

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, 1996

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 0-9781

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2099724

(State or other jurisdiction
of incorporation or organization)

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

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

713-834-2950

(Registrant's telephone number, including area code)

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

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

As of July 19, 1996, 9,280,000 shares of Class A common stock and 46,636,026 shares of Class B common stock were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONTINENTAL AIRLINES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of dollars, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
	(Unaudited)		(Unaudited)	
Operating Revenue:				
Passenger	\$1,519	\$1,355	\$2,894	\$2,595
Cargo, mail and other	120	123	234	292
	1,639	1,478	3,128	2,887

Operating Expenses:				
Wages, salaries and related costs	378	357	742	723
Aircraft fuel	180	168	357	337
Aircraft rentals	127	124	251	247
Commissions	137	131	263	250

Maintenance, materials and repairs	119	101	231	198
Other rentals and landing fees	85	93	169	185
Depreciation and amortization	67	65	132	129
Other	317	330	634	680
	1,410	1,369	2,779	2,749
Operating Income	229	109	349	138
Nonoperating Income (Expense):				
Interest expense	(42)	(56)	(89)	(110)
Interest capitalized	-	3	1	4
Interest income	10	8	19	13
Other, net	9	117	21	108
	(23)	72	(48)	15
Income before Income Taxes and Minority Interest	206	181	301	153
Income Tax Provision	(32)	(78)	(33)	(78)

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

	Three Months Ended June 30, 1996 1995 (Unaudited)		Six Months Ended June 30, 1996 1995 (Unaudited)	
Income before Minority Interest	\$ 174	\$ 103	\$ 268	\$ 75
Minority Interest	(1)	(1)	(2)	(3)
Distributions on Preferred Securities of Trust	(6)	-	(11)	-
Net Income	167	102	255	72
Preferred Dividend Requirements and Accretion to Liquidation Value	(1)	(2)	(2)	(3)
Income Applicable to Common Shares	\$ 166	\$ 100	\$ 253	\$ 69
Earnings per Common and Common Equivalent Share	\$ 2.53	\$ 1.51	\$ 3.90	\$ 1.15
Earnings per Common Share Assuming Full Dilution	\$ 2.04	\$ 1.49	\$ 3.25	\$ 1.10

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

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

ASSETS	June 30, 1996 (Unaudited)	December 31, 1995
Current Assets:		
Cash and cash equivalents, including restricted cash and cash equivalents of \$104 and \$144, respectively	\$ 825	\$ 747
Accounts receivable, net	461	351
Spare parts and supplies, net	162	127
Prepayments and other	79	90
Total current assets	1,527	1,315
Property and Equipment:		
Owned property and equipment:		
Flight equipment	1,115	1,107
Other	297	288
	1,412	1,395
Less: Accumulated depreciation	333	285
	1,079	1,110
Purchase deposits for flight equipment	59	48
Capital leases:		
Flight equipment	410	394
Other	29	28
	439	422
Less: Accumulated amortization	141	119
	298	303
Total property and equipment	1,436	1,461
Other Assets:		
Routes, gates and slots, net	1,502	1,531
Reorganization value in excess of amounts allocable to identifiable assets, net	244	251
Investments	135	163
Other assets, net	106	100
Total other assets	1,987	2,045
Total Assets	\$4,950	\$4,821

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

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 1996 (Unaudited)	December 31, 1995
Current Liabilities:		
Current maturities of long-term debt . . .	\$ 180	\$ 163

Current maturities of capital leases . . .	60	58
Accounts payable	596	617
Air traffic liability	762	579
Accrued payroll and pensions	193	181
Accrued other liabilities	317	386
Total current liabilities	2,108	1,984
Long-Term Debt	1,163	1,352
Capital Leases	272	306
Deferred Credits and Other Long-Term Liabilities:		
Deferred income taxes	71	46
Deferred credit - aircraft operating leases	83	97
Accruals for aircraft retirements and excess facilities	142	175
Other	244	246
Total deferred credits and other long-term liabilities	540	564
Commitments and Contingencies		
Minority Interest	28	27
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures (A) .	242	242
Redeemable Warrants	50	-
Redeemable Preferred Stock (aggregate redemption value - \$43 and \$41, respectively)	43	41

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

	June 30, 1996 (Unaudited)	December 31, 1995
Common Stockholders' Equity:		
Class A common stock - \$.01 par, 50,000,000 shares authorized; 9,280,000 and 12,602,112 shares issued and outstanding, respectively	\$ -	\$ -
Class B common stock - \$.01 par, 200,000,000 shares authorized; 46,631,326 and 42,856,548 shares issued and outstanding, respectively . .	-	-
Additional paid-in capital	686	733
Accumulated deficit	(173)	(428)
Unvested portion of restricted stock . .	(7)	(10)
Additional minimum pension liability . .	(8)	(8)
Unrealized gain on marketable equity securities	6	18
Total common stockholders' equity . . .	504	305
Total Liabilities and Stockholders' Equity	\$4,950	\$4,821

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

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

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

	Six Months Ended June 30, 1996 1995 (Unaudited)	
Net Cash Provided by Operating Activities.	\$395	\$166
Cash Flows from Investing Activities:		
Proceeds from sale of America West stock and warrants	32	-
Proceeds from disposition of property, equipment and other assets	4	4
Proceeds from sale/leaseback transaction.	12	-
Capital expenditures, net of returned purchase deposits in 1995.	(96)	(41)
Purchase deposits refunded in connection with aircraft delivered . .	12	46
Proceeds from System One transactions .	-	40
Net cash provided (used) by investing activities.	(36)	49
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net.	241	8
Payments on long-term debt and capital lease obligations.	(516)	(119)
Proceeds from issuance of common stock.	5	2
Dividends paid on preferred securities of trust	(11)	-
Net cash used by financing activities. (281)	(281)	(109)
Net Increase in Cash and Cash Equivalents.	78	106
Cash and Cash Equivalents - Beginning of Period	747	396
Cash and Cash Equivalents - End of Period.	\$825	\$502

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

Six Months
Ended June 30,
1996 1995
(Unaudited)

Supplemental Cash Flow Information:

Interest paid	\$ 85	\$ 97
Income taxes paid	\$ 1	\$ 4

Investing and Financing Activities
Not Affecting Cash:

Property and equipment acquired through the issuance of debt	\$ 41	\$ 9
Reclassification of accrued rent, capital leases and interest to long-term debt	\$ 10	\$ 30
Capital lease obligations incurred.	\$ 2	\$ 9
Financed purchase deposits for flight equipment	\$ 13	\$ 5
Return of financed purchase deposits.	\$ -	\$ 10
Reclassification of accrued management fees to long-term debt.	\$ -	\$ 21
Investment in Amadeus	\$ -	\$120
Reduction of debt in connection with System One transactions.	\$ -	\$ 42

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, as amended, for the year ended December 31, 1995.

NOTE 1 - STOCK SPLIT

On June 26, 1996, the Board of Directors of the Company declared a two-for-one stock split (the "Stock Split") pursuant to which (a) one share of the Company's Class A common stock, par value \$.01 per share ("Class A common stock"), was issued for each share of Class A common stock outstanding on July 2, 1996 (the "Record Date") and

(b) one share of the Company's Class B common stock, par value \$.01 per share ("Class B common stock"), was issued for each share of Class B common stock outstanding on the Record Date. Shares issuable pursuant to the Stock Split were distributed on or about July 16, 1996. All share and earnings per share information for prior periods has been adjusted for the Stock Split.

NOTE 2 - EARNINGS PER SHARE

The earnings per common share computations are based upon earnings applicable to common shares and the average number of shares of common stock, common stock equivalents (stock options, warrants and restricted stock) and potentially dilutive securities (e.g., convertible securities) outstanding, as adjusted for the Stock Split. The number of shares used in the primary earnings per share computations for the three and six months ended June 30, 1996 was 65,621,986 and 64,845,570, respectively. The number of shares used in the fully diluted earnings per share computations for the three and six months ended June 30, 1996 was 83,972,375 and 81,299,724, respectively. The number of shares used in both the primary and fully diluted earnings per share computations for the three and six months ended June 30, 1995 was 70,029,394 and 69,964,776, respectively. Preferred stock dividend requirements, including additional dividends on unpaid dividends and accretion to redemption value, decreased net income for this computation by approximately \$1 million and \$2 million for the three and six months ended June 30, 1996, respectively, and \$2 million and \$3 million for the three and six months ended June 30, 1995, respectively.

NOTE 3 - INCOME TAXES

Income taxes for the three and six months ended June 30, 1996 are provided at the estimated effective tax rate, which differs from the federal statutory rate of 35%, primarily due to net operating losses ("NOLs") for which a tax benefit had not previously been recorded, state and foreign income taxes and the effect of certain expenses that are not deductible for income tax purposes. Continental recognized the remainder of its previously unbenefitted post reorganization NOLs during the second quarter of 1996. A provision for taxes was recorded for the three and six months ended June 30, 1995 related to the System One Information Management, Inc. ("System One") transactions. No additional provision was recorded since the Company had incurred NOLs for which a tax benefit had not previously been recorded.

At December 31, 1995, the Company had NOL carryforwards of \$2.5 billion for federal income tax purposes (of which \$1.2 billion are not subject to the limitations of Section 382 of the Internal Revenue Code ("Section 382")) that will expire from 1995 through 2009 and 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 could be limited.

For financial reporting purposes, a valuation allowance has been recognized to offset the deferred tax assets related to a portion of the NOLs. The Company has considered prudent and feasible tax planning strategies in assessing the need for the valuation allowance. The Company initially assumed \$194 million of benefit attributable to such tax planning strategies. The Company consummated the System One transactions, which had the effect of realizing approximately \$78 million of the built-in gains required to be realized, and currently intends to consummate one or more additional transactions. In the event the Company were to determine in the future that any such tax planning strategies would not be implemented, an adjustment to the net deferred tax liability of up to \$116 million would be charged to income in the period such determination was made. In the event the Company recognizes additional tax benefits related to NOLs and investment tax credit carryforwards attributable to the Company's predecessor, which include the accounts of Continental Airlines Holdings, Inc. and the pre-reorganized Company, those benefits would be applied to reduce reorganization value in excess of amounts allocable to identifiable assets and other intangibles to zero, and thereafter as an addition to paid-in capital.

NOTE 4 - OTHER

Financing Transactions

In the first and second quarters of 1996, the Company financed one owned aircraft and exercised its right under 22 existing leveraged aircraft leases to cause the owner/lessor's debt underlying these leases to be refinanced. In connection with these financings, the Company leased the aircraft through pass-through trusts ("Trusts") rather than directly from the equipment provider to reduce Continental's overall financing costs. The lower borrowing costs obtained in the refinancing allowed Continental's operating lease expense for the affected aircraft to be reduced by more than \$17 million annually. In connection with the refinancing, Trusts were created to hold new non-recourse equipment notes (with the exception that equipment notes with respect to one owned aircraft were issued by Continental). The Trusts issued pass-through certificates representing interests in the equipment notes. Inasmuch as (i) the owner/lessor has a substantial investment in the aircraft, (ii) the pass-through certificates are secured by the aircraft and an assignment of the corresponding leases and lease rentals payable by Continental, and (iii) the pass-through certificates are not direct obligations of, or guaranteed by, Continental, the Trusts (and the corresponding debt and interest expense) are not included in the accompanying consolidated financial statements. Continental has both renewal options and fair market value purchase options under the related aircraft leases.

During January and February 1996, the Company repurchased or redeemed without prepayment penalty the remaining amount of its Series A convertible secured debentures for \$125 million (including payment-in-kind interest of \$7 million).

In March 1996, Continental issued \$230 million of 6-3/4% convertible subordinated notes due April 15, 2006. The notes are convertible into Class B common stock at an initial conversion price of \$30.195 per share (adjusted for the Stock Split). The notes are redeemable at the option of the Company on or after April 15, 1999, at specified redemption prices.

In March 1996, Continental repaid \$257 million of secured indebtedness to General Electric Company and affiliates (collectively, "GE") (of which \$47 million was required as a result of the convertible notes financing described above and the America West Airlines, Inc. ("America West") stock sale (discussed below) and \$210 million was an optional prepayment), which eliminated certain restrictive covenants.

In March 1996, Continental Express, Inc. ("Express") entered into an agreement to acquire eight new ATR aircraft. As of July 1996, three of these aircraft have been delivered. These aircraft will be accounted for as operating leases when delivered. In conjunction with the acquisition, in 1996, the Company will return eight older ATR aircraft accounted for as capital leases.

Other

In February 1996, the Company sold approximately 1.4 million shares of its 1.8 million shares of America West common stock in an underwritten public offering realizing net proceeds of approximately \$25 million and recognizing a gain of \$12.5 million. In addition, in May 1996, the Company sold all of its 802,860 America West warrants held, realizing net proceeds of \$7 million and recognizing a gain of \$5 million. The gains are included in other nonoperating income. The Company now owns approximately 1.0% of the equity interest and 7.9% of the voting power of America West.

On June 26, 1996, the stockholders of the Company approved an amendment to the Company's 1994 Incentive Equity Plan (the "Incentive Plan") which increased the maximum number of shares of Class B common stock that may be issued under the Incentive Plan from 6,000,000 to 9,000,000 shares, in the aggregate, on a post-Stock Split basis.

NOTE 5 - RELATED PARTY TRANSACTIONS

In May 1996, the Company entered into an agreement with Air Partners, L.P. ("Air Partners") for the sale by Air Partners to the Company from time to time, at Air Partners' election, for the one-year period beginning August 15, 1996, of up to an aggregate of \$50 million in intrinsic value (based on the then-current Class B common stock price minus exercise price) of Air Partners' Class B warrants. The purchase price would be payable in cash. The Board

of Directors has authorized the Company to publicly issue up to \$50 million of Class B common stock in connection with any such purchase. In connection with this agreement, the Company has reclassified \$50 million from common equity to redeemable warrants.

On May 14, 1996, Air Canada exchanged 1,661,056 shares of Class A common stock for 1,661,056 shares of Class B common stock (on a pre-Stock Split basis) pursuant to certain rights granted to it under the Company's Certificate of Incorporation.

See Item 5. "Other Information" for certain information with respect to changes in Air Partners' and Air Canada's beneficial ownership of the Company's common stock.

In connection with the Company's \$320 million secured term loan financing (see Note 6), Continental Micronesia, Inc. ("CMI"), a 91%-owned subsidiary of Continental, paid its 9% minority interest holder, United Micronesia Development Association, Inc., a dividend of approximately \$13 million.

NOTE 6 - SUBSEQUENT EVENTS

On July 2, 1996, the Company announced its plan to expand its gates and related facilities in Terminal B as well as planned improvements at Terminal C at Continental's Houston Intercontinental Airport hub. The expansion is expected to cost approximately \$115 million, which the Company expects will be funded principally by the issuance of tax-exempt debt by the applicable municipal authority. In connection therewith, the Company expects to enter into long-term leases (or amendments to existing leases) with the applicable municipal authority containing rental payments sufficient to service the related tax-exempt debt.

On July 22, 1996, CMI consummated a \$320 million secured term loan financing with a group of banks and other financial institutions. The loan was made in two tranches - a \$180 million five-year amortizing term loan and a \$140 million seven-year amortization extended loan. The loan is secured by the stock of CMI and substantially all of its unencumbered assets, consisting primarily of CMI's route authorities, and is guaranteed by Continental and Air Micronesia, Inc. ("AMI"), CMI's parent company.

CMI used the net proceeds of the financing to prepay \$160 million in principal amount of indebtedness to GE and to pay transaction costs, and Continental used the \$136 million in proceeds received by it as an indirect dividend from CMI, together with approximately \$28 million in cash on hand, to prepay \$164 million in principal amount of indebtedness to GE. In connection with the prepayment, Continental will take a \$6 million after tax extraordinary charge to consolidated earnings relating to early extinguishment of debt in the third quarter of 1996.

The bank financing is expected to reduce interest expense by \$6 million in the first year, based on current rates. The bank financing does not contain any restrictive covenants at the Continental parent level, and none of the assets of the parent company (other than its stock in AMI) is pledged in connection with the financing. Accordingly, this transaction frees up over \$1 billion of collateral at Continental Airlines which was previously pledged under the terms of the GE debt agreements.

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

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, 1996 as compared to the three and six months ended June 30, 1995.

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, as amended, for the year ended December 31, 1995 and in the Company's registration statements filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, since December 31, 1995. The risk factors set forth on pages 6 through 9 of the Company's registration statement on Form S-3 (Registration No. 333-04601) are hereby incorporated by reference.

