to Employee that the execution, delivery and performance of this Agreement by Company have been duly authorized by all necessary corporate action, that this Agreement has been duly executed and delivered by Company, and that the this Agreement is a legal, valid and binding obligation of Company, enforceable against the Company in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally. This Agreement shall be governed by the laws of the State of Texas. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, by merger or otherwise. Except as provided in the preceding sentence, this Agreement and the rights and obligations of the parties hereunder are personal and neither this Agreement nor any right, benefit or obligation of either party hereto shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. This Agreement shall not affect the rights and obligations of the parties under Employee's employment agreement, if any, with the Company or any subsidiary. Nothing contained herein shall confer upon Employee any right with respect to continuation of employment with the Company or any subsidiary thereof, or interfere in any way with the right of the Company or any subsidiary to terminate Employee's employment at any time. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 14th day of April, 1998.

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_  
Name: Jeffery A. Smisek  
Title: Executive Vice President

EMPLOYEE

\_\_\_\_\_

6-MOS

	DEC-31-1998	JUN-30-1998
		1,067
		117
		492
		0
		145
	2,057	2,834
	709	
	6,655	
2,500		0
242		0
		1
	1,082	
6,655		3,890
	3,890	0
	0	
	3,460	
	0	
	84	
	412	
	157	
248		
	0	
	4	
		0
	244	
	4.08	
	3.12	