Comparison of Three Months Ended June 30, 1996 to Three Months Ended June 30, 1995

The Company recorded consolidated net income of \$167 million and \$102 million for the three months ended June 30, 1996 and 1995, respectively. Continental's financial and operating performance improved significantly in the second quarter of 1996 compared to the second quarter of 1995, reflecting, among other things, continued implementation of the Company's strategic program to enhance the fundamentals of its operations, rationalize capacity (including the elimination of "Continental Lite" operations -- a network of short-haul, no-frills, low-fare flights), improve customer service and employee relations and strengthen Continental's balance sheet and liquidity. In addition, management believes that the Company benefitted significantly from the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995, although the amount of any such benefit directly resulting from the expiration of the ticket tax cannot be precisely determined. Legislation is currently pending in the United States Congress which, if adopted, would reimpose a ticket tax for some period of time. Management believes that the reimposition of the ticket tax will have a negative impact on the Company, although the amount directly resulting from the reimposition of the ticket tax cannot be precisely determined.

A decrease in capacity of 0.2%, combined with a 2.6% increase in traffic, produced a 1.9 percentage point increase in load factor to 69.5%. This higher load factor, combined with an 8.3% increase in the average yield per revenue passenger mile, contributed to a 12.1% increase in passenger revenue to \$1.5 billion.

Cargo, mail and other revenue decreased 2.4%, \$3 million, in the three months ended June 30, 1996 as compared to the same period in the prior year, principally as a result of the System One transactions (which were effective April 27, 1995). This decrease was partially offset by an increase in other revenue primarily resulting from a wet lease agreement with Alitalia Linee Aeree Italiane S.p.a. ("Alitalia Airlines"), an increase in charter revenue related to military charters and an agreement with DHL International to operate a sorting and distribution hub.

Wages, salaries and related costs increased 5.9%, \$21 million, during the quarter ended June 30, 1996 as compared to the same period in 1995, primarily due to an increase in employee profit sharing accruals and the payment of bonuses for on-time airline performance.

Aircraft fuel expense increased 7.1%, \$12 million, in the three months ended June 30, 1996 as compared to the same period in the prior year. The average price per gallon increased 6.1% from 54.51 cents in the second quarter of 1995 to 57.81 cents in the second quarter of 1996. The Company realized \$15 million of hedging gains in the second quarter of 1996.

Aircraft rentals increased 2.4%, \$3 million, for the three months ended June 30, 1996 compared to the same period in 1995, primarily as a result of the delivery of new aircraft throughout 1996. Such increase was partially offset by retirements and groundings of certain leased aircraft.

Commissions expense increased 4.6%, \$6 million, in the quarter ended June 30, 1996 as compared to the same period in the prior year, primarily due to increased passenger revenue, offset by a decrease in the percentage of commissionable revenue.

Maintenance, materials and repairs increased 17.8%, \$18 million, during the quarter ended June 30, 1996 as compared to the same period in 1995, due principally to the volume and timing of engine overhauls as part of the Company's ongoing maintenance program.

Other rentals and landing fees decreased 8.6%, \$8 million, for the three months ended June 30, 1996 compared to the same period in 1995, principally due to reduced facility rentals and landing fees resulting from capacity reductions.

Other operating expense decreased 3.9%, \$13 million, in the three months ended June 30, 1996 as compared to the same period in the prior year, primarily as a result of the System One transactions (which were effective April 27, 1995) coupled with decreases in advertising expense and other miscellaneous expense.

Interest expense decreased 25.0%, \$14 million, during the three months ended June 30, 1996 as compared to the same period in 1995, primarily due to principal reductions of long-term debt and capital lease obligations and the reduced accretion of deferred credits recorded in connection with the Company's adjustment of operating leases to fair market value as of April 27, 1993.

Interest income increased 25.0%, \$2 million, in the second quarter of 1996 compared to the same period in the prior year, principally due to an increase in the average interest rate earned on investments coupled with an increase in the average invested balance of cash and cash equivalents.

The Company's other nonoperating income (expense) in the quarter ended June 30, 1996 included a \$5 million gain related to the sale of the America West warrants, as well as foreign currency gains (primarily related to the Japanese yen). Other nonoperating income (expense) in the second quarter of 1995 consisted primarily of a pre-tax gain of \$108 million from the System One transactions.

The income tax provision for the three months ended June 30, 1996 of \$32 million consists of federal, state and foreign income taxes. During the second quarter of 1996, the Company fully utilized previously unbenefitted post reorganization NOLs and began accruing income tax expense. A provision for federal income taxes was recorded for the three months ended June 30, 1995 related to the System One transactions. No additional provision was recorded due to the previously incurred NOLs for which a tax benefit had not previously been recorded.

Comparison of Six Months Ended June 30, 1996 to Six Months Ended June 30, 1995

The Company recorded consolidated net income of \$255 million and \$72 million for the six months ended June 30, 1996 and 1995, respectively.

Implementation of the Company's route realignment and capacity rationalization initiatives reduced capacity by 4.7% in the first six months of 1996 as compared to the same period in 1995. This decrease in capacity, combined with a 2.3% increase in traffic, produced a 4.7 percentage point increase in load factor to 68.3%. This higher load factor, combined with a 7.9% increase in the average yield per revenue passenger mile, contributed to an 11.5% increase in passenger revenue to \$2.9 billion despite the decreased capacity.

Cargo, mail and other revenue decreased 19.9%, \$58 million, in the six months ended June 30, 1996 as compared to the same period in the prior year, principally as a result of the System One transactions (which were effective April 27, 1995). Partially offsetting such decrease was an increase in other revenue resulting from a wet lease agreement with Alitalia Airlines.

Wages, salaries and related costs increased 2.6%, \$19 million, during the six months ended June 30, 1996 as compared to the same period in 1995, primarily due to an increase in employee profit sharing accruals and the payment of bonuses for on-time airline performance, offset by a reduction in the average number of full-time equivalent employees.

Aircraft fuel expense increased 5.9%, \$20 million, in the six months ended June 30, 1996 as compared to the same period in the prior year. The average price per gallon increased 9.4% from 53.54 cents in the first six months of 1995 to 58.55 cents in the first six months of 1996. Such increase was offset in part by a 3.4% decrease in the quantity of jet fuel used from 612 million gallons in the first six months of 1995 to 591 million gallons in the first six months of 1996, principally reflecting capacity reductions and increased stage lengths. The Company realized \$21 million of hedging gains in the six months ended June 30, 1996.

Commissions expense increased 5.2%, \$13 million, in the six months ended June 30, 1996 as compared to the same period in the prior year, primarily due to increased passenger revenue, partially offset by a decrease in the percentage of commissionable revenue.

Maintenance, materials and repairs increased 16.7%, \$33 million, during the six months ended June 30, 1996 as compared to the same period in 1995, principally due to the volume and timing of engine overhauls as part of the Company's ongoing maintenance program.

Other rentals and landing fees decreased 8.6%, \$16 million, for the six months ended June 30, 1996 compared to the same period in 1995, principally due to reduced facility rentals and landing fees resulting from capacity reductions.

Other operating expense decreased 6.8%, \$46 million, in the six months ended June 30, 1996 as compared to the same period in the prior year, primarily as a result of the System One transactions (which were effective April 27, 1995) coupled with decreases in advertising expense and other miscellaneous expense.

Interest expense decreased 19.1%, \$21 million, during the six months ended June 30, 1996 as compared to the same period in 1995, primarily due to principal reductions of long-term debt and capital lease obligations and the reduced accretion of deferred credits recorded in connection with the Company's adjustment of operating leases to fair market value as of April 27, 1993.

Interest income increased 46.2%, \$6 million, in the first six months of 1996 compared to the same period in the prior year, principally due to an increase in the average interest rate earned on investments coupled with an increase in the average invested balance of cash and cash equivalents.

The Company's other nonoperating income (expense) in the six months ended June 30, 1996 included a \$12.5 million gain related to the sale of approximately 1.4 million shares of America West common stock (19 cents and 15 cents per primary and fully diluted share, respectively), a \$5 million gain related to the sale of the America West warrants, and foreign currency gains (primarily related to the Japanese yen). Other nonoperating income (expense) in the first six months of 1995 consisted of a pre-tax gain of \$108 million from the System One transactions.

The income tax provision for the six months ended June 30, 1996 of \$33 million consists of federal, state and foreign income taxes. During the second quarter of 1996, the Company fully utilized previously unbenefitted post reorganization NOLs, and began accruing income tax expense. A provision for federal income taxes was recorded for the six months ended June 30, 1995 related to the System One transactions. No additional provision was recorded due to the previously incurred NOLs for which a tax benefit had not previously been recorded.

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

	Three Months Ended June 30, 1996	1995	Net Increase/ (Decrease)
Revenue passenger miles (millions) (a)	10,527	10,259	2.6 %
Available seat miles (millions) (b)	15,152	15,180	(0.2)%
Block hours (thousands) (c)	279	270	3.3 %
Passenger load factor (d)	69.5%	67.6%	1.9 pts.
Breakeven passenger load factor (e)	59.4%	62.5%	(3.1) pts.
Passenger revenue per available seat mile (cents) (f)	9.35	8.40	11.3 %
Total revenue per available seat mile (cents) (g)	10.23	9.18	11.4 %
Operating cost per available seat mile (cents) (h)	8.81	8.48	3.9 %
Operating cost per block hour . . .	\$4,782	\$4,777	0.1 %
Average yield per revenue passenger mile (cents) (i)	13.46	12.43	8.3 %
Average fare per revenue passenger	\$144.55	\$130.66	10.6 %
Revenue passengers (thousands) . .	9,799	9,761	0.4 %
Average length of aircraft flight (miles)	888	834	6.5 %
Average daily utilization of each aircraft (hours) (j)	9:48	9:19	5.2 %
Actual aircraft in fleet at end of period (k)	317	317	-

	Six Months Ended June 30,		Net
	1996	1995	Increase/ (Decrease)
Revenue passenger miles (millions) (a)	20,279	19,820	2.3 %
Available seat miles (millions) (b)	29,703	31,183	(4.7)%
Block hours (thousands) (c)	549	551	(0.4)%
Passenger load factor (d)	68.3%	63.6%	4.7 pts.
Breakeven passenger load factor (e)	60.2%	60.3%	(0.1) pts.
Passenger revenue per available seat mile (cents) (f)	9.13	7.87	16.0 %
Total revenue per available seat mile (cents) (g)	10.00	8.65	15.6 %
Operating cost per available seat mile (cents) (h)	8.86	8.18	8.3 %
Operating cost per block hour	\$4,794	\$4,639	3.3 %
Average yield per revenue passenger mile (cents) (i)	13.37	12.39	7.9 %
Average fare per revenue passenger	\$143.59	\$129.90	10.5 %
Revenue passengers (thousands)	18,886	18,902	(0.1)%
Average length of aircraft flight (miles)	882	818	7.8 %
Average daily utilization of each aircraft (hours) (j)	9:42	9:27	2.6 %
Actual aircraft in fleet at end of period (k)	317	317	-

- (a) The number of scheduled miles flown by revenue passengers.
(b) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
(c) The number of hours an aircraft is operated in revenue service from gate-to-gate.
(d) Revenue passenger miles divided by available seat miles.
(e) The percentage of seats that must be occupied by revenue passengers in order for the airline to break even on an income before income taxes basis, excluding nonrecurring charges, nonoperating items and other special items.
(f) Passenger revenue divided by available seat miles.
(g) Total revenue divided by available seat miles.
(h) Operating expenses divided by available seat miles.
(i) The average revenue received for each mile a revenue passenger is carried.
(j) The average block hours flown per day in revenue service per aircraft.
(k) 1996 includes four all cargo 727 aircraft at CMI.

LIQUIDITY AND CAPITAL COMMITMENTS

In the first half of 1996, the Company completed a number of transactions intended to strengthen its long-term financial position and enhance earnings. During January and February, Continental repurchased or redeemed without prepayment penalty the remaining amount of its Series A convertible secured debentures for \$125 million (including payment-in-kind interest of \$7 million). In February, Continental sold approximately 1.4 of the 1.8 million shares it owned in America West, realizing net proceeds of approximately \$25 million and recognizing a gain of approximately \$12.5 million. In addition, in May, Continental sold all of its 802,860 America West warrants held, realizing proceeds of approximately \$7 million and recognizing a gain of \$5 million. On March 26, Continental issued \$230 million of 6-3/4% convertible subordinated notes. The net proceeds from this offering and from the America West stock sale, as well as cash on hand, were used for the repayment of certain outstanding GE indebtedness totaling \$257 million (of which \$47 million was required as a result of the convertible notes financing and the America West stock sale and \$210 million was an optional prepayment). In the first and second quarter, the Company financed one owned aircraft and exercised its right under 22 existing leveraged aircraft leases to cause the owner/lessor's debt underlying these leases to be refinanced. The lower borrowing costs obtained in the refinancing allowed Continental's operating lease expense for the affected aircraft to be reduced by more than \$17 million annually. In July, CMI consummated a \$320 million secured term loan financing with a group of banks and other financial institutions. Continental and CMI

have used the net proceeds, together with available cash, to prepay approximately \$324 million in principal amount of GE indebtedness. The bank financing is expected to reduce interest expense by \$6 million in the first year, based on current rates. The bank financing does not contain any restrictive covenants at the Continental parent level, and none of the assets of the parent company (other than its stock in AMI) is pledged in connection with the financing. Accordingly, this transaction frees up over \$1 billion of collateral at Continental Airlines which was previously pledged under the terms of the GE debt agreements. See Note 6.

As a result of NOLs, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional \$1.2 billion of taxable income following December 31, 1995. Section 382 imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change". In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. The sale of the Company's common stock in a secondary offering (see Item 5. "Other Information") gave rise to an increase in percentage ownership by certain stockholders for this purpose. The Company believes that such percentage increase will not give rise to an ownership change under Section 382 as a result of the secondary offering. However, no assurance can be given that future transactions, whether within or outside the control of the Company, will not cause a change in ownership, thereby substantially limiting the potential utilization of the NOLs in a given future year. In the event that an ownership change should occur, utilization of Continental's NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of the Company's stock (including both common and preferred stock) at the time of the ownership change by the applicable long-term tax exempt rate (which is 5.78% for June 1996). Unused annual limitation may be carried over to later years, and the amount of the limitation may under certain circumstances be increased by the built-in gains in assets held by the Company at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, Continental's NOL utilization would be limited to approximately \$100 million per year.

At June 30, 1996, the Company had firm commitments with The Boeing Company ("Boeing") to take delivery of 43 new jet aircraft during the years 1997 through 2002 with an estimated aggregate cost of \$2.6 billion. Subsequently, the Company amended the terms of its commitments with Boeing to take delivery of a total of 61 jet aircraft during the years 1997 through 2003 with options for an additional 23 aircraft. The estimated aggregate cost of these aircraft is \$2.7 billion. These amendments changed the aircraft mix and timing of delivery of aircraft, in order to more closely match Continental's anticipated future aircraft needs. In addition, the Company took delivery of three Beech 1900-D aircraft in the second quarter of 1996 and an additional four such aircraft are scheduled to be delivered later in 1996. The Company currently anticipates that the firm financing commitments available to it with respect to its acquisition of new aircraft from Boeing and Beech Acceptance Corporation will be sufficient to fund all new aircraft deliveries scheduled during 1996, and that it will have remaining financing commitments from aircraft manufacturers of \$676 million for jet aircraft deliveries beyond 1996. The Company has also entered into letters of intent with several outside parties to lease three DC10-30 aircraft and to purchase three DC10-30's. These six aircraft are expected to be delivered by mid-year 1997, and the Company expects to finance the aircraft to be purchased from available cash or from third party sources.

In addition, in March 1996, Express entered into an agreement to acquire eight new ATR aircraft that are expected to be placed into service during 1996. As of July 1996, three of these aircraft have been delivered. The aircraft will be accounted for as operating leases. In conjunction with the acquisition, in 1996, the Company will return eight older ATR aircraft accounted for as capital leases. Express is also in discussions with aircraft manufacturers regarding the leasing by Express of regional jet aircraft, which the Company anticipates would be accounted for as operating leases.

Continental expects its cash outlays for 1996 capital expenditures, exclusive of aircraft acquisitions, to aggregate \$120 million primarily relating to mainframe, software application and automation infrastructure projects, aircraft modifications and

mandatory maintenance projects, passenger terminal facility improvements and office, maintenance, telecommunications and ground equipment. Continental's capital expenditures during the six months ended June 30, 1996, aggregated \$55 million, exclusive of aircraft acquisitions.

The Company expects to fund its 1996 and future capital commitments through internally generated funds, together with general Company financings and aircraft financing transactions. However, there can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments.

In July 1996, the Company announced its plan to expand its gates and related facilities in Terminal B as well as planned improvements at Terminal C at Continental's Houston Intercontinental Airport hub. The expansion is expected to cost approximately \$115 million, which the Company expects will be funded principally by the issuance of tax-exempt debt by the applicable municipal authority. In connection therewith, the Company expects to enter into long-term leases (or amendments to existing leases) with the applicable municipal authority containing rental payments sufficient to service the related tax-exempt debt.

As of June 30, 1996, the Company had \$825 million in cash and cash equivalents, compared to \$747 million as of December 31, 1995. Net cash provided by operating activities increased \$229 million during the six months ended June 30, 1996 compared to the same period in the prior year principally due to earnings improvement. Net cash used by investing activities for the six months ended June 30, 1996 compared to the same period in the prior year increased \$85 million, primarily as a result of higher capital expenditures in 1996, slightly offset by proceeds received from the sale of (i) approximately 1.4 million shares of Continental's America West stock and (ii) all of Continental's America West warrants. Net cash used by financing activities increased \$172 million primarily due to the repayment of long-term debt, using in part the proceeds received from the issuance of the 6-3/4% convertible subordinated notes.

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

Approximately \$104 million and \$144 million of cash and cash equivalents at June 30, 1996 and December 31, 1995, respectively, were held in restricted arrangements relating primarily to workers' compensation claims and in accordance with the terms of certain other agreements. The \$320 million financing consummated by CMI in July 1996 contains significant financial covenants relating to CMI, including maintenance of a minimum fixed charge coverage ratio, a minimum consolidated net worth and minimum liquidity, and covenants restricting CMI's leverage, its incurrence of certain indebtedness and its pledge of assets. The financial covenants also limit the ability of CMI to pay dividends to Continental.

The Company has entered into petroleum option contracts to provide some short-term protection against a sharp increase in jet fuel prices, and CMI has entered into average rate option contracts to hedge a portion of its Japanese yen-denominated ticket sales against a significant depreciation in the value of the yen versus the United States dollar. The petroleum option contracts generally cover the Company's forecasted jet fuel needs for approximately six months, and the average rate option contracts cover a portion of CMI's yen-denominated ticket sales for the next three to nine months. At June 30, 1996, the Company had petroleum option contracts outstanding with an aggregate notional value of \$324 million and CMI had average rate option contracts outstanding with a contract value of \$109 million. At June 30, 1996, the carrying value of the option contracts was immaterial. The Company and CMI are exposed to credit loss in the event of nonperformance by the counterparties on the option contracts; however, management does not anticipate nonperformance by these counterparties. The amount of such exposure is generally the unrealized gains, if any, on such option contracts.

The International Association of Machinists and Aerospace Workers ("IAM") representing the Company's Continental Airlines unit flight attendants recently ratified a three and one-half year collective bargaining agreement providing for base wage increases in each year of the contract, a one-time adjustment to certain base wage scales as an equitable adjustment, an increase in per diem payments and

other matters, including productivity improvements. In addition, effective July 1, 1996, Continental implemented pay increases for substantially all of its non-unionized employees as part of a three-year plan to increase base wages to be more comparable to industry wages. The Company anticipates that the pay increases for Continental's flight attendants and its non-unionized employees will result in a cumulative increase in wages, salaries and related costs (assuming no change in the Company's operations) of \$137 million through 1999 (approximately \$30 million through the remainder of 1996, \$67 million through 1997, \$107 million through 1998 and \$137 million through 1999). In addition, under the Company's existing collective bargaining agreement with the union representing its jet pilots, those pilots received a 13.5% wage increase on July 1, 1996 and will receive a 5% wage increase on June 30, 1997. The Company anticipates that it will be able to offset a significant portion of these wage and other cost increases with increased labor productivity, reduced interest and lease expenses, reduced distribution costs and other cost savings.

Management also believes that the Company's costs are likely to be affected in 1996 by (i) higher aircraft rental expense as new aircraft are delivered, (ii) changes in the costs of materials and services (in particular, the cost of fuel, which can fluctuate significantly in response to global market conditions), (iii) changes in governmental regulations and taxes affecting air transportation and the costs charged for airport access, (iv) changes in the Company's fleet and related capacity and (v) the Company's continuing efforts to reduce costs throughout its operations, including reduced maintenance costs with new aircraft, reduced distribution expense from using E-Ticket and the Internet for bookings and reduced interest expense.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On December 3, 1990, the Company owned 77 aircraft and 81 spare engines (in four collateral pools) securing debt evidenced by equipment trust certificates. The trustees for the four collateral pools moved in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") for "adequate protection" payments under Sections 361 and 363 of the federal bankruptcy code for the Company's retention and use of the aircraft and engines after December 3, 1990, including postpetition claims for the alleged decline in market value of the aircraft and engines after December 3, 1990 and claims for deterioration in the condition of the aircraft and engines in the same period. The Bankruptcy Court rejected the adequate protection claims that alleged market value decline. Prior to April 16, 1993, the Company settled all of the adequate protection claims of the trustees, except for a claim of approximately \$117 million for alleged market value decline of 29 aircraft and 81 spare engines in the fourth collateral pool. On April 16, 1993, the Bankruptcy Court rejected the market value decline claims of the trustees for the fourth collateral pool in their entirety and incorporated those findings into its order confirming the Plan of Reorganization. The trustees for the fourth collateral pool appealed from these orders, but failed to obtain a stay pending appeal. The Company opposed these appeals on the merits and sought dismissal of the appeals on the grounds they were made moot by the substantial consummation of the Plan of Reorganization. The United States District Court for the District of Delaware (the "District Court") dismissed the appeals as moot, and the trustees appealed to the Third Circuit Court of Appeals (the "Third Circuit") seeking review of the District Court's mootness determination and the Bankruptcy Court's finding on the merits. The Third Circuit affirmed the District Court's dismissal in February 1996, but subsequently granted a rehearing en banc on May 14, 1996. The Company is still awaiting a decision from the en banc rehearing by the Third Circuit. The Company does not believe that the foregoing matter will have a material adverse effect on the Company.

ITEM 2. CHANGES IN SECURITIES.

On June 26, 1996, at the Company's annual meeting of stockholders (the "Annual Meeting"), the Company's stockholders approved changes proposed by the Company to its Certificate of Incorporation, which together with amendments to the Company's Bylaws previously approved by the Company's Board of Directors

(collectively, the "Amendments"), generally eliminate special classes of directors (except for Air Partners' right to elect one-third of the directors in certain circumstances as described below) and supermajority provisions, and make a variety of other modifications aimed at streamlining the Company's corporate governance structure. The amendments to the Company's Certificate of Incorporation included elimination of Class C common stock, \$.01 par value (the "Class C common stock"), of the Company as an authorized class of capital stock and changed the rights of holders of Class D common stock, \$.01 par value (the "Class D common stock"), with respect to election of directors - holders of Class D common stock are now entitled to elect one-third of the directors. Pursuant to the Certificate of Incorporation, Class D common stock is solely issuable to Air Partners and certain of its affiliates. There is currently no Class D common stock outstanding. The Amendments, as a whole, reflect the reduction of Air Canada's equity interest in the Company and the decision of the former directors designated by Air Canada not to stand for reelection, along with the expiration of various provisions of the Company's Certificate of Incorporation and Bylaws specifically included at the time of the Company's reorganization in 1993.

The Amendments also provide that, at any time after January 1, 1997, shares of Class A common stock will become freely convertible into an equal number of shares of Class B common stock. Under agreements put in place at the time of the Company's reorganization in 1993, and designed in part to ensure compliance with the foreign ownership limitations applicable to United States air carriers in light of the substantial stake in the Company then held by Air Canada, holders of Class A common stock were not permitted under the Company's Certificate of Incorporation to convert their shares to Class B common stock. In recent periods, the market price of Class A common stock has generally been below the market price of Class B common stock, which the Company believes is attributable in part to the reduced liquidity present in the trading market for Class A common stock. A number of Class A common stockholders requested that the Company provide for free convertibility of Class A common stock into Class B common stock, and in light of the reduction of Air Canada's equity stake, the Company determined that the restriction was no longer necessary. Any such conversion would effectively increase the relative voting power of those Class A common stockholders who do not convert.

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 June 26, 1996. 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.	77,374,763	34,174
Gordon M. Bethune	77,373,754	35,183
David Bonderman	77,373,628	35,309
Gregory D. Brenneman	77,373,665	35,272
Patrick Foley	77,373,812	35,125
Douglas H. McCorkindale	77,373,812	35,125
George G. C. Parker	77,373,691	35,246
Richard W. Pogue	77,373,812	35,125
William S. Price III	77,373,812	35,125
Donald L. Sturm	77,373,812	35,125
Karen Hastie Williams	77,373,812	35,125
Charles A. Yamarone	77,374,025	34,912

An amendment to the Company's 1994 Incentive Equity Plan (the "Incentive Plan") was proposed to (i) increase the number of shares of Class B common stock covered by the Incentive Plan by 3,000,000 shares (from 6,000,000 to 9,000,000 on a post-Stock Split basis) and (ii) amend the provisions of the Incentive Plan relating to a "Change in Control", and was voted on by the stockholders as follows:

Votes Votes Broker

Votes For	Against	Abstaining	Non-Votes
59,666,954	4,995,621	228,601	12,517,761

A proposal to adopt the Executive Bonus Program to attract and retain key officers of the Company and to compensate such officers based on performance goals consisting of achievement of cumulative quarterly net income targets of the Company contained in the annual financial plan of the Company prior to and for the applicable fiscal year was voted on by the stockholders as follows:

Votes For	Votes Against	Votes Abstaining	Broker Non-Votes
76,738,079	438,196	232,662	-0-

A proposal to amend and restate the Company's Restated Certificate of Incorporation was proposed to (i) increase the total number of shares of Class B common stock authorized for issuance by 100 million shares, (ii) eliminate the 50 million shares of Class C common stock currently authorized for issuance, (iii) permit shares of Class A common stock to be converted into shares of Class B common stock, (iv) delete the requirement that the Board of Directors be comprised of 18 members, (v) delete the supermajority voting requirements, (vi) delete the requirement that the Board of Directors receive a "fairness opinion" from an independent investment banking firm when considering mergers or similar corporate transactions, (vii) delete anti-dilution rights held by Air Canada and provide appropriate adjustment of the purchase price relating to Air Partner's antidilution rights in the event of a stock split, stock dividend or similar transaction, and (viii) delete the prohibition on the issuance by the Company of any non-voting equity securities which was part of the Company's reorganization in 1993, was voted on by the stockholders as follows:

Votes For	Votes Against	Votes Abstaining	Broker Non-Votes
64,418,204	257,205	215,767	12,517,761

A proposal to ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 1996 was voted on by the stockholders as follows:

Votes For	Votes Against	Votes Abstaining	Broker Non-Votes
77,352,170	30,828	25,939	-0-

ITEM 5. OTHER INFORMATION.

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

Among other things, the Agreements required the Company to file a registration statement under the Securities Act of 1933 to permit the sale by Air Canada of 2,200,000 shares of Class B common stock held by it and by certain of the AP Investors of an aggregate of 1,730,240 such shares (on a pre-Stock Split basis) pursuant to an underwritten public offering arranged by the

Company (the "Secondary Offering"). The Secondary Offering was completed on May 14, 1996. The Agreements provided for the following additional steps to be taken in connection with the completion of the Secondary Offering:

in light of its reduced equity stake in the Company, Air Canada was no longer entitled to designate nominees to the Board of Directors of the Company, caused the four then-present or former members of the Air Canada board who served as directors of Continental to decline nomination for reelection as directors and converted all of its Class A common stock to Class B common stock;

Air Canada and Air Partners entered into a number of agreements restricting, prior to December 16, 1996, further disposition of the common stock of the Company held by either of them; and

each of the existing stockholders' agreement and registration rights agreement among the parties were modified in a number of respects to reflect, among other matters, the changing composition of the respective equity interests of the parties.

After such sale and the conversion by Air Canada of its Class A common stock into Class B common stock, Air Canada holds approximately 10.0% of the common equity interests and 4.0% of the general voting power of the Company, and Air Partners holds approximately 9.8% of the common equity interests and 39.4% of the general voting power of the Company. If all of the warrants held by Air Partners were exercised, approximately 23.3% of the common equity interests and 52.1% of the general voting power would be held by Air Partners.

The Company and Air Canada also entered into a memorandum of understanding regarding modifications to the Company's existing "synergy" agreements with Air Canada, which covered items such as maintenance and ground facilities, and resolved certain outstanding commercial issues under the agreements and modified the agreements to reflect Continental's and Air Canada's current needs.

In May 1996, the Company entered into an agreement with Air Partners for the sale by Air Partners to the Company from time to time at Air Partners' election for the one-year period beginning August 15, 1996, of up to an aggregate of \$50 million in intrinsic value (then-current Class B common stock price minus exercise price) of Air Partners' Class B warrants. The purchase price would be payable in cash. The Board of Directors has authorized the Company to publicly issue up to \$50 million of Class B common stock in connection with any such purchase. In connection with this agreement, the Company has reclassified \$50 million from common equity to redeemable warrants.

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

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

(a) Exhibits:

- 3.1 Amended and Restated Certificate of Incorporation of the Company -- incorporated by reference to Exhibit 4.1(a) to Continental's Form S-8 Registration Statement (No. 333-06993) (the "1996 S-8").
- 3.2 By-Laws of the Company -- incorporated by reference to Exhibit 4.2 to the 1996 S-8.
- 4.1 Amendment to Stockholders' Agreement dated April 19, 1996 among the Company, Air Partners and Air

Canada -- incorporated by reference to Exhibit 10.1 to Continental's Form S-3 Registration Statement (No. 333-02701) (the "1996 S-3").

- 4.2 Amended and Restated Registration Rights Agreement dated April 19, 1996 among the Company, Air Partners and Air Canada -- incorporated by reference to Exhibit 10.2 to the 1996 S-3.
- 10.1* Amended and restated employment agreement between the Company and Gordon M. Bethune. (1)
- 10.2* Amended and restated employment agreement between the Company and Gregory D. Brenneman. (1)
- 10.3* Amended and restated employment agreement between the Company and Lawrence W. Kellner. (1)
- 10.4* Form of amendment to employment agreement between the Company and Lawrence W. Kellner, C. D. McLean and Barry P. Simon. (1)
- 10.5* Second Amendment to Continental Airlines, Inc. 1994 Incentive Equity Plan -- incorporated by reference to Exhibit 4.3(c) to the 1996 S-8.
- 10.6 Supplemental Agreement No. 6 to Purchase Agreement No. 1783 between the Company and Boeing, dated June 13, 1996, relating to the purchase of Boeing 757-224 aircraft. (2)
- 10.6(a) Supplemental Agreement No. 7 to Purchase Agreement No. 1783 between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 757-224 aircraft. (2)
- 10.7 Supplemental Agreement No. 4 to Purchase Agreement No. 1785 between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 777-224 aircraft. (2)
- 10.8 Purchase Agreement No. 1951, including exhibits and side letters thereto, between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 737-724 and 737-824 aircraft. (2)
- 11.1 Statement Regarding Computation of Per Share Earnings
- 27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

- (i) Report dated May 7, 1996, reporting an Item 5. "Other Event". No financial statements were filed with the report which announced the filing of a preliminary proxy statement with the Securities and Exchange Commission.
- (ii) Report dated June 27, 1996 reporting an Item 5. "Other Event". No financial statements were filed with the report which announced the filing of a definitive proxy statement with the Securities and Exchange Commission and that the Company's Board of Directors had approved a two-for-one stock split, payable on July 16, 1996 to holders of record of its Class B common stock and Class A common stock on July 2, 1996.

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

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

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 1, 1996 by: /s/ Lawrence W. Kellner
Lawrence W. Kellner
Senior Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: August 1, 1996 /s/ Michael P. Bonds
Michael P. Bonds
Vice President and Controller
(Chief Accounting Officer)

AMENDMENT TO EMPLOYMENT AGREEMENT

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

WITNESSETH:

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

WHEREAS, the Human Resources Committee of the Board of Directors of the Company, on April 17, 1996, authorized the execution and delivery on behalf of the Company of this Amendment; and

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

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

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

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive until June 6, 1999. Said term of employment shall be extended automatically for successive three-year periods commencing June 6, 1999 and commencing as of the last day of each successive three-year period of time thereafter that this Agreement is in effect; provided, however, that if, prior to the date which is six months before June 6, 1999 or, with respect to subsequent periods, the last day of any such three-year term of employment, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on June 6, 1999 (or, with respect to subsequent periods, the last day of the three-year term of employment during which such notice is given)."

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

"4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that the benefits described in paragraph 3.5 shall continue to be payable, Executive shall be provided Flight Benefits for the remainder of Executive's lifetime and, if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi) or for any reason whatsoever following the occurrence of a Change in Control (as such term is defined in the Incentive Plan, as amended by the Board of Directors on April 19, 1996 and in effect on such date), then Company shall provide Executive with the payments and benefits described in clauses (i) through (iv) of paragraph 4.1."

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

4. Company agrees to pay to Executive, contemporaneously with his execution and delivery of this Amendment, the sum of \$1,572,500 in immediately available funds, by wire transfer to an account or accounts previously designated by Executive. Company also agrees to make one or more charitable contributions in an aggregate amount of \$115,000, in the name of Executive, to such charities (and in such amounts) as are designated by Executive in writing, which contributions will be made within two weeks of Executive's designation thereof. Executive agrees that Company

may, out of any sums payable hereunder, withhold applicable federal, state and local taxes.

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

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

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek
Name: Jeffery A. Smisek
Title: Senior Vice President

EXECUTIVE

/s/ Gordon M. Bethune
Gordon M. Bethune

AMENDMENT TO EMPLOYMENT AGREEMENT

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

WITNESSETH:

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

WHEREAS, the Human Resources Committee of the Board of Directors of the Company, on April 17, 1996, authorized the execution and delivery on behalf of the Company of this Amendment; and

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

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

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

"2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive until June 6, 1999. Said term of employment shall be extended automatically for successive three-year periods commencing June 6, 1999 and commencing as of the last day of each successive three-year period of time thereafter that this Agreement is in effect; provided, however, that if, prior to the date which is six months before June 6, 1999 or, with respect to subsequent periods, the last day of any such three-year term of employment, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on June 6, 1999 (or, with respect to subsequent periods, the last day of the three-year term of employment during which such notice is given)."

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

"4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except Executive shall be provided Flight Benefits for the remainder of Executive's lifetime and, if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi) or for any reason whatsoever following the occurrence of a Change in Control (as such term is defined in the Incentive Plan, as amended by the Board of Directors on April 19, 1996 and in effect on such date), then Company shall provide Executive with the payments and benefits described in clauses (i) through (iv) of paragraph 4.1."

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

4. Company agrees to pay to Executive, contemporaneously with his execution and delivery of this Amendment, the sum of \$776,562.50 in immediately available funds, by wire transfer to an account or accounts previously designated by Executive.

Company also agrees to make one or more charitable contributions in an aggregate amount of \$700,000, in the name of Executive, to such charities (and in such amounts) as are designated by Executive in writing, which contributions will be made within two weeks of Executive's designation thereof. Executive agrees that Company may, out of any sums payable hereunder, withhold applicable federal, state and local taxes.

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

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

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek
Name: Jeffery A. Smisek
Title: Senior Vice President

EXECUTIVE

/s/ Gregory D. Brenneman
Gregory D. Brenneman

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

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

W I T N E S S E T H:

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

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

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

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

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

ARTICLE I.: EMPLOYMENT AND DUTIES

1A. Employment; Effective Date. Company agrees to employ Executive and Executive agrees to be employed by Company, beginning as of the Effective Date (as hereinafter defined) and continuing for the period of time set forth in Article 2 of this Agreement, subject to the terms and conditions of this Agreement. For purposes of this Agreement, the "Effective Date" shall be June 6, 1995.

1B. Position. From and after the Effective Date, Company shall employ Executive in the position of Senior Vice President and Chief Financial Officer of Company, or in such other position or positions as the parties mutually may agree.

1C. Duties and Services. Executive agrees to serve in the position referred to in paragraph 1.2 and to perform diligently and to the best of his abilities the duties and services appertaining to such office as set forth in the Bylaws of Company in effect on the Effective Date, as well as such additional duties and services appropriate to such office which the parties mutually may agree upon from time to time.

ARTICLE II.: TERM AND TERMINATION OF EMPLOYMENT

2A. Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for a three-year period beginning on the Effective Date.

2B. Company's Right to Terminate. Notwithstanding the provisions of paragraph 2.1, Company, acting pursuant to an express resolution of the Board of Directors of Company (the "Board of Directors") or the Human Resources Committee of the Board of Directors (the "HR Committee"), shall have the right to terminate Executive's employment under this Agreement at any time for any of the following reasons:

1. upon Executive's death;

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

3. for cause, which for purposes of this Agreement

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

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

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

2C. Executive's Right to Terminate. Notwithstanding the provisions of paragraph 2.1, Executive shall have the right to terminate his employment under this Agreement at any time for any of the following reasons:

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

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

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

4. Company requiring Executive to be permanently based anywhere outside a major urban center in Texas;

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

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

7. for any other reason whatsoever, in the sole discretion of Executive.

2D. Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in paragraph 2.1, it or he shall do so by giving written notice to the other party that it or he has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

ARTICLE III.: COMPENSATION AND BENEFITS

3A. Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$350,000.00 or (ii) such amount as the parties mutually may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

3B. Bonus Programs. Executive shall participate in each cash bonus program maintained by Company on and after the Effective Date (including, without limitation, participation effective as of April 1, 1995 in any such program maintained for the year during which such date occurs) at a level which is not less than the maximum participation level made available to any other executive of Company at substantially the same title or level of Executive (determined without regard to period of service or other criteria that might otherwise be necessary to entitle Executive to such level of participation).

3C. Vacation and Sick Leave. During each year of his

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

3D. Other Perquisites. During his employment hereunder, Executive shall be afforded the following benefits as incidences of his employment:

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

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

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

ARTICLE IV.: EFFECT OF TERMINATION ON COMPENSATION

4A. By Expiration. If Executive's employment hereunder shall terminate upon expiration of the term provided in paragraph 2.1 hereof, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with termination of his employment; provided, however, that Executive shall be provided with Flight Benefits for the remainder of Executive's lifetime.

4B. By Company. If Executive's employment hereunder shall be terminated by Company prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except if such termination shall be for any reason other than those encompassed by paragraphs 2.2(i), (ii), (iii) or (iv), then Company shall (a) pay Executive on or before the effective date of such termination a lump-sum, cash payment in an amount equal to the Termination Payment (as such term is defined in paragraph 4.7), (b) provide Executive with Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, (c) provide Executive with Outplacement Services (as such term is defined in paragraph 4.7), and (d) provide Executive and his eligible dependents with Continuation Coverage (as such term is defined in paragraph 4.7) for the Severance Period.

4C. By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi), then Company shall provide Executive with the payments and benefits described in clauses (a) through (d) of paragraph 4.2.

4D. Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment,

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

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

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

4G. Certain Definitions and Additional Terms. As used herein, the following capitalized terms shall have the meanings assigned below:

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

clause (1) of this paragraph 4.7(i);

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

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

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

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

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

(vii) "Severance Period" shall mean:

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

b. in the case of a termination of Executive's employment with Company that occurs prior to a Change in

Control or after the date which is two years after a Change in Control occurs, a period commencing on the date of such termination and continuing for twenty-four months; and

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

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

ARTICLE V.: MISCELLANEOUS

5A. Interest and Indemnification. If any payment to Executive provided for in this Agreement is not made by Company when due, Company shall pay to Executive interest on the amount payable from the date that such payment should have been made until such payment is made, which interest shall be calculated at 3% plus the prime or base rate of interest announced by Texas Commerce Bank National Association (or any successor thereto) at its principal office in Houston, Texas (but not in excess of the highest lawful rate), and such interest rate shall change when and as any such change in such prime or base rate shall be announced by such bank. If Executive shall obtain any money judgment or otherwise prevail with respect to any litigation brought by Executive or Company to enforce or interpret any provision contained herein, Company, to the fullest extent permitted by applicable law, hereby indemnifies Executive for his reasonable attorneys' fees and disbursements incurred in such litigation and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by Executive from the earliest date that payment to him should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the rate set forth in the preceding sentence.

5B. Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

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

If to Executive to : Lawrence W. Kellner

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

5C. Applicable Law. This contract is entered into under, and shall be governed for all purposes by, the laws of the State of Texas.

5D. No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

5E. Severability. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

5F. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

5G. Withholding of Taxes and Other Employee Deductions. Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect to Company's employees generally.

5H. Headings. The paragraph headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

5I. Gender and Plurals. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

5J. Successors. This Agreement shall be binding upon and inure to the benefit of Company and any successor of the Company, including without limitation any person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of Company by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party.

5K. Term. This Agreement has a term co-extensive with the term of employment as set forth in paragraph 2.1. Termination shall not affect any right or obligation of any party which is accrued or vested prior to or upon such termination.

5L. Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.4(iii), (ii) any signed written agreement heretofore or contemporaneously executed by Company and Executive with respect to Awards (as defined in the Incentive Plan) under the Incentive Plan, or (iii) any signed written agreement hereafter executed by Company and Executive, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Without limiting the scope of the preceding sentence, all prior understandings and agreements among the parties hereto

relating to the subject matter hereof are hereby null and void and of no further force and effect. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

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

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

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek
Name: Jeffery A. Smisek
Title: Senior Vice President

"EXECUTIVE"

/s/ Lawrence W. Kellner
Lawrence W. Kellner

AMENDMENT TO EMPLOYMENT AGREEMENT

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

WITNESSETH:

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

WHEREAS, the Human Resources Committee of the Board of Directors of the Company, on April 17, 1996, authorized the execution and delivery on behalf of the Company of this Amendment; and

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

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

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

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

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

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

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

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

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

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

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

CONTINENTAL AIRLINES, INC.

By: _____
Name:
Title:

EXECUTIVE

Supplemental Agreement No. 6

to

Purchase Agreement No. 1783

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 757-224 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of June 13, 1996 by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and Continental Airlines, Inc., a Delaware corporation with its principal office in Houston, Texas (Buyer);

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

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

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

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

1. Table of Contents and Articles:

1.1 Remove and replace, in its entirety, the Table of Contents with a new Table of Contents (attached hereto) to reflect amendment of the Agreement as of the date of this Supplemental Agreement. [Superseded by Supplemental Agreement No. 7]

1.2 Remove and replace, in its entirety, Article 2, Delivery, Title and Risk of Loss, with new Article 2 (attached hereto) to incorporate a revised delivery schedule for the the Rescheduled Aircraft. [Superseded by Supplemental Agreement No. 7]

1.3 Remove and replace, in its entirety, Article 3, Price of Aircraft, with new Article 3 (attached hereto) to incorporate revised Advance Payment Base Prices for the Rescheduled Aircraft. [Superseded by Supplemental Agreement No. 7]

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

2. Letter Agreements:

2.1 Add new Letter Agreement 1783-10, Option Aircraft, to incorporate purchase option provisions for Buyer [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] which will be offered to Buyer subject to Boeing's then available delivery positions when Buyer exercises a purchase option.

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

3. Agreement to Revise the Business Offer for Model 757 Aircraft.

The parties have committed to negotiate in good faith toward the execution of a Purchase Agreement for New Generation Model 737 Aircraft (the 737 Agreement) not later than June 30, 1996. Conditioned upon execution of the 737 Agreement by such date, or by such later date as the parties may hereafter mutually agree, Boeing and Buyer will concurrently execute a Supplemental Agreement further revising Purchase Agreement 1783 (the 757 Agreement) to incorporate Boeing's revised business offer for Model 757 Aircraft, which is contained in Boeing letter 6-1162-RGP-1226R1, dated May 15, 1996. The effective date of the revised business offer with respect to the Rescheduled Aircraft and Option Aircraft shall be retroactive to the execution date of this Supplemental Agreement No. 6 to the 757 Agreement.

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

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

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

THE BOEING COMPANY Continental Airlines, Inc.

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

Its: Attorney-In-Fact Its: Vice President

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

A/C#	Cont Dlv	Con Blk	MSN	Tab Blk	Reg No.	Eng1 S/N	Eng2 S/N	Delivery Date
------	----------	---------	-----	---------	---------	----------	----------	---------------

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

1783-10
June 13, 1996

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

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

Gentlemen:

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

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

In consideration of Buyer's purchase of the Aircraft, Boeing hereby agrees to manufacture and sell up to eight (8) additional Model 757-224 Aircraft (the Option Aircraft) and up to eight (8) more additional Aircraft (the Rolling Option Aircraft) to Buyer, on the same terms and conditions set forth in the Purchase Agreement, except as otherwise described in Attachment A hereto, and subject to the terms and conditions set forth below.

1. Delivery.

The Option Aircraft will be delivered to Buyer during or

before the months set forth in the following schedule:

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

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

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, and concurrent with Buyer's payment to Boeing of initial advance payments required under Supplemental Agreement No. 6 to the Purchase Agreement for the Aircraft, Buyer will pay a deposit to Boeing of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

4. Option Exercise.

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

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

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

5. Contract Terms.

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

6. Cancellation of Option to Purchase.

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

7. Rolling Option Aircraft.

[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 and Rolling Option Aircraft that are added to the Purchase Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Purchase Agreement.

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: June 13, 1996

CONTINENTAL AIRLINES, INC.,

By /s/ Brian Davis

Its Vice President

Attachment

Model 757-224 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

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

(1) Changes applicable to the basic Model 757-200 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.

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

3. Advance Payments.

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

6-1162-MMF-289
June 13, 1996

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

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

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1783 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 757 aircraft (the Aircraft).

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

Considerations provided to Buyer by Boeing herein for the Aircraft are conditioned upon simultaneous execution of Supplemental Agreement No. 6 to Purchase Agreement No. 1783. Supplemental Agreement No. 6 to Purchase Agreement No. 1783 relates to the acceleration of certain 757-200 aircraft yet to be delivered.

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

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

Very truly yours,

THE BOEING COMPANY

/s/ Monica Fix
M. Monica Fix
Regional Director
Aircraft Contracts
Boeing Commercial Airplane Group

AGREED and ACCEPTED this 13 day of June, 1996.

CONTINENTAL AIRLINES, INC.

By: /s/ Brian Davis

Its: Vice President

Date: _____

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

[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.]

6-1162-WLJ-375R2
June 13, 1996

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

Subject: Letter Agreement No. 6-1162-WLJ-375R2 to
Purchase Agreement No. 1783 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1783 dated
March 18, 1993 (the Agreement) between THE BOEING COMPANY
(Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to
twenty-five (25) firm Model 757-224 aircraft (Aircraft) and eight
(8) option Model 757-224 aircraft (Option Aircraft). Letter
Agreement 6-1162-WLJ-375R1 is hereby cancelled and superceded.

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: June 13, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

6-1162-WLJ-367R2
June 13, 1996

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

Subject: Letter Agreement No. 6-1162-WLJ-367R2 to
Purchase Agreement No. 1783 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1783 dated
March 18, 1993 as amended and supplemented (the Agreement)
between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES,
INC. (Buyer) relating to Model 757-224 aircraft (the Aircraft).
Letter Agreement 6-1162-WLJ-367R1 is hereby cancelled and
superceded.

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: June 13 , 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

Supplemental Agreement No. 7

to

Purchase Agreement No. 1783

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 757-224 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of July 23, 1996 by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and Continental Airlines, Inc., a Delaware corporation with its principal office in Houston, Texas (Buyer);

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

WHEREAS, Boeing and Buyer have agreed to amend the Agreement to incorporate certain contractual matters and adjust the advance payment base prices for the Aircraft;

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

1. Table of Contents, Articles and Exhibits:

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

1.2 Remove and replace, in its entirety, Article 2, Delivery, Title and Risk of Loss, with new Article 2 (attached hereto) to differentiate Block A-1 from Block A Aircraft as a result of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

1.3 Remove and replace, in its entirety, Article 3, Price of Aircraft, with new Article 3 (attached hereto) to incorporate revised Advance Payment Base Prices as a result [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

1.4 Add a new Exhibit A-1, Aircraft Configuration, in its entirety and attached hereto, which applies to the Block A-1 Aircraft and reflects [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

1.5 Add a revised page 1 to Exhibit D, Price Adjustment Due to Economic Fluctuations Airframe Price Adjustment, which incorporates Block A-1 Aircraft (attached hereto). All remaining pages to Exhibit D remain unchanged.

2. Letter Agreements:

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

4. Payment of Advance Payment Credits.

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

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: /s/ Monica Fix

By: /s/ Brian Davis

Its: Attorney-In-Fact

Its: Vice President

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

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

ARTICLE 2. Delivery, Title and Risk of Loss.

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

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

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

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

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

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

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

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

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

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

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

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

Features.

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

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

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

3.2 Aircraft Basic Price.

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

3.3 Aircraft Price.

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

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

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

3.4 Advance Payment Base Price.

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

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of the first Aircraft scheduled for delivery in a calendar year (First Aircraft), Boeing will increase or decrease the Advance Payment Base Price of the First Aircraft and all Aircraft scheduled for delivery after the First Aircraft as required to reflect the effects of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit A-1 to Purchase Agreement Number 1783

EXHIBIT A

AIRCRAFT CONFIGURATION

Dated July 23, 1996

relating to

BOEING MODEL 757-224 BLOCK A-1 AIRCRAFT

The Detail Specification is Boeing Detail Specification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] as amended to reflect the effect of the changes set forth in the Change Requests listed below, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OWE). Such Change Requests are set forth in Boeing Document [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price reflects and includes all effects of such changes of price, except such Aircraft Basic Price does not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

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

PRICE ADJUSTMENT DUE TO
ECONOMIC FLUCTUATIONS
AIRFRAME PRICE ADJUSTMENT

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

(Relating to Block A and A-1 Aircraft)

1. Formula.

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

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

6-1162-MMF-319
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-319 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

6-1162-WLJ-375R3
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-WLJ-375R3 to
Purchase Agreement No. 1783 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1783 dated
March 18, 1993 (the Agreement) between THE BOEING COMPANY
(Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to
twenty-five (25) firm Model 757-224 aircraft (Aircraft) and eight
(8) option Model 757-224 aircraft (Option Aircraft). Letter
Agreement 6-1162-WLJ-375R2 is hereby cancelled and superseded.

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

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

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/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

6-1162-WLJ-367R3
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-WLJ-367R3 to
Purchase Agreement No. 1783 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1783 dated
March 18, 1993 as amended and supplemented (the Agreement)
between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES,
INC. (Buyer) relating to Model 757-224 aircraft (the Aircraft).
Letter Agreement 6-1162-WLJ-367R2 is hereby cancelled and
superseded.

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

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

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/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

Supplemental Agreement No. 4

to

Purchase Agreement No. 1785

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 777-224 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of July 23, 1996 by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and Continental Airlines, Inc., a Delaware corporation with its principal office in Houston, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1783 dated March 18, 1993, as amended and supplemented, relating to Boeing Model 777-224 aircraft (the Agreement); and

WHEREAS, Boeing has offered to reschedule delivery of aircraft (Rescheduled Aircraft), currently scheduled to deliver to Buyer starting in 1999, to 2002 under the Agreement, in consideration of Buyer's execution of Purchase Agreement No. 1951, relating to the purchase by Buyer of Boeing Model 737-700/-800 Aircraft;

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

1. Table of Contents and Articles:

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

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

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

1.4 Remove and replace, in its entirety, the Schedule for Delivery of Model 777-224 Aircraft following Article 15, with a new schedule (attached hereto) to incorporate the Rescheduled Aircraft.

2. Letter Agreements.

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

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: /s/ Monica Fix

By: /s/ Brian Davis

Its: Attorney-In-Fact

Its: Vice President

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

SUPPLEMENTAL AGREEMENTS	Dated as of:
Supplemental Agreement No. 1	April 29, 1993
Supplemental Agreement No. 2	November 4, 1993
Supplemental Agreement No. 3	March 31, 1995

ARTICLE 2. Delivery, Title and Risk of Loss.

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

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

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

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

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

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

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

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

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

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

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

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

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

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

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

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

3.3 Aircraft Price.

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

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE

SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] plus

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

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

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

Schedule of Delivery of Model 777-224 Aircraft

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

6-1162-MMF-319
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-319 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

6-1162-WLJ-353R2
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-WLJ-353R2 to
Purchase Agreement No. 1785 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1785 dated
March 18, 1993 as amended and supplemented (the Agreement)
between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES,
INC. (Buyer) relating to Model 777-224 aircraft (the Aircraft).
Letter Agreement 6-1162-WLJ-353R1 is cancelled and superseded.

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

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

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/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

PURCHASE AGREEMENT
between
THE BOEING COMPANY
and
CONTINENTAL AIRLINES, INC.

Relating to Boeing Model 737-724/-824 Aircraft
Purchase Agreement Number 1951

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LETTER AGREEMENTS

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

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

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RESTRICTED LETTER AGREEMENTS

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

PURCHASE AGREEMENT NO. 1951

Relating to

BOEING MODEL 737-724/-824 AIRCRAFT

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

Accordingly, Boeing and Buyer agree as follows:

ARTICLE 1. Subject Matter of Sale.

1.1 The Aircraft. Boeing will manufacture and deliver to Buyer and Buyer will purchase and accept delivery from Boeing Eighteen (18) Boeing Model 737-724 and Thirty (30) Boeing Model 737-824 aircraft (the Aircraft) manufactured in accordance with Boeing detail specification as described in Exhibit A and as modified from time to time in accordance with this Agreement (Detail Specification).

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

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

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

ARTICLE 2. Delivery, Title and Risk of Loss.

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

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

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

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

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

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

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

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

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

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

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

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

3.2 Aircraft Basic Price.

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

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

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

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

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

ARTICLE 4. Taxes.

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

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

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

ARTICLE 5. Payment.

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

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

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

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

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

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

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

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

ARTICLE 6. Excusable Delay.

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

6.2 Excusable Delay of 12 Months.

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

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

6.3 Aircraft Damaged Beyond Repair. If, prior to delivery, an Aircraft is destroyed or damaged beyond economic repair due to any cause, Boeing will promptly notify Buyer in writing and either party may then terminate this Agreement with respect to such Aircraft. If Boeing does not so terminate this Agreement with respect to such Aircraft, such notice will specify the earliest date reasonably possible, consistent with Boeing's other

contractual commitments and production capabilities, by which Boeing will deliver a replacement for such Aircraft. This Agreement will thereupon terminate as to such Aircraft, unless Buyer gives Boeing written notice, within 30 days after receipt of Boeing's notice, that Buyer desires the proposed replacement for such Aircraft.

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

6.5 Agreement Termination.

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

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

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

ARTICLE 7. Changes to the Detail Specification.

7.1 Development Changes. Boeing may, at its own expense and without Buyer's consent, incorporate Development Changes in the Detail Specification and the Aircraft prior to delivery to Buyer. Development Changes are defined as changes to the basic specification for Model 737-700/-800 aircraft that do not affect the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] 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 [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST

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

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

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

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

9.2 Inspection by Buyer. Designated representatives of Buyer may inspect the manufacturing of the Aircraft at all reasonable times. However, if access to any part of Boeing's plant is restricted by the United States Government, Boeing will be allowed a reasonable time to arrange for inspection elsewhere. All inspections by Buyer's representatives will be performed so as not to hinder manufacture or performance by Boeing.

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

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

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

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

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

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

ARTICLE 10. Assignment, Resale or Lease.

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

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

10.1.2 Boeing may assign its rights to receive money; and

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

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

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

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

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

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

ARTICLE 11. Termination for Certain Events.

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

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

11.1.2 Petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets; commences any legal proceeding such as insolvency, bankruptcy, reorganization, readjustment of debt, dissolution or liquidation available for the relief of financially distressed debtors; or becomes the object of any such proceeding, unless such proceeding is dismissed or stayed

within a reasonable period, not to exceed 60 days.

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

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

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

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

(A) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

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

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

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

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

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

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

ARTICLE 13. Buyer Furnished Equipment and Spare Parts.

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

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

ARTICLE 14. Contractual Notices and Requests.

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

Buyer:	Continental Airlines, Inc. 2929 Allen Parkway Suite 2010 Houston, TX 77019 Attention: V.P. Fleet Management
Boeing:	Boeing Commercial Airplane Group P.O. Box 3707 Seattle, Washington 98124-2207

U.S.A.

Attention: Vice President - Contracts
Mail Stop 75-38

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

ARTICLE 15. Miscellaneous.

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

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

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

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

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

CONTINENTAL AIRLINES, INC.

THE BOEING COMPANY

By /s/ Brian Davis

By /s/ Monica Fix

Its Vice President

Its Attorney-In-Fact

Table 1 to
Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-700/-800 Aircraft

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

Table 1 to

Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-700/-800 Aircraft

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

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

Exhibit A to Purchase Agreement Number 1951

AIRCRAFT CONFIGURATION

Dated July 23, 1996
relating to

BOEING MODEL 737-724 AIRCRAFT

Exhibit A-1

The Detail Specification is Boeing Detail Specification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] Such Detail Specification will be comprised of Boeing Configuration Specification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] as amended to incorporate the applicable specification language to reflect the effect of the changes set forth in the Change Requests listed below, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Change Requests are set forth in Boeing Document [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price will reflect and include all effects of such changes of price upon configuration completion by [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.], except such Aircraft Basic Price will not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

AIRCRAFT CONFIGURATION

Dated July 23, 1996

relating to

BOEING MODEL 737-824 AIRCRAFT

Exhibit A-2

The Detail Specification is Boeing Detail Specification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]. Such Detail Specification will be comprised of Boeing Configuration Specification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] as amended to incorporate the applicable specification language to reflect the effect of the changes set forth in the Change Requests listed below, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Change Requests are set forth in Boeing Document [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price will reflect and include all effects of such changes of price upon configuration completion by [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.], except such Aircraft Basic Price will not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

PRODUCT ASSURANCE DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit B to Purchase Agreement Number 1951

PART A

BOEING WARRANTY

1. Warranties.

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

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

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

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

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

2. Exceptions.

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

3. Survival of Warranties.

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

4. Warranty Periods and Claims.

4.1 The warranty periods are:

4.1.1 As to a defect in conformance to the Detail Specification, 48 months after delivery of each Aircraft, and

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

4.2 Boeing's Product Assurance Regional Manager at Renton, Washington must receive the warranty claim in writing at the earliest practicable time after the defect becomes apparent but in no event later than 90 days after expiration of the applicable warranty period.

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

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

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

4.3.3 Date the claimed defect became apparent which will be the date such defect was discovered by Buyer or the

warranty date set forth in a Boeing service bulletin or service letter, whichever date occurs first; and

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

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

5. Remedies.

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

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

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

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

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

6. Returned Items.

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

6.1 As to Aircraft:

6.1.1 An Aircraft may be returned only if

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

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

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

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

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

work on such Aircraft.

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

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

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

6.2.2.1 expedite repair or replacement of the item or

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

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

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

7. Nonrepairable Items.

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

8. Reimbursement for Certain Inspection Labor Costs.

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

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

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

8.2 If a covered defect is determined to exist as a result of the foregoing inspections, the remedies under this Boeing warranty will apply to Aircraft in warranty as of the warranty date set forth in the applicable Boeing service bulletin or service

letter or the date the defect was discovered by Buyer, whichever date occurs first.

9. Wear and Tear.

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

10. Disclaimer and Release; Exclusion of Liabilities.

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

11. Buyer's Indemnification of Boeing.

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

PART B

WARRANTY REPAIRS AND MODIFICATIONS BY BUYER

1. General.

To expedite the return to service of any defective Aircraft or systems, accessories, equipment and parts (items) that Boeing is obligated to correct under the Boeing Warranty, repairs and modifications may, at Buyer's option, be performed by Buyer (work) and charged to Boeing, subject to the following:

2. Scope.

This option applies only to items manufactured to Boeing's detailed design. The warranty and notice periods and all other conditions and limitations applicable to the Boeing Warranty apply to this option.

3. Repairs and Modifications.

All work will be performed in accordance with Boeing's written instructions, using parts and materials as may be furnished by Boeing and/or Boeing approved parts and materials as may be furnished by Buyer.

4. Claims for Reimbursement.

Buyer's claim for reimbursement must be submitted in writing to Boeing promptly after completion of the work. Such claim must include the data set forth in paragraph 4.3 of Part A of this Exhibit B and the following:

4.1 Description of the work performed by Buyer;

4.2 Date work was completed by Buyer;

4.3 Itemized account of the direct labor hours expended in performing the work; and

4.4 Itemized account of the direct materials incorporated in the work.

5. Reimbursement.

Upon approval of Buyer's claim for reimbursement, Boeing will reimburse Buyer by issuing a credit memorandum as follows:

5.1 Direct Labor.

At the Warranty Labor Rate specified herein for labor hours expended by Buyer's direct labor employees in performing the work, including removal, disassembly, inspection, bench testing, reassembly, final inspection, and reinstallation, but not to exceed Boeing's estimate of required labor hours, and excluding time for overhaul.

5.2 Direct Materials.

At the invoice cost to Buyer for all direct materials incorporated in the work, excluding (i) materials used for overhaul, (ii) materials furnished by Boeing at no charge, (iii) materials which exceed Boeing's estimate of required materials, and (iv) allowances for handling, overhead, taxes, customs duties and the like.

5.3 Warranty Labor Rate.

The Warranty Labor Rate is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] of Buyer's average direct hourly labor rate, whichever is greater. For this purpose, "average direct hourly labor rate" is defined as the average hourly rate (excluding all fringe benefits, premium-time allowances, social charges, business taxes and the like) paid by Buyer to Buyer's employees whose jobs are directly related to the performance of the work. Prior to or concurrently with submittal of Buyer's first claim for labor reimbursement,

Buyer will notify Boeing of Buyer's then-current average direct hourly labor rate, and thereafter notify Boeing of any material change in such rate. Boeing may require data from Buyer to substantiate such rates.

5.4 Limitation.

The total reimbursement with respect to the direct labor and direct materials incorporated in the work, will not exceed [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] of Boeing's then-current sales price for the item unless a greater percentage is established for a particular item by written agreement between Boeing and Buyer.

All claims for reimbursement will be subject to audit by Boeing. Boeing will promptly notify Buyer of Boeing's disposition of each claim submitted hereunder.

6. Replaced Parts.

If component parts of any assembly are replaced by Buyer, the replaced parts will be tagged with the assembly part number, the serial number and the warranty claim number and retained for a period of 60 days following the date of submittal of Buyer's claim, so as to be made available for Boeing's inspection. Such parts may be scrapped after such 60-day period.

PART C

BOEING SERVICE LIFE POLICY

1. Definitions.

1.1 "Airframe Component" means any of the primary structural elements of the wing, fuselage, or vertical or horizontal stabilizer set forth in Attachment A hereto and installed in an Aircraft at the time of delivery.

1.2 "Landing Gear Component" means any of the primary structural elements of the landing gear set forth in Attachment A and installed in an Aircraft at the time of delivery.

1.3 "Spare Component" means any component set forth in Attachment A that was furnished to Buyer pursuant to this Policy or purchased by Buyer from Boeing as a spare part.

1.4 "Covered Component" means an Airframe Component, a Landing Gear Component or a Spare Component.

1.5 "Failure" means any breakage or defect in a Covered Component.

1.6 "Failed Component" means a Covered Component in which a Failure has occurred.

2. Service Life Policy.

If a Failure occurs in any Covered Component within the following periods, Boeing will promptly, at a price calculated pursuant to this Policy, either (i) design and furnish to Buyer materials required to correct the Failed Component (excluding industry standard parts) or (ii) furnish to Buyer a replacement Covered Component:

2.1 As to any Airframe Component or Landing Gear Component, within 12 years after delivery of the Aircraft in which such component was initially installed; or

2.2 As to any Spare Component, within 12 years after delivery of such Spare Component, or within 12 years after delivery by Boeing of the last new Model 737 aircraft to Buyer, whichever first expires.

3. Price.

The price that Buyer will pay for the correction or replacement of a Failed Component will be calculated pursuant to the following formula:

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

4. Conditions and Limitations.

Boeing's obligations under this Policy are conditioned upon the following:

4.1 Buyer must notify Boeing of the Failure within three months after it becomes apparent to Buyer.

4.2 Buyer must provide reasonable evidence that the claimed Failure is covered by this Policy and if requested by Boeing, that such Failure was not the result of (i) the breakage of or a defect in a component not covered by this Policy, (ii) an extrinsic force, (iii) an act or omission of Buyer, or (iv) operation or maintenance contrary to applicable regulations or Boeing's instructions.

4.3 If return of a Failed Component is practicable and requested by Boeing, Buyer will return such Failed Component to Boeing at Boeing's expense.

4.4 Buyer's rights and remedies under this Policy are limited to the receipt of corrective materials or replacement components at prices calculated in accordance with this Policy.

5. Disclaimer and Release; Exclusion of Liabilities.

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

COVERED AIRFRAME AND LANDING GEAR COMPONENTS

1. Wing.

- (a) Upper and lower skins and stiffeners between the forward and rear wing spars.
- (b) Wing spar webs, chords and stiffeners.
- (c) Inspar wing ribs.
- (d) Inspar splice plates and fittings.
- (e) Main landing gear support structure.
- (f) Wing center section floor beams, lower beams and spanwise beams, but not the seat tracks attached to floor beams.
- (g) Engine strut support fittings attached directly to wing primary structure.
- (h) Wing-to-body structural attachments.
- (i) Support structure in the wing for spoilers and spoiler actuators; for aileron hinges and reaction links; and for leading edge devices and trailing edge flaps.
- (j) Trailing edge flap tracks and carriages.
- (k) Aileron, leading edge device and trailing edge flap internal, fixed attachment and actuator support structure.

2. Body.

- (a) External surface skins and doublers, longitudinal stiffeners, longerons and circumferential rings and frames between the forward pressure bulkhead and the vertical stabilizer rear spar bulkhead and structural support and enclosure for the APU but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (b) Window and windshield structure but excluding the windows and windshields.
- (c) Fixed attachment structure of the passenger doors, cargo doors and emergency exits, excluding door mechanisms and movable hinge components. Sills and frames around the body openings for the passenger doors, cargo doors and emergency exits, excluding scuff plates and pressure seals.
- (d) Nose wheel well structure, including the wheel well walls, pressure deck, bulkheads, and gear support structure.
- (e) Main gear wheel well structure including pressure deck and landing gear beam support structure.
- (f) Floor beams and support posts in the control cab and passenger cabin area, but excluding seat tracks.
- (g) Forward and aft pressure bulkheads.
- (h) Keel structure between the wing front spar bulkhead and the main gear wheel well aft bulkhead including splices.
- (i) Wing front and rear spar support bulkheads, and vertical and horizontal stabilizer front and rear spar support bulkheads including terminal fittings but excluding all system components and related installation and connecting devices, insulation, lining, decorative panels and related installation and connecting devices.
- (j) Support structure in the body for the stabilizer pivot and stabilizer screw.

3. Vertical Stabilizer.

- (a) External skins between front and rear spars.
- (b) Front, rear and auxiliary spar chords, webs and stiffeners and attachment fittings.
- (c) Inspar ribs.
- (d) Rudder hinges and supporting ribs, excluding bearings.
- (e) Support structure in the vertical stabilizer for rudder hinges, reaction links and actuators.
- (f) Rudder internal, fixed attachment and actuator support structure.

4. Horizontal Stabilizer.

- (a) External skins between front and rear spars.
- (b) Front and rear spar chords, webs and stiffeners.
- (c) Inspar ribs.
- (d) Stabilizer center section including hinge and screw support structure.
- (e) Support structure in the horizontal stabilizer for the elevator hinges, reaction links and actuators.
- (f) Elevator internal, fixed attachment and actuator support structure.

5. Engine Strut.

- (a) Strut external surface skin and doublers and stiffeners.
- (b) Internal strut chords, frames and bulkheads.
- (c) Strut to wing fittings and diagonal brace.
- (d) Engine mount support fittings attached directly to strut structure and including the engine-mounted support fittings.

6. Main Landing Gear.

- (a) Outer cylinder.
- (b) Inner cylinder, including axles.
- (c) Upper and lower side struts, including spindles, universals and reaction links.
- (d) Drag strut.
- (e) Bell crank.
- (f) Orifice support tube.
- (g) Trunnion link.
- (h) Downlock links including spindles and universals.
- (i) Torsion links.
- (j) Actuator beam, support link and beam arm.

7. Nose Landing Gear.

- (a) Outer cylinder.
- (b) Inner cylinder, including axles.
- (c) Orifice support tube.
- (d) Upper and lower drag strut, including lock links.
- (e) Steering plates and steering collars.

(f) Torsion links.

NOTE: The Service Life Policy does not cover any bearings, bolts, bushings, clamps, brackets, actuating mechanisms or latching mechanisms used in or on the Covered Components.

PART D

BOEING INDEMNITY AGAINST PATENT INFRINGEMENT

1. Indemnity.

Subject to the provisions of this Part D, Boeing will indemnify and hold harmless Buyer, its officers, directors and employees from and against all claims, suits, actions, liabilities, damages and costs arising out of actual or alleged infringement, by any Aircraft or any system, accessory, equipment or part (item) installed thereon at the time of Aircraft delivery, of any patent issued under the laws of any country in which Buyer lawfully operates the Aircraft (Country).

2. Exceptions.

2.1 This indemnity will not apply unless, from the time of design of the allegedly infringing Aircraft or item until the resolution of the infringement claim, the Country and flag country of the Aircraft: (i) are fully bound by the Chicago Convention on International Civil Aviation of December 7, 1944, and are fully entitled to all benefits of Article 27 thereof, or (ii) have been parties to the International Convention for the Protection of Industrial Property (Paris Convention).

2.2 This indemnity will not apply to Buyer Furnished Equipment, Engines, any system, accessory, equipment or part that was not manufactured to Boeing's detailed design, or to any system, accessory, equipment or part manufactured to Boeing's detailed design without Boeing's authorization.

3. Conditions and Limitations.

Buyer's remedy and Boeing's obligations hereunder are subject to the following:

3.1 Buyer must give Boeing written notice within 10 days after Buyer receives written notice of a suit or action against Buyer alleging infringement or within 20 days after Buyer receives a written claim of infringement.

3.2 Following receipt of such notice Boeing may conduct negotiations with any party claiming infringement and may intervene in any suit or action. Whether or not Boeing intervenes, Boeing will be entitled at any stage of the proceedings to assume or control the defense.

3.3 Buyer will (i) promptly furnish to Boeing all data, records and assistance within Buyer's control which are material to any such claim, suit or action and (ii) (except as to amounts mandated by a judgment) obtain Boeing's prior approval to pay or assume any liabilities, damages, royalties or costs.

3.4 Boeing's obligations and Buyer's remedies herein exclude Buyer's incidental or consequential damages and liabilities, costs, loss of revenue or loss of profit resulting from loss of use, but include, at Boeing's option, replacing the infringing item or otherwise curing any infringement on account of which use of the Aircraft by Buyer is prevented.

3.5 Boeing's obligations and Buyer's remedies herein are exclusive and in substitution for, and Buyer hereby waives, releases and renounces, all other indemnities, obligations and liabilities of Boeing and any assignee of Boeing, and all other rights, remedies and claims, including claims for damages, direct, incidental or consequential, of Buyer against Boeing or any assignee of Boeing, express or implied, arising by law or otherwise, with respect to any actual or alleged patent infringement or the like by any Aircraft or any item installed therein.

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

PART E

SUPPLIER WARRANTIES AND PATENT INDEMNITIES

1. Supplier Warranties and Supplier Patent Indemnities.

Boeing will use diligent efforts to obtain adequate warranties and indemnities against patent infringement enforceable by Buyer from manufacturers (Suppliers) of systems, accessories, equipment or parts installed on the Aircraft at the time of delivery that were selected and purchased by Boeing, but not manufactured to Boeing's detailed design. Boeing will furnish copies of such warranties and patent indemnities to Buyer prior to delivery of the first Aircraft.

2. Boeing Assistance in Administration of Supplier Warranties.

Buyer will be responsible for submitting warranty claims directly to Suppliers; however, if Buyer experiences problems enforcing any Supplier warranty obtained by Boeing for Buyer, Boeing will conduct an investigation of such problems and assist Buyer in the resolution of such claims.

3. Boeing Support in Event of Supplier Default.

3.1 If any Supplier defaults in the performance of a material obligation under a design, material or workmanship warranty obtained by Boeing for Buyer, and Buyer provides evidence to Boeing that such default has occurred, then the equivalent warranty and related provisions set forth in this Product Assurance Document will apply to the claimed defect.

3.2 At Boeing's request, Buyer will assign to Boeing, and Boeing will be subrogated to, Buyer's rights against the manufacturer providing such Supplier warranty.

PART F

ENGINE MANUFACTURER'S WARRANTY
AND PRODUCT SUPPORT PLAN

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

CFMI INTERNATIONAL INC. WARRANTY

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

PART G

BOEING INTERFACE COMMITMENT

1. Interface Problems.

If Buyer experiences technical problems in the operation of an Aircraft or its systems, the cause of which is not readily identifiable by Buyer but which Buyer believes to be attributable to the design characteristics of the Aircraft or its systems (Interface Problem), Boeing will, without additional charge to Buyer, promptly conduct an investigation and analysis to determine the cause or causes of the Interface Problem and to recommend such corrective action as may be feasible. Buyer will furnish to Boeing all data and information in Buyer's possession relevant to the Interface Problem, and will cooperate with Boeing in the conduct of investigations and tests. Boeing will promptly advise Buyer at the conclusion of its investigation of Boeing's opinion as to the causes of the Interface Problem and Boeing's recommendation as to corrective action.

2. Boeing Responsibility.

If Boeing determines that the Interface Problem is primarily attributable to the design of any item manufactured to Boeing's detailed design, Boeing will correct the design of such item to the extent of any then-existing obligations of Boeing under the provisions of the applicable Boeing Warranty or Boeing Service Life Policy.

3. Manufacturer Responsibility.

If Boeing determines that the Interface Problem is primarily attributable to the design of an item not manufactured to Boeing's detailed design, Boeing will assist Buyer in processing a warranty claim against the manufacturer of such item.

4. Joint Responsibility.

If Boeing determines that the Interface Problem is partially attributable to the design of an item manufactured to Boeing's detailed design and partially to the design of an item not manufactured to Boeing's detailed design, Boeing will seek a solution to the Interface Problem through the cooperative efforts of Boeing and the manufacturer of the other item and will promptly advise Buyer of resulting corrective actions and recommendations.

5. General.

Buyer will, if requested by Boeing, assign to Boeing any of Buyer's rights against any manufacturer as Boeing may require to fulfill its obligations hereunder.

6. Disclaimer and Release; Exclusion of Liabilities.

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

PART H

GENERAL

1. Duplicate Product Assurance Remedies.

Boeing will not provide or be requested to provide multiple remedies for any claim made pursuant to the provisions of this Product Assurance Document.

2. Notices.

References to "Boeing" in connection with notices or communications throughout this Product Assurance Document mean Boeing's Product Assurance Regional Manager at Renton, Washington.

CODE TWO - MAJOR MODEL DIFFERENCES

CUSTOMER SUPPORT DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit C to Purchase Agreement Number 1951

Dated July 23, 1996

Relating to

BOEING MODEL 737-724/-824 AIRCRAFT

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

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

PART A

BOEING MAINTENANCE TRAINING PROGRAM

1. General.

This Part describes the maintenance training to be provided by Boeing (Maintenance Training) at Boeing's training facility at or near Seattle. The Maintenance Training will be provided at no additional charge to Buyer, except as otherwise provided herein. If any part of the Maintenance Training is not used by Buyer prior to delivery of the first Aircraft, Boeing will not be obligated to provide such Maintenance Training at a later date, unless the parties have otherwise agreed in writing.

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

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

2. Maintenance Training Planning Conference.

No later than 12 months prior to delivery of Buyer's first Aircraft, Boeing and Buyer will conduct a planning conference in order to schedule and discuss the Maintenance Training.

3. Maintenance Training Program.

The Maintenance Training Program will (i) consist of classroom presentations supported by training materials and aids and (ii) if practicable, include an escorted tour of aircraft production areas and/or flight lines. The Maintenance Training will include the following courses:

3.1 Mechanical/Power Plant Systems Course.

This course provides mechanical instruction on the maintenance of the Aircraft and its systems, including engine systems. Electrical instruction, where necessary, will be provided in order to clarify mechanical system operation.

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3.2 Electrical Systems Course.

This course provides electrical instruction on the maintenance of the Aircraft and its systems, including engine systems. Mechanical instruction, where necessary, will be provided in order to clarify electrical system operation.

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3.3 Avionics Systems Course.

This course provides instruction on the maintenance of the Aircraft automatic flight control systems, communications and navigation systems. It is oriented to those personnel who specialize in trouble analysis and line maintenance on avionics systems.

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3.4 Aircraft Rigging Course.

This course provides instruction on aircraft rigging so as to provide Buyer's specialist personnel with the necessary information to rig all flight control surfaces, landing gear components, aircraft doors and engines. The conditions set forth

in paragraph 4 below will be applicable with respect to Boeing's providing such course.

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3.5 Advanced Composite Repair Course.

This course provides instruction for Buyer's structural repair personnel and promotes understanding of the design philosophy, inspection and repair of advanced composite components.

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

If requested prior to the conclusion of the Maintenance Training Planning Conference, Boeing will conduct the classroom training described above (except for the Advanced Composite Repair Course) at a mutually acceptable alternate training site, subject to the following conditions:

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5. Supplier Training.

The Maintenance Training includes sufficient information on the location, operation and servicing of Aircraft equipment, accessories and parts provided by suppliers to support line maintenance functions.

If Buyer requires additional maintenance training with respect to any supplier-provided equipment, accessories or parts, Buyer will schedule such training directly with the supplier. If Buyer experiences difficulty in scheduling such training, Boeing will, if requested, assist Buyer in coordinating and scheduling such training.

6. Student Training Material.

No revision service will be provided for the material provided hereunder.

6.1 Manuals.

Boeing will provide at the beginning of each Maintenance Training course 1 copy of a training manual or equivalent for each student attending such course.

6.2 Panel Description/Component Locator Guide/Field Trip Checklist Manual.

Boeing will provide 1 copy of a Panel Description/Component Locator Guide/Field Trip Checklist Manual for each student in each applicable Maintenance Training course.

7. Other Training Material.

At the conclusion of the Maintenance Training Program, Boeing will provide to Buyer 1 set of the following training materials, as used in the full Aircraft systems courses. Revision service will not be provided for these materials.

7.1 Visual Aids.

7.1.1 Blackline 8-1/2 x 11-inch projection transparencies.

7.1.2 Full-scale instrument panel wall charts in the form of black and white copies and mylar reproducible copies.

7.1.3 Training slides.

7.2 Reproducible Masters.

8-1/2 x 11-inch prints suitable for black and white reproduction of all graphics and applicable text.

7.3 Video Programs.

Video programs on 3/4-inch U-matic or 1/2-inch VHS cassette formats in NTSC, PAL or SECAM standards, as selected by Buyer.

7.4 Computer-Based Training (CBT) Courseware.

CBT courseware, and instructions for courseware installation and operation.

7.5 Shipment of Materials.

The training materials described above will be shipped to Buyer 30 days after completion of the first class of each applicable Maintenance Training course.

7.6 Training Material - Aircraft Configuration.

The visual aids and reproducible masters (except training slides and CBT) described above will, at the conclusion of the shipments thereof, reflect the configuration of the first Aircraft as delivered to Buyer. CBT Courseware will reflect the major configuration of the first Aircraft delivered to Buyer.

8. Course Completion Records.

At the completion of the Maintenance Training, Boeing will provide Buyer with course completion records consisting of the following:

8.1 Master copies of all examinations given.

8.2 Attendance and examination records for each student.

8.3 Certificate of completion for each course each student successfully completes.

PART B

BOEING CUSTOMER SUPPORT SERVICES

1. General.

This Part describes the support services to be provided by Boeing at no additional charge to Buyer, unless otherwise specified herein. Except with respect to Field Services, the services described in this Part will be provided by Boeing during a period commencing with delivery of the first Aircraft and continuing so long as one Aircraft is regularly operated by Buyer in commercial air transport service.

2. Field Service Engineering.

Boeing will furnish field service representation to advise Buyer on maintenance and operation of the Aircraft (Field Services) as follows:

2.1 Field Services will be available to Buyer at or near Buyer's main maintenance or engineering facility for a period beginning prior to delivery of the Aircraft and terminating [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] after delivery of the Aircraft. If such Field Service Periods overlap, the Field Services will be provided concurrently.

2.2 Buyer will furnish at no charge to Boeing suitable office space and equipment that will include desks, chairs, file cabinets and an electrical power source in, or convenient to, Buyer's facility where each/any Boeing representative is providing Field Services. As required, Buyer will assist each representative providing Field Services with visas, work permits, customs, mail handling, identification passes, and local airport authorities.

2.3 In addition to the Field Services referred to above, the services of any Boeing field service representative will also be available to Buyer anywhere Buyer may land the Aircraft.

2.4 Boeing may, from time to time, provide additional support services in the form of Boeing personnel visiting Buyer's facilities to work with Buyer's personnel in an advisory capacity.

3. Additional Engineering Support Services.

Boeing will, if requested by Buyer in writing, provide technical advisory assistance with respect to the Aircraft and accessories, equipment and parts manufactured to Boeing's detailed design and installed in the Aircraft at the time of delivery. Such technical advisory assistance, which will be provided from Seattle, will include:

3.1 analysis of and comment on any Aircraft service or operational problem experienced by Buyer in order to determine the nature of the problem and its cause and to suggest possible solutions;

3.2 analysis of and comment on Buyer's engineering releases relating to structural repairs of the Aircraft not covered by Boeing's Structural Repair Manual; and

3.3 analysis of and comment on Buyer's engineering proposals for changes in, or replacement of, parts, accessories or equipment manufactured to Boeing's detailed design (excluding computer software embedded or included therein); provided that Boeing will not analyze or comment on any such change or replacement which constitutes a major structural change, nor on any engineering release related thereto, unless Buyer's request for such analysis and comment is accompanied by complete detailed drawings, substantiating data (including data, if any, required by applicable government agencies), all stress or other appropriate analysis, and a specific statement from Buyer of the kind of review and response desired by Buyer.

4. Special Services.

4.1 Facilities, Ground Equipment and Maintenance Planning Assistance.

Boeing will, at Buyer's request, send qualified Boeing engineering representatives to Buyer's main base to evaluate Buyer's technical facilities, tools and equipment for servicing and maintaining the Aircraft, to recommend changes where necessary and to assist in the formulation of Buyer's overall maintenance plan.

4.2 Additional Services.

Boeing may, at Buyer's request, provide additional special services with respect to the Aircraft after delivery, which services may include such items as Master Changes (Kits and/or Data), training, and maintenance and repair of the Aircraft. The provision of such additional services will be subject to (i) a mutually acceptable price, schedule and scope of work and (ii) Boeing's then-current standard contract therefor, including disclaimer and release, exclusion of consequential and other damages, and indemnification and insurance requirements.

4.3 Post-Delivery Aircraft Services.

If Boeing performs unanticipated work on an Aircraft after delivery of such Aircraft, but prior to its initial departure flight, or upon its return to Boeing's facilities prior to completion of such flight, the following provisions will apply:

4.3.1 Title to and risk of loss of any such Aircraft will at all times remain with Buyer.

4.3.2 The provisions of the Boeing Warranty set forth in Exhibit B of this Agreement will apply to such work.

4.3.3 Buyer will reimburse Boeing for such work to the extent not covered by the Boeing Warranty applicable to the Aircraft.

4.3.4 The disclaimer and release and Exclusion of Consequential and Other Damages provisions set forth in Article 12 of this Agreement and the indemnification and insurance provisions set forth in this Exhibit C will apply to such Boeing work.

4.3.5 In performing such work, Boeing may rely upon the commitment authority of Buyer's personnel requesting such work.

5. Additional Informational Services.

Boeing may, from time to time, provide Buyer with additional services in the form of information about the Aircraft or other aircraft of the same type, including information concerning design, manufacture, operation, maintenance, modification, repair and in-service experience.

PART C

BOEING FLIGHT TRAINING PROGRAM

1. General.

This Part describes the flight training to be provided by Boeing (Flight Training) at or near Seattle, or at some other location to be determined pursuant to this Part. The Flight Training will be provided at no additional charge to Buyer, except as otherwise provided herein.

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

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

2. Flight Training Differences Program.

In conjunction with earlier sales to Buyer of aircraft of the same model type as the Aircraft, Boeing has provided to Buyer comprehensive flight training for such aircraft. If requested by Buyer at least 12 months prior to delivery of the first Aircraft, Boeing agrees to provide, if required, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.] of Buyer's personnel with any operational, systems and performance differences significant to the operation of the Aircraft, between the first Aircraft scheduled for delivery pursuant to this Agreement and the last aircraft of the same model type as the aircraft previously delivered by Boeing to Buyer. Such course will be scheduled by mutual agreement of Boeing's and Buyer's flight training organizations.

3. Student Training Material.

Student training material, in Boeing's then-standard format, will be provided to Buyer's personnel (1 set per student) as listed below. No revision service will be provided for the material provided hereunder.

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4. Other Training Material.

At the conclusion of the Differences Flight Training, Boeing will provide 1 set of the following materials, as used in the Flight Training Program. Revision service will not be provided for these materials.

4.1 Computer Based Training (CBT).

Boeing will provide a copy of Boeing developed CBT materials used in the Flight Training Program. The CBT Courseware will reflect the major configuration of Buyer's first Aircraft. Buyer will require certain equipment and materials in order to use the CBT Program. Equipment and materials required to run the CBT Program will be procured by Buyer at Buyer's expense. The CBT materials provided include the following:

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

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

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PART D

TECHNICAL DATA AND DOCUMENTS

1. General.

Boeing will furnish to Buyer the data and documents set forth herein at no additional charge to Buyer, unless otherwise specified herein. Such data and documents will, where applicable, be prepared essentially in accordance with the provisions of Revision 33 to Air Transport Association of America (ATA) Specification No. 100, dated June 1, 1956, entitled "Specification for Manufacturers' Technical Data," with the following specific exceptions: The Illustrated Parts Catalog will be prepared essentially in accordance with the provisions of Revision 28; the Overhaul and Component Maintenance Manuals will be written to the ATA Revision level established for the airplane model the component was originally used on. Such data and documents are only intended to provide Buyer with pertinent information on components, equipment and installations designed by Boeing for aircraft of the same model type as the Aircraft. Such data and documents will be in English and in the units of measure used by Boeing, except as otherwise specified herein or as may be required to reflect Aircraft instrumentation.

Digitally-produced data and documents will, where applicable for the Model 737-724, be prepared essentially in accordance with the provisions of Revision 0 of Air Transport Association of America (ATA) Specification 2100, dated January 1994, entitled "Digital Data Standards for Aircraft Support."

2. Treatment of Data and Documents.

2.1 The data and documents provided by Boeing under this Agreement ("Documents") are licensed to Buyer. They contain confidential, proprietary and/or trade secret information belonging to Boeing; and Buyer will treat them in confidence and use and disclose them only for Buyer's own internal purposes as specifically authorized herein. If Buyer makes copies of any Documents, the copies will also belong to Boeing and be treated as Documents under this Agreement. Buyer will preserve all restrictive legends and proprietary notices on all Documents and copies.

2.2 All Documents will only be used: (a) for the purpose of maintenance, repair, or modification of an Aircraft or spare part as permitted in the Spare Parts GTA or Customer Services GTA between Buyer and Boeing, and then only in connection with an Aircraft or spare part for which the Document in question is tabulated or identified by Boeing serial number, and (b) for the purpose of Buyer's own development and manufacture of training devices for use by Buyer, in connection with the Aircraft.

2.3 Any Document may be provided to Buyer's contractors for maintenance, repair, or modification of the Aircraft; and Airplane Flight Manuals, Operations Manuals, Aircraft Maintenance Manuals, Wiring Diagram Manuals, System Schematics Manuals, Component Maintenance/Overhaul Manuals and assembly and installation drawings may be provided to Buyer's contractors for development and manufacture of training devices for use by Buyer, but in both cases, only if Buyer's contractor is, at the time of transfer of Documents, bound by a Boeing Customer Services GTA, or other appropriate proprietary information protection agreement with Boeing, applicable to the Documents.

3. Document Formats and Quantities.

The documents set forth in the Attachment will be provided by Boeing to Buyer in the quantities and formats to be determined during Buyer's Planning Conference wherein the Boeing Spares Organization will outline a Customer Support plan for the introduction of these Aircraft. Revisions to such Documents will be provided as necessary to reflect the configuration, at time of delivery, of the Aircraft to which this Part D applies. Space is provided in the Attachment for Buyer and Boeing to indicate changes, mutually agreed upon concurrently with signing this Agreement, in the quantities and formats of such Documents to be hereinafter provided.

In the event Boeing determines that revisions would not be appropriate for any of the Documents described in the Attachment, Boeing reserves the right to furnish to Buyer, in lieu of such revisions, a separate publication of such Document for the Aircraft in the same format and quantity as indicated in the Attachment. Revision service for such publication will be the same as for the document it replaces.

4. Revision Service.

Further revisions to any such documents will be provided as set forth in the original purchase agreement, purchase agreement supplement, or as may have been amended by the parties, for such aircraft.

5. Supplier Technical Data.

Boeing will continue to maintain the supplier data program referred to in the purchase agreement or purchase agreement supplement under which data and documents for Buyer's aircraft of the same model type as the Aircraft were originally provided to Buyer. As indicated in such prior purchase agreement or supplement, the provisions of such supplier data program are not applicable to items of Buyer Furnished Equipment

6. Additional Data and Documents.

If Boeing provides data or documents other than Documents which are not covered by a Boeing Customer Services GTA or other proprietary information protection agreement between Boeing and Buyer, all such data and documents will be considered things delivered under this Agreement and treated as Documents.

7. Buyer's Shipping Address.

Boeing will ship the Documents furnished hereunder to Buyer's shipping address for data and documents previously provided to Boeing. Buyer shall promptly notify Boeing of any change to such address.

ITEM	NAME	ORIGINAL QUANTITY	REVISED QUANTITY	FORMAT
A.	FLIGHT OPERATIONS:			
1.	Airplane Flight Manual			[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]
	NOTE: An additional copy is placed aboard each airplane at delivery as required by FAR's.			
2.	Operations Manual and Quick Reference Handbook			
3.	Weight and Balance Control and Loading Manual			
4.	Dispatch Deviation Procedures Guide			
5.	Flight Crew Training Manual			
6.	Performance Engineer's Manual			
7.	Fault Reporting Manual			
B.	MAINTENANCE			
1.	Aircraft Maintenance Manual			
2.	Wiring Diagram Manual			
3.	System Schematics Manual			
4.	Electrical Connectors Options Document			
5.	Fault Isolation Manual (if separate)			
6.	Structural Repair Manual			
7.	Component Maintenance/Overhaul Manuals			
8.	Chapter 20 Standard Overhaul Practices Manual (total quantity - all models)			
9.	Chapter 20 Standard Wiring Practices Manual (total quantity - all models) Duplicate			
10.	Nondestructive Test Manual			
11.	Service Bulletins			
12.	Service Bulletin Index			
13.	Corrosion Prevention Manual			
14.	Fuel Measuring Stick Calibration Document			
15.	Power Plant Buildup Manual			
16.	In-Service Activity Report			
17.	Significant Service Item Summary			
18.	All Operators Letters			
19.	Service Letters			
20.	Maintenance Tips			
21.	FMS BITE Manual			

22. Production Management Data Base
(PMDB)

23. Combined Index

C. MAINTENANCE PLANNING

1. Maintenance Planning
Data Documents
2. Maintenance Task Cards
3. Maintenance Inspection
Intervals Report
(total quantity - all models)

D. SPARES

1. Illustrated Parts Catalog
(select one format only)
2. Standards Books
 - a. Index
 - b. Parts Standards
 - c. Parts Specifications
 - d. Standards for Repair
 - e. Obsolete Standards
 - f. Commercial Markers
 - g. Commercial Markers 737
 - h. Passenger Cabin Symbology
(Commercial Placards)
 - i. Process Standards
 - j. Material Standards
 - k. Drafting Standards Practices
 - l. Specification Support
Standards

E. FACILITIES AND EQUIPMENT PLANNING

1. Facilities and Equipment
Planning Document
2. Special Tool and Ground
Handling Equipment Drawings
3. Special Tool and Ground
Handling Equipment Drawings
Index
4. Supplementary Tooling
Documentation
(Total quantity - all models)
5. System Test Equipment
Document
6. Illustrated Tool and
Equipment Manual
7. Airplane Recovery Document
8. Aircraft Rescue and
Firefighting Document
9. Engine Handling Document

F. EROPS

Configuration, Maintenance
and Procedures for Extended

Range Operations Document

G. COMPUTER SOFTWARE DOCUMENTATION FOR AIRBORNE COMPONENTS

Computer Software Index

H. Supplier Technical Data

Product Support Supplier
Directory (total quantity -
all models)

PART E

BUYER'S INDEMNIFICATION OF BOEING AND INSURANCE

1. Buyer's Indemnification Of Boeing.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way related to the performance by Boeing of training, services or other obligations pursuant to this Exhibit C, whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing, whether active, passive or imputed.

1.1 With regard to training, services and obligations other than Revenue Service Training, the foregoing indemnification will not apply to the legal liability to persons or parties other than Buyer or Buyer's assignees arising out of an accident caused solely by a product defect in an Aircraft.

1.2 With regard to Revenue Service Training, the foregoing indemnification will apply to the legal liability to persons or parties other than Buyer or Buyer's assignees, even if arising out of an accident caused solely by a product defect in an Aircraft.

2. Buyer's Insurance.

Evidence of insurance will be required 30 days prior to the scheduled delivery of the first Aircraft. Accordingly, Buyer will provide certificates of insurance specifically referencing the Agreement and paragraph 1 of this Part E. In addition to showing policy number, limits of liability, and effective dates of coverage, such certificates will contain but not be limited to the following provisions:

2.1 Hull All Risk; Hull War & Allied Perils Insurance.

Insurers and/or reinsurers will hold harmless and waive all rights of subrogation against Boeing for any damages or claims arising out of these Exhibit C services.

2.2 Aircraft Liability Insurance.

(a) To name Boeing as an additional insured in connection with the performance by Boeing of training, services, or other obligations provided under this Exhibit C.

(b) To provide that the insurance arranged herein will be primary and without right of contribution with respect to any other insurance which may be available for the protection of Boeing.

(c) To provide that all provisions of the insurance, except the limits of liability, will operate to give each insured or additional insured the same protection as if there were a separate policy issued covering each insured or additional insured.

(d) To provide that no act, omission, breach of any warranty or condition, or misrepresentation on the part of the Insured or any other person or party (other than by Boeing) will void, exclude, minimize, or adversely change this coverage as it applies to Boeing.

2.3 For Coverages Specified in 2.1 and 2.2.

(a) Acknowledgment from Buyer's insurance broker that the insurers and/or reinsurers have been provided a copy of the Agreement and accept and insure the risks and indemnity herein to the extent of the coverage and endorsements as described in this certificate.

(b) To give 30 day written notice of cancellation, termination or adverse material alteration of the policies (7 day

written notice in the event of War Risk or such lesser period as may be in effect with prior notice).

(c) That Boeing will not be responsible for payment, set off, or assessment of any kind of any premiums in connection with the policies, endorsements or coverages described herein.

(d) For the purpose of this Part E, "Boeing" is defined as The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each and their respective directors, officers, employees and agents.

If more than one Aircraft is to be delivered under the Purchase Agreement, the insurance certificates must reference all Aircraft when delivered or separate certificates must be supplied for each Aircraft. The certificates of insurance will be kept current and valid.

PART F

Alleviation or Cessation of Performance

Boeing will not be required to provide any services, training, data or goods at a facility (other than its own) while:

1. a labor stoppage or dispute in progress involving Buyer exists;
2. wars or warlike operations, riots or insurrections in the country where such facility is located exist;
3. conditions at such facility which, in the opinion of Boeing, are detrimental to the general health, welfare or safety of its personnel and/or their families exist;
4. the United States Government refuses permission to any Boeing personnel or their families to enter the country where such facility is located, or recommends that any Boeing personnel or their families leave such country; or
5. the United States Government refuses Boeing permission to deliver goods or services to the country where such facility is located.

Boeing further reserves the right, upon the occurrence of any of such events, subsequent to the location of Boeing personnel at Buyer's facility, to immediately and without prior notice relocate its personnel and their families to a place of Boeing's choosing. Any delay resulting therefrom will be deemed a delay by mutual agreement.

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

Exhibit D to Purchase Agreement Number 1951

737-724/-824 Aircraft

PRICE ADJUSTMENT DUE TO
ECONOMIC FLUCTUATIONS
AIRCRAFT PRICE ADJUSTMENT
(1995 Base Price)

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.

$$L = \frac{.65 \times ECI}{130.1}$$

$$M = \frac{.35 \times ICI}{123.6}$$

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 130.1 will be expressed as a decimal rounded to the nearest ten-thousandth and then multiplied by .65 with the resulting value also expressed as a decimal and rounded to the nearest ten-thousandth.

In determining the value of M, the ratio of ICI divided by 123.6 will be expressed as a decimal rounded to the nearest ten-thousandth and then multiplied by .35 with the resulting value also expressed as a decimal and rounded to the nearest ten-thousandth.

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

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, 1995, which is consistent with the applicable provisions of paragraph 1 of this Exhibit D.

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 July 23, 1996

Relating to

BOEING MODEL 737 AIRCRAFT

This Buyer Furnished Equipment Provisions Document is Exhibit E to and forms a part of Purchase Agreement No. 1951, between The Boeing Company (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to the purchase of Boeing Model 737-724/-824 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 and July 3, 1997 for Model 737-824, Boeing will provide to Buyer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth in the attachment to this Exhibit.

2. Supplier Selection.

Buyer will:

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

	Model 737-724	Model 737-824
Galley System	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	
Seats (passenger)		

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 737-724/-824 AIRCRAFT

Item Preliminary On-Dock Dates

Dates for 1st delivery of each model:

737-724	737-824
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	
Aircraft	Aircraft

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

DEFINED TERMS DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit F to Purchase Agreement Number 1951

DEFINED TERMS DOCUMENT

Dated July 23, 1996

Relating to

BOEING MODEL 737-724/-824 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 737-724/-824 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.

DEFINED TERMS DOCUMENT
EXHIBIT F TO AGREEMENT NO. 1951

TERM	DEFINITION	FIRST REFERENCE
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	Article 1, Para. 1.1
Aircraft Basic Price	The amount set forth in Article 3, Para. 3.1.4.	Article 3, Para. 3.1.4
Aircraft Price	The total amount Buyer is to pay for an Aircraft which is described in Article 3, Para. 3.1.5.	Article 3, Para. 3.1.5
Aircraft Software	The computer software included with 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 4.1
Buyer Furnished Equipment Document	Document provided by Boeing to Buyer defining requirements for BFE. Exhibit E, Para. 1	Article 13, Para. 13.1
Certificate of Airworthiness	The certificate issued by the FAA pursuant to Part 21 of the Federal Aviation Regulations for the type of Aircraft purchased under this Agreement as described in Article 8.	Article 8, Para. 8.1.1.2
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 acceptance of the Aircraft proposal.	Article 5, Para. 5.1
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
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]		
Engine(s)	The engines installed on the Aircraft as described in the Detail Specification.	Article 3, Para.3.1.2
Excusable Delay	A delay resulting from any of the causes described in Article 6, Para 6.1.	Article 6, Para. 6.1
Export Certificate of Airworthiness	A certificate issued by the FAA as described in Article 8, Para. 8.1.1.2.	Article 8,
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 Components	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 C, Para. 2.
Flight Training Program	The program of flight training described in Exhibit C, Part C, Para. 3.	Exhibit C, Part C, Para. 3
Interface Problem	A technical problem attributed to the design characteristics of the Aircraft or its system 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
Major Damage	Damage described in Exhibit C, Part C, Para. 11.3.	Exhibit C, Part C, Para. 11.3
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
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]		
Policy (Boeing Service Life Policy)	Exhibit B, Part C, Para. 2.	Exhibit B, Part C, Para. 2
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]		
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 C, Para. 8
Software Documentation	A listing of components and equipment referred to in Exhibit C, Part D, Para. 3.3.6.	Exhibit C, Part D, Para. 3.3.6
Spare Component	A component as described in Exhibit B, Part C, Para. 1.3.	Exhibit B, Part C, Para. 1.3
Special Features	Article 3, Para. 3.1.1.	Article 3, Para. 3.1.1
Standard Airworthiness Certificate	A certificate issued by the FAA, pursuant to Part 21 of the Federal Aviation	Article 8, Para. 8.1.1.2

Regulations as described in
Article 8, Para. 8.1.1.2.

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

Taxes	The term "Taxes" defined in Article 2, Article 4, Para. 4.1. 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

1951-2
July 23, 1996

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

Subject: Letter Agreement No. 1951-2 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

For purposes of this Letter Agreement the following definitions
apply:

[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/ Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO as of this

Date: July 23, 1996.

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

1951-3
July 23, 1996

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

Subject: Letter Agreement No. 1951-3 to
Purchase Agreement No. 1951 - Option Aircraft

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of even date herewith (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-724/-824 aircraft (the Aircraft).

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

In consideration of Buyer's purchase of the Aircraft, Boeing hereby agrees to manufacture and sell up to fifteen (15) additional Model 737-824 Aircraft (the Option Aircraft) and up to fifteen (15) more additional aircraft (the Rolling Option Aircraft) to Buyer, on the same terms and conditions set forth in the Purchase Agreement, except as otherwise described in Attachment A hereto, and subject to the terms and conditions set forth below.

1. Delivery.

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

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

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

3. Option Aircraft Deposit.

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

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:

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

5. Contract Terms.

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

6. Cancellation of Option to Purchase.

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

7. Rolling Option Aircraft.

[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 and Rolling Option Aircraft that are added to the Purchase Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Purchase Agreement.

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix

Its Attorney-in-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

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

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.

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

1951-4
July 23, 1996

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

Subject: Letter Agreement No. 1951-4 to
Purchase Agreement No. 1951 -
Waiver of Aircraft Demonstration Flights

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-724/-824 aircraft (the Aircraft).

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

1. Fuel Entitlement at Delivery.

At the time of delivery of the Aircraft, Boeing will provide to Buyer, at no charge, 1,000 gallons of jet fuel.

2. Waiver of Demonstration Flight.

Notwithstanding the provisions of the Agreement requiring the Aircraft to be test flown prior to delivery for the purpose of demonstrating to Buyer the functioning of such Aircraft and its equipment, upon notice to Boeing at least 90 days prior to the scheduled date of the Aircraft delivery, or as agreed between the parties, Buyer may waive such flight. With respect to each waived demonstration flight, the following provisions will apply:

2.1. Additional Fuel. Promptly after delivery of the Aircraft, Boeing will load on the Aircraft an amount of jet fuel which together with the 1,000 gallons provided at delivery, equals a full tank.

2.2. Reimbursement for Correction of Flight Discrepancies.

2.2.1 Ferry Flight. Except for Aircraft to be used promptly after delivery for Boeing flight crew training provided to Buyer at or near Seattle, Washington, Boeing will reimburse Buyer for Buyer's direct labor costs (as defined below) and the cost of any material (Correction Costs) required to correct any flight discrepancy detected by Buyer while the Aircraft is being ferried from Seattle, Washington, to Buyer's main base or previously agreed alternate destination, to the extent such Correction Costs and labor costs are not covered under a warranty provided by Boeing or by any of its suppliers. Within 90 days after the date of such ferry flight Buyer will submit to Boeing's Director, Product Assurance Contracts, at Renton, Washington, a written itemized statement describing any such flight discrepancy and indicating the Correction Costs and labor costs incurred by Buyer for the correction of such flight discrepancy.

2.2.2 Training Flights. If the Aircraft will be used promptly after its delivery for Boeing flight crew training at or near Seattle, Washington, Boeing will reimburse Buyer for any Correction Costs, and for any charges by Boeing to Buyer for labor (Boeing Labor Charges) required to correct any flight discrepancy which may be detected by Buyer during such flight crew training to the extent such Correction Costs and such Boeing Labor Charges are not covered under a warranty provided by Boeing or by any of its suppliers. Within 90 days after the completion of such flight crew training, Buyer will submit to Boeing's Director, Product Assurance Contracts, at Renton, Washington, a written itemized statement describing any such flight discrepancy and indicating the Correction Costs and Boeing Labor Charges incurred by Buyer for the correction of such flight discrepancy.

2.2.3 Definitions. For purposes of reimbursement under this paragraph; (i) Buyer's direct labor costs will be determined

using the Warranty Labor Rate in effect between the parties as of the date such labor is expended, and (ii) flight discrepancies mean any failure or malfunction of such Aircraft, or the accessories, equipment, systems and parts installed therein which results from a defect or malfunction in such Aircraft, accessories, equipment, systems and parts or a nonconformance to the Detail Specification for such Aircraft which was present at the time of delivery of the Aircraft to Buyer and which, if detected during a Boeing predelivery demonstration flight, would have been reported in the pilot's flight discrepancy report and would have been corrected by Boeing prior to the delivery of such Aircraft to Buyer.

2.3. Return of Aircraft. If any flight discrepancy as defined above is detected by Buyer during the ferry flight of any Aircraft, which requires the return of such Aircraft to Boeing's facilities at Seattle, Washington, for correction by Boeing, title to and risk of loss of such Aircraft will at all times remain with Buyer and Boeing will have such responsibility for such Aircraft while it is on the ground at Boeing's Seattle, Washington, facilities as is chargeable by law to a bailee for mutual benefit, but Boeing will not be chargeable for loss of use.

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

1951-5
July 23, 1996

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

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

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 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.]

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

1951-6
July 23, 1996

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

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

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-724/-824 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will 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 Basic Detail Specification described in Exhibit A plus certain Change Requests identified in the Attachment hereto which (i) Buyer has accepted (Accepted Change Requests) or (ii) has yet to give its accept or reject condition (Open Change Requests) for incorporation in the Aircraft. Boeing has not yet determined pricing and/or offerability with respect to certain Master Changes (Study Master Changes) which Boeing has agreed to process for Buyer's consideration.

1.2 Selection of Change Requests for Final Configuration. On or before August 23, 1996, Boeing will provide to Buyer prices for all Study Master Changes determined by Boeing to be offerable for incorporation in the Aircraft. Not later than September 3, 1996 or unless otherwise previously agreed to between Boeing and Buyer, Buyer will provide to Boeing a complete list of those Accepted Change Requests, inclusive of its accepted Open Change Requests and Study Master Changes made offerable by Boeing, it has selected for incorporation in the Aircraft. The Basic Detail Specification, and Buyer's list of Accepted Change Requests and Master Changes will comprise the final configuration (Final Configuration) of the Aircraft.

1.3 Amendment to the Agreement. On or about September 30, 1996, Boeing and Buyer shall execute a Supplemental Agreement amending the Agreement as required to reflect the Aircraft Final Configuration, including, but not limited to, revision of the following terms and provisions:

Article 3	Price of Aircraft
Article 5	Payment
Exhibit A	Aircraft Configuration
Exhibit D	Price Adjustments Due to Economic Fluctuations - Airframe and Engine
LA 1951-2	SPE
LA 1951-3	Option Aircraft
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]	

1.4 Buyer's Detail Specification. Within 90 days after Final Configuration, Boeing will provide to Buyer a revision to the Detail Specification reflecting the Aircraft Final Configuration. This revision to the Detail Specification will also reflect changes made to Boeing's basic Model 737-700 and 737-800 aircraft specification between the revision date of the Boeing basic Model 737-700 and 737-800 Detail Specification referenced in the Agreement 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 Preliminary Aircraft Basic Price and Preliminary Advance Payment Base Price of the Aircraft has been established using an average amount of special features typically selected by other operators of Model 737-700 and 737-800 aircraft, which may or may not accurately reflect Buyer's final selection of special features. The preliminary price build up is attached hereto as Attachment B.

3. Aircraft Performance Guarantees.

[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/ Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachments

1951-7
July 23, 1996

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

Subject: Letter Agreement No. 1951-7 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

All terms used herein and in the Agreement or Customer Services
General Terms Agreement (CSGTA), and not defined herein, will have
the same meaning as in the Agreement or the CSGTA.

[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/ Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

1951-8
July 23, 1996

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

Subject: Letter Agreement No. 1951-8 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement), between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

6-1162-MMF-295
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-295 to
Purchase Agreement No. 1951 -
Aircraft Performance Guarantees - Model 737-724

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of even date herewith (the Agreement) between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to Model 737-724 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.]

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment

6-1162-MMF-296
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-296 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between THE BOEING COMPANY
(Boeing) and CONTINENTAL AIRLINES, INC. (Buyer) relating to Model
737-824 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.]

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment

6-1162-MMF-308
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-308 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

6-1162-MMF-309
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-309 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

Continental Airlines, Inc.,

By /s/ Brian Davis
Its Vice President

6-1162-MMF-310
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-310 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

6-1162-MMF-311
July 23, 1996

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

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

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1751 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

/s/ Monica Fix
M. Monica Fix
Regional Director
Aircraft Contracts
Boeing Commercial Airplane Group

AGREED and ACCEPTED this 23 day of July, 1996.

CONTINENTAL AIRLINES, INC.

By: /s/ Brian Davis
Its: Vice President

Attachment A to
Letter Agreement 6-1162-MMF-311

[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/ Monica Fix

Its: Attorney-In-Fact

Attachment B to
Letter Agreement 6-1162-MMF-311

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

6-1162-MMF-312
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-312 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

6-1162-MMF-319
July 23, 1996

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

Subject: Letter Agreement No. 6-1162-MMF-319 to
Purchase Agreement No. 1951 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH
THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT.]

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as
of even date herewith (the Agreement) between The Boeing Company
(Boeing) and Continental Airlines, Inc. (Buyer) relating to Model
737-724/-824 aircraft (the Aircraft).

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

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ Monica Fix
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 23, 1996

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis
Its Vice President

CONTINENTAL AIRLINES, INC.
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS (1)
(In thousands of dollars, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
Primary:				
Weighted average shares outstanding	53,174,956	51,375,872	53,074,397	51,277,954
Dilutive effect of outstanding stock options, warrants and restricted stock grants (as determined by the application of the treasury stock method) .	12,447,030	18,653,522	11,771,173	18,686,822
Weighted average number of common shares out- standing, as adjusted. .	65,621,986	70,029,394	64,845,570	69,964,776
Income applicable to common shares	\$ 166,203	\$ 100,436	\$ 252,825	\$ 68,766
Add interest expense associated with the assumed reduction of borrowings, net of federal income tax effect	-	5,321	-	11,940
Income, as adjusted	\$ 166,203	\$ 105,757	\$ 252,825	\$ 80,706
Per share amount.	\$ 2.53	\$ 1.51	\$ 3.90	\$ 1.15

(1) On June 26, 1996, the Board of Directors of the Company declared a two-for-one stock split (the "Stock Split") pursuant to which (a) one share of the Company's Class A common stock, par value \$.01 per share, was issued for each share of Class A common stock outstanding on July 2, 1996 (the "Record Date") and (b) one share of the Company's Class B common stock, par value \$.01 per share, was issued for each share of Class B common stock outstanding on the Record Date. Shares issuable pursuant to the Stock Split were distributed on or about July 16, 1996. All share and earnings per share information for prior periods has been adjusted for the Stock Split.

CONTINENTAL AIRLINES, INC.
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS (1)
(In thousands of dollars, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
Fully diluted:				
Weighted average shares outstanding	53,174,956	51,375,872	53,074,397	51,277,954
Dilutive effect of outstanding stock options, warrants and restricted stock grants (as determined by the application of the treasury stock method) .	12,847,344	18,653,522	12,545,049	18,686,822
Dilutive effect of Series A debentures. . .	-	-	1,287,665	-
Dilutive effect of				

8-1/2% convertible trust originated preferred securities . . .	10,332,920	-	10,332,920	-
Dilutive effect of 6-3/4% convertible subordinated notes . . .	7,617,155	-	4,059,693	-
Weighted average number of common shares outstanding, as adjusted. . .	83,972,375	70,029,394	81,299,724	69,964,776

(continued on next page)

Exhibit 11.1
Page 3 of 3

CONTINENTAL AIRLINES, INC.
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS (1)
(In thousands of dollars, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
Income applicable to common shares	\$ 166,203	\$ 100,436	\$ 252,825	\$ 68,766
Add interest expense associated with the assumed reduction of borrowings, net of federal income tax effect	-	4,175	-	8,395
Add interest expense associated with the assumed conversion of convertible debentures	-	-	442	-
Add interest expense associated with the assumed conversion of 8-1/2% convertible trust originated preferred securities, net of federal income tax effect	3,177	-	8,472	-
Add interest expense associated with the assumed conversion of 6-3/4% convertible subordinated notes, net of federal income tax effect.	2,322	-	2,577	-
Income, as adjusted	\$ 171,702	\$ 104,611	\$ 264,316	\$ 77,161
Per share amount.	\$ 2.04	\$ 1.49	\$ 3.25	\$ 1.10

(1) On June 26, 1996, the Board of Directors of the Company declared a two-for-one stock split (the "Stock Split") pursuant to which (a) one share

of the Company's Class A common stock, par value \$.01 per share, was issued for each share of Class A common stock outstanding on July 2, 1996 (the "Record Date") and (b) one share of the Company's Class B common stock, par value \$.01 per share, was issued for each share of Class B common stock outstanding on the Record Date. Shares issuable pursuant to the Stock Split were distributed on or about July 16, 1996. All share and earnings per share information for prior periods has been adjusted for the Stock Split.

6-MOS

DEC-31-1996

JUN-30-1996

		825
	0	
	461	
	0	
	162	
1527		1436
	474	
	4950	
2134		0
43		0
	0	0
	504	
4950		3128
	3128	0
	0	
	2779	
	0	
	89	
	301	
	33	
255		
	0	
	0	0
	255	
	3.90	
	3.25